

STATEMENT AT TRADE POLICY REVIEW

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Mr. Chairman, on behalf of the United States, I wish to express my thanks to the many Members who have called or written concerning the tragic events which happened in our country this past Tuesday. Your words of condolence and support have been a great comfort to us in these difficult times. We also are sympathetic to other members who may have nationals unaccounted for as a result of this incident. I also regret any inconvenience to you that may have resulted from the rescheduling of this meeting.

Turning to the subject of this meeting, I would like to state that we welcome this opportunity to review American trade policy and to discuss U.S. efforts to support and expand the multilateral trading system. I also commend the Secretariat for its comprehensive and detailed Report; and our Discussant, Ambassador Milan Hovorka from the Czech Republic, for his important contribution in this review. The United States views the Trade Policy Review process as an essential contribution to the efforts of the World Trade Organization to increase transparency and to foster a better understanding of our policies by our trading partners.

For more than 60 years, the United States has pursued a policy of trade liberalization - seeking open markets and expanded international trade. This has been based on the belief that lowering trade barriers increases labor productivity and real wages, expands consumer choice and spending power, and raises the rate of economic growth in the intermediate term, for high income and low income countries alike.

After the Second World War, adherence to these principles guided U.S. leadership in the establishment of a system of multilateral rules, the General Agreement on Tariffs and Trade (GATT), one of the pillars of the post-World War II system. Since 1995, the WTO has continued the work of promoting sustainable economic growth and increased standards of living through trade. The World Trade Organization has been at the center of U.S. efforts to open markets worldwide. We have collaborated with our trading partners to improve the WTO and to conclude agreements that promote both greater prosperity and economic freedom, such as the Uruguay Round Agreement and subsequent multilateral agreements.

By laying the foundation for increased international economic exchange through trade policy liberalization, by brokering mutually agreed-upon rules of the road for international commerce, by providing an ongoing forum for discussion, dispute settlement, and negotiation, the GATT and WTO have

made an enormous contribution to international peace, economic stability and development, and the well-being of populations world-wide. The *raison d'être* of the WTO is to provide a world wide rules-based system for international trade that expands economic opportunity and protects the rights of all participants.

The United States has been proud to be a part of these efforts, and the fundamental features of U.S. trade policy continue to reflect this participation: i.e., the maintenance of an open, competitive market at home, compliance with WTO obligations, and leadership in the multilateral trading system. We remain committed to these principles, and dedicated to ensuring that the multilateral system embodied in the WTO continues to evolve and expand in order to continue to serve mankind's efforts for sustainable economic growth and development. This is reflected in our commitment to the launch of a new round of multilateral trade negotiations when ministers meet at Doha.

As the United States Trade Representative, Robert Zoellick, recently stated “ continued trade liberalization is essential to promoting global economic growth and alleviating poverty.” The current global economic slowdown makes it all the more essential that we press forward in pursuit of open markets and that the rules-based trading system of the World Trade Organization is strengthened, expanded, and deepened.

I. TRADE AND ECONOMIC DEVELOPMENTS 1999-2000

I. Domestic Developments

The U.S. economic record since our last trade policy review solidly demonstrates the value of open markets under the rule of law as represented by WTO commitments. The U.S. economy continues to maintain low inflation and create jobs, in no small measure due to the impetus provided by continued liberalization of international and domestic commerce.

Growth: Real GDP growth decreased only slightly from an annual average of 4.4% in the period of the previous review, 1996-98, to 4.1% in the period of the current review, 1998-2000. Most recently, however, growth in the U.S. economy slowed considerably, and was only 0.2% at an annual rate in the second quarter of 2001. The slowdown reflects several quarters of reductions in excess business inventories and declines in non-residential business investment from exceptionally high levels in recent years. The U.S. Administration, however, expects a pick up in economic activity for the second half of 2001, and forecasts a rate of GDP growth for 2001 as a whole of 1.7%. The current slowdown in no way affects our strong commitment to open markets and expanded trade as essential keys to economic growth and increased living standards.

Business Investment: The growth of business investment played an important role in business expansion in the period under review; much of it was 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 decreased from

12.4% per year to a still strong 9.0% per year. As a share of real GDP, non-residential fixed investment reached 14.6% in 2000.

