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# APPENDICES

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## Keynote Opening Address

RENATO RUGGIERO

One of the constants of the trading system over the past 50 years has been US leadership. The United States has been a driving force behind eight rounds of world trade negotiations, including the successful conclusion of the Uruguay Round. Recent multilateral agreements for free trade in information technologies, telecommunications, and financial services—which together are equivalent to a major round—were also driven by US leadership. And there would be no World Trade Organization (WTO) today without the imagination, tenacity, and bipartisan commitment of the US government. So, when the future of the trading system is discussed, by definition we are also talking about the future of US leadership and US trade policy.

However, there is another important point to emphasize about the future of the world trading system. Just two decades ago, the challenge facing the trade community was how to fully incorporate subsidies, anti-dumping, and technical standards into the rules of the system. Now, the trading system is being called on to address environmental policy, financial instability, labor standards, ethical issues, development policy, competition law, culture, technology, investment, marginalization, security, and health—an ever-lengthening list of issues that can be associated with trade. These additional issues reflect the system's success in lowering trade barriers. However, as we all know, trade's importance is far reaching. As the European experience has shown, it can also be the cement of peace. So, on the 50<sup>th</sup> anniversary of the General Agreement

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*Renato Ruggiero is Director-General of the World Trade Organization, Geneva.*

on Tariffs and Trade (GATT)/WTO, we celebrate the past achievements and the future promise of a system that is as indispensable to global stability and security as it is to global prosperity.

This milestone underlines how interdependent the present world has become and how important the trading system is to managing globalization. As trade, investment, and technology weave economies closer together, the trading system has become a growing focal point for public expectations and concerns. Do differing labor standards confer an unfair trade advantage? Are environmental regulations a national or a global concern? Should governments be able to regulate content on the internet? These new issues are a long way from “traditional” trade concerns such as tariffs, but they underline how economic integration can turn domestic issues into global concerns. The issues also represent legitimate and important policy goals that the international trading system needs to address one way or another.

Today, I want to clarify a few elements of this emerging debate. First, in today’s interdependent world, the need to address policies, issues, and objectives that are related in different ways to trade is not something the multilateral trading system can ignore. As US Trade Representative Charlene Barshefsky recently pointed out, “both trade and the environment are critical. No one is being asked to choose one over the other and no one should.”<sup>1</sup> No one can ignore the reality of these global concerns—whether they are environmental, development, social, or ethical issues. To describe the WTO—as it is sometimes depicted—as an institution that is only focused on free trade and that is insensitive to broader human concerns and values is a false representation.

From the beginning, the trading system’s mission to improve human welfare has been clear. The preamble to the GATT, negotiated in 1947, emphasizes that trade liberalization should be conducted with a view to “raising standards of living [and] ensuring full employment and a large and steadily growing volume of real income.” For over 50 years, the system has fulfilled that mission in a way that has made an immeasurable contribution to creating a more prosperous and stable world.

The multilateral system has contributed to an extraordinary period of growth in world trade and output—growth that in turn generates the economic resources that allow more ambitious and costly environmental and social policies to be established. World trade flows have increased 14-fold since 1950, exceeding \$6 trillion for the first time in 1995. During the same period, world GDP increased by 1.9 percent per year (at constant prices and accounting for overall population growth), which is an extremely high figure by historical standards.

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1. Keynote address on the Global Trading System at the GATT 50<sup>th</sup> Anniversary Forum, Brookings Institution, 4 March 1998.

More and more countries, especially in the developing world, are being drawn into this system as its relevance increases and influence expands. While GATT rounds in the 1950s typically involved about 20 to 30 countries, the Uruguay Round had 123 participants. Today the WTO has 132 members, 80 percent of which are developing or transition economies. Developing countries as a whole now account for a quarter of world trade, compared to less than a fifth about 15 years ago. The manufacturing sector further illustrates how successful these rounds have been: its share of world trade has doubled, from 10 to 20 percent. Over the same period of time, 10 developing countries with a combined population of 1.5 billion people have doubled their per capita income.

Then there is the political value of the trading system—placing international economic relations on a firm foundation of the rule of law rather than one based on the rule of power. Open trade based on universally accepted rules helps to build shared international interests and provides a powerful motive for maintaining global stability and cooperative relations. Cooperative relations in turn provide the best foundation on which to build mutual respect.

There is already an ambitious list of negotiating commitments on the WTO's agenda, including negotiations in agriculture and aspects of intellectual property in addition to services. Decisions on investment and competition policy must also be taken soon, while new issues such as electronic commerce are already demanding a response. As IBM CEO Lou Gersiner has suggested, technology is pushing international cooperation to a new level, or what he describes as "global public policy." At the Ministerial Conference in Geneva in mid-May, a consensus on the mandate for the preparation of these and other negotiations was to be reached.<sup>2</sup>

All of these actions reinforce the WTO's institutional role as a forum for ongoing negotiations and a binding mechanism for settling disputes. Some 106 cases have been brought to the WTO in the first three years of its existence, compared to approximately 300 cases throughout the life of the GATT, and many of these cases are being brought by developing countries, which underlines their growing faith in the system.

Unfortunately, the public relations aspects of the dispute-settlement mechanism are far less satisfactory than the system itself. Preliminary results of sensitive disputes—usually based on partial or incomplete knowledge—have found their way into the public domain via the press or the internet. These partial and incomplete presentations sometimes express political judgements; yet, the WTO is prevented by the rules to which member governments have agreed from providing the full details of cases until the process is completed. By then, opinions and political

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2. For an update and additional information, see the Ministerial Declaration adopted on 20 May 1998, WT/MIN(98)/DEC/1.

positions have been formed, and it is often too late to correct mistaken impressions. This creates a major political challenge for the dispute settlement process—a challenge that members must address as soon as possible if they want to preserve the legitimacy of the system in the public's mind.

By arguing that