Productivity: In 1996-98, output per hour worked (business sector) rose at a 2.5% annual rate; in 1998-2000, the rate of increase rose to 2.8 %. (In manufacturing alone, productivity increased at an annual rate of 5.4% in 1998-2000.) This sustained productivity growth contributed to an overall annual increase in measured real worker compensation of 2.5% per year in both the 1998-2000 period, as well as 1996-1998.

Labor Markets: Improvements in the labor market during the review period were also notable. Employment increased by 3.7 million jobs, or 2.8%, from 1998 to 2000, compared to 4.8 million jobs, or 3.6 %, increase in the comparable period of the previous U.S. trade policy review. The U.S. unemployment rate, which had averaged 4.4 % in 1998-99, dropped to an average 4.1% in 1999-2000. With the recent slowdown of the U.S. economy, however, employment markets have weakened. August 2001 data show a rise in the unemployment rate to 4.9%, its highest level in nearly 4 years, and a cumulative loss of one million manufacturing jobs since July of 2000.

Future Issues and Continuing Concerns: Rapid technological change offers remarkable economic opportunity, particularly for those workers with the skills to prosper in the evolving workplace. The Administration believes in continuous improvement in education standards to help spread opportunity as widely as possible and to assure the broad dissemination of economic benefits from new technologies.

Clearly the economic slowdown will challenge us, both in dealing with its immediate effects and in development of plans for the future. For our part, we have moved to reduce the burden of taxation on our citizens and have relaxed monetary policy, in order to stimulate demand and help restore forward economic momentum.

2. International Trade Results

The United States has maintained an open market which has benefitted the U.S. economy, our trading partners, and the trading system as a whole. In nominal terms, U.S. imports of goods and services rose by \$340 billion in the last two years, to a level of \$1.44 trillion in 2000, continuing to make the United States the world's largest importer. The United States alone accounted for 31% of global import growth between 1998 and 2000. The United States acted responsibly and assisted other WTO members by maintaining and expanding access to its market during various international financial crises in 1999-2000.

U.S. imports from developing countries increased 82 percent since 1994, faster than imports from (non-NAFTA) OECD countries. Developing countries have supplied over 25 percent of the dollar increase in U.S. imports since UR implementation. U.S. imports from the least-developed, from 1990-1999 grew 127%. In 1999, U.S. imports from the least-developed totaled \$6.6 billion, and rose to \$9.2 billion in 2000, a 39% increase from 1999.

Export Growth: Since 1998, total goods and services exports have risen from \$933 billion to \$1,066 billion. It is estimated that more than 12 million American jobs currently are supported by exports. Such jobs tend to be higher skilled jobs supported by goods exports, paying 13 % to 18% more than the U.S. national average. Export growth, however, has slowed during this review period. Growth of real exports of goods and services dropped from an average of 7.1 % per year from 1996 to 1998, compared to 6.3 % from 1998 to 2000. Goods and services exports reached 11.0 % of nominal GDP in 2000.

Import Growth: Strong growth in GDP and even stronger growth in domestic demand contributed to rapidly increasing imports. Imports of goods and services rose from \$1,099 billion in 1998 to \$1,441 billion in 2000 in nominal terms. In real terms, U.S. imports grew at an average annual rate of 11.9% from 1998 to 2000, compared to 12.7% in from 1996 to 1998 (as reported in the U.S. national income and product accounts). Goods and services imports reached 14.6% of nominal GDP in 2000. The quantity of U.S. imports from developing countries free of any duty have risen from 46% in 1994, prior to implementation of the Uruguay Round, to 62% in 2000.

Trade Balance: The combination of generally stronger economic growth in the United States than in many of its trading partners during this period and the desire of many foreign residents to participate in the strongly performing U.S. economy through increased foreign investment in the United States, contributed to a sharp increase in the U.S. trade deficit. The U.S. deficit in trade in goods and services rose from \$167 billion in 1998 to \$376 billion in 2000.

The lessons we have learned about effects of open, pro-competitive policies at home and at the border offer promise across the globe for further reducing poverty, raising living standards, and enhancing growth. We expect international trade will continue to play a central role in economic growth and development, both in the United States and worldwide.

II. TRADE POLICY DEVELOPMENTS

Both the Secretariat's Report and our Report review recent policy developments. President Bush has placed enactment of U.S. Trade Promotion Authority (TPA) at the top of his trade legislative agenda. The formal legislative process has begun, with the introduction in Congress of a TPA bill which would give the President the necessary authority to pursue the negotiating objectives set forth in his 2001 International Trade Legislative Agenda.

A priority of the United States is the launch of a new round of multilateral trade negotiations when ministers meet at Doha. President Bush and other G-7 leaders pledged, in their July meeting, to "engage personally and jointly" to ensure a successful launch of an ambitious new round of global trade negotiations at the Ministerial Conference. The United States supports the launch of a new negotiating round for a number of important reasons. Expanding trade opportunities can play a key role in stimulating flagging economies and helping to ignite economic recovery and expansion by providing farmers, workers and

businesses around the globe with new opportunities to sell their products. Also, as the President has stated, helping developing countries build a better future is a priority objective of U.S. foreign policy and free trade is the only proven path out of poverty. A new round can advance this objective.

In laying the foundation for a successful launch of new negotiations, the United States has recognized the difficulties that many developing countries have experienced in trying to implement certain Uruguay Round obligations. We have been working with other Members to develop appropriate responses. There has already been meaningful progress on these issues and we will work with our partners to achieve further progress in the area of implementation, including through negotiations, where appropriate.

I would now like to highlight some of the other trade policy developments, regional and bilateral trade initiatives, implementation of WTO commitments, and strengthening the capacity of our trading partners.

1. Regional and Bilateral Initiatives

Within the scope of WTO rules, the United States has continued to develop its regional and bilateral initiatives to complement our efforts within the multilateral trading system, consistent with our multilateral obligations. These efforts focus on furthering trade liberalization through regional and bilateral free trade agreements, and by granting unilateral import access to countries within the Caribbean basin and sub-Saharan Africa.

At the April 2001 Summit of the Americas, the United States and the 33 other democratically-elected governments in the Western Hemisphere agreed to negotiate a Free Trade Area of the Americas by 2005. This agreement will cover 800 million people living in North and South America, and the Caribbean basin.

In April 2001, the United States and Chile announced their intention to complete negotiations by the end of the year of a comprehensive Free Trade Agreement. We are also engaged in negotiations with Singapore on a comprehensive free trade agreement. The United States, Canada and Mexico also agreed, in January 2001, on a third round of accelerated tariff reductions, under the North American Free Trade Agreement (NAFTA).

The Administration is also seeking Congressional enactment of the U.S.-Jordan Free Trade Agreement, which was signed in October 2000. Looking beyond free trade agreements, the United States has signed, and is seeking legislative enactment, of bilateral trade agreements with Vietnam and Laos.

With respect to unilateral preferences, the African Growth and Opportunity Act (AGOA) was signed into law in May 2000. AGOA establishes a new framework for U.S. trade, investment and development policy for sub-Saharan Africa. AGOA beneficiaries enjoy duty-free market access, for essentially all products, under the U.S. Generalized System of Preferences program. Also enacted in May 2000, the Caribbean Basin Trade Partnership Act (CBTPA) provides preferential access for products that had previously been excluded from the Caribbean Basin Initiative. The Andean Trade Preferences Act (ATPA) continues to have a positive impact in this period on the trade of the four Andean region countries with the United States. The President's trade agenda calls for the continuation of Andean trade preferences and an expansion of the program's benefits.

Important activity has taken place within the Asia Pacific Economic Cooperation (APEC) forum, from the Leaders and Ministerial Agreements, to the work of Senior Officials and the Committee on Trade and Investment, to give effect to APEC's vision of free and open regional trade and investment. The United States and the European Union have continued to utilize the Transatlantic Economic Partnership (TEP) initiative, which seeks to deepen and systematize the cooperation in trade.

2. Implementation of WTO Commitments

The United States has much to report with respect to its own implementation of WTO commitments.

General Agreement on Tariffs and Trade: Phase-ins of U.S. tariff cuts, and reduction of non-tariff measures, are based upon the 1994 Uruguay Round Agreements Act. We have implemented these cuts on schedule, and will complete them by 2004. The current U.S. trade-weighted average tariff is just under 3% on a legally bound basis, under the WTO, and will continue to fall with the full implementation of Uruguay Round commitments.

Agreements on Agriculture and Sanitary/Phytosanitary Standards: U.S. agriculture tariff and subsidy reductions as mandated by the Uruguay Round Agreement on Agriculture have been implemented. The United States lowered agricultural tariffs by an average of 36%. The average applied tariff for agricultural products in 2000 of 10.4%, among the world's lowest. As a result, U.S. agricultural imports from developing countries rose to over \$12.3 billion in 2000. U.S. sanitary and phytosanitary standards and inspection procedures are, likewise, in accordance with the Sanitary and Phytosanitary Agreement, based on science and protecting public health.

Agreement on Technical Barriers to Trade: U.S. rules and procedures regarding voluntary product standards, mandatory technical regulations, and the procedures used to determine whether a particular product meets such standards or regulations are in accordance with the Agreement on Technical Barriers to Trade. The National Institutes of Standards and Technology (NIST) serve as the inquiry point, maintaining a reference collection and responding to requests for information concerning standards and conformity assessment procedures.

Agreement on Clothing and Textiles: As mandated by the Uruguay Round Agreements Act, implementation of U.S. commitments on textiles and clothing is on schedule and we remain committed to fully implementing the Agreement on Textiles and Clothing. U.S. imports of textiles and clothing increased by 90.2% overall since the WTO entered into force, or by an average rate of 11.3% each year (in square meters equivalent). Developing country exports of textiles and clothing to the United States have grown 72% since 1994, reaching a value of \$42 billion in 2000. In value terms, imports of textiles and clothing increased absolutely by 79.4% or by an average rate of 10.2% each year since the WTO has entered into force. The implementation of U.S. commitments will remain on schedule in years ahead.

General Agreement on Trade in Services: The U.S. service market is generally open to domestic and foreign competition. Imports of services last year reached \$217 billion. The United States has made commitments in virtually every services sector, and participated in the WTO Agreements on Basic Telecommunications Services and Financial Services. Our domestic telecommunications reform legislation promotes innovation and competition, and is consistent with the GATS and Basic Telecommunications Agreement.

Trade-Related Intellectual Property Rights: U.S. intellectual property statutes, including patent, trademark and copyright laws, and enforcement fully reflect WTO standards. Since the last review period the United States has enacted the Trademark Law Treaty Implementation Act. In addition, the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999 amended Federal copyright law to increase the statutory damages available for copyright infringement.

Dispute Settlement: The Dispute Settlement Understanding is fundamental to the functioning of the WTO. Effective, timely dispute resolution not only helps members resolve specific disputes but gives our public greater confidence in the trading system. It is a high priority in U.S. trade policy to ensure respect for the dispute settlement system, and for that reason we believe it is imperative that all WTO Members respect panel and Appellate Body rulings. The United States has been an active user of the WTO dispute settlement system, filing or participating in 106 complaints. I would note that of those cases with U.S. involvement concluded thus far, nearly three quarters (43 of 59) have resulted either in satisfactory settlement or panel decisions in favor of the United States.

It is also important that we are working with others to improve the system. The fact that the panel are closed to public observers reduces public confidence in the dispute settlement process and, to some extent, in the WTO itself. On our own, we have sought to improve the transparency of the process by seeking public comment on every dispute settlement proceeding where the United States is a party. We have also made our written submissions to panels and the WTO Appellate Body available to the public as soon as they are submitted. As we have noted before, we stand ready to open to the public any dispute settlement proceeding in which the U.S. participates, if the other party or parties agree. We urge that the WTO open its adjudicative proceedings to the public and publish panel decisions promptly.

3. Trade Capacity Building

The United States understands that increased trade liberalization provided through negotiations in the WTO to expand trade rules and increase market access must be coupled with strengthening the capacity of developing countries to take advantage of these opportunities. Such trade-related capacity building is essential to integrate developing countries into the global trading system and to allow international trade to do a better job of fostering economic growth and poverty reduction.

The United States is fully involved in the support of multilateral efforts to build trade capacity. Last year, the United States provided a grant of \$650,000 to the WTO Global Trust Fund to conduct educational workshops on trade policy and WTO rules for countries in Africa, and develop computer-based training modules on the multilateral system. This year, the United States announced a \$1 million contribution to the WTO Global Trust Fund to help developing countries meet their Uruguay Round commitments. We plan to make a similar contribution next year. The United States also made a \$200,000 contribution to the Integrated Framework Trust Fund and a \$500,000 contribution for parallel activities to help least developed countries to mainstream trade.

Overall, U.S. funding of trade capacity building programs, which totaled over \$1.1 billion during the 1999-2001 three-year period, is rising steadily. According to the latest figures, the US provided \$297 million in 1999, \$365 million in 2000 and \$466 million in 2001 on trade capacity building assistance. This assistance has helped developing countries, in every region of the world, to expand their ability to take part in negotiations, to implement agreements and address "behind the border" constraints. Among these WTO related activities are:

Accession: The United States provided more than \$18 million in 1999-2000 period for WTO accession capacity-building activities such as training regarding various aspects of the accession process to 17 countries in the process of accession.

Customs: In 1999 and 2000 we provided approximately \$30 million to help countries harmonize their tariff structures and customs practices in compliance with WTO requirements and adopt measures to improve customs administration in order to reduce processing times, facilitate border crossings, and improve economic efficiency.

Trade-Related Intellectual Property Rights: Since October 1998, the United States has provided training or other assistance on intellectual property rights to officials from approximately 65 countries, involving more than 240 different seminars, courses, or other events.

Sanitary and Phytosanitary. The United States also provided assistance to help countries in the Caribbean, in Africa and elsewhere, design and implement food safety systems so that their agricultural exports could meet international and U.S. standards.

Technical Barriers to Trade. We recently gave \$640,000 to the World Bank to assist African countries to help find ways to participate in the development of standards and disseminate information on standards to facilitate their market access.

Trade Facilitation: The United States provided more than \$60 million in 1999 and 2000 to build the capacity of local institutions to provide trade-related information and support services to local businesses.

Considerable additional assistance is also being provided in areas such as infrastructure, finance, governance and transparency, human resources and labor standards, and the environment.

We will continue to work with other countries, with the World Bank, and through the WTO to strengthen capacity building assistance both to LDCs and to non-LDC developing countries. We are also currently constructing a data base on our activities to help improve assistance coordination and respond better to developing countries requests for assistance. Another indication of our increased focus in this area is the decision announced in August 2001 by the United States Agency for International Development, to establish a Bureau of Economic Growth, Agriculture and Trade, that will be responsible for its trade capacity building technical assistance.

4. Sustainable Development and Labor Policy

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

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 believe it is important to identify and pursue areas where trade liberalization holds particular promise for yielding both trade and environmental benefits. Three specific areas that hold such promise are further disciplines on trade-distorting agricultural policies, including the elimination of agricultural export subsidies, the elimination of subsidies that contribute to over-fishing, and opening markets for environmental goods and services.

Participation in the global economy through international trade is the primary avenue for growth and development today. International trade also increases opportunities for workers to expand their earnings and employment options. The challenge for governments is to ensure that citizens benefit from globalization while minimizing the economic and social costs of adjustment. It is now widely recognized

that respect for and adherence to internationally recognized core labor standards is an important element in responding to this challenge.

WTO Ministers renewed their commitment to the observance of internationally recognized core labor standards in the 1996 Singapore Declaration. In addition, the 1998 ILO Declaration on Fundamental Principles and Rights at Work (endorsed by virtually all WTO governments as members of the ILO) affirms the obligation to adhere to the principles concerning freedom of association and the right to collective bargaining; the elimination of forced or compulsory labor; the abolition of child labor; and the elimination of discrimination in employment. We will continue to work with other WTO Members to ensure that these important commitments are kept in mind as we move forward in our work.

CONCLUSION

To conclude, the WTO is an integral part of both our domestic economic agenda for growth and prosperity and our commitment to a more peaceful and prosperous world community. We view the past years as a period in which the multilateral trading system offered the United States and its trading partners great opportunities for prosperity and growth. Since our last Trade Policy Review, we have all derived remarkable benefits from the WTO, which has helped create economic opportunity and been a strong force for economic stability and open markets. We are committed to ensuring that the benefits of WTO Membership are broadly spread. We are proud of our role in the creation and development of the WTO, and we applaud the work of our trading partners and the Secretariat, for their dedication to the system and its ideals of open markets, transparency and the rule of law.

Thank you.

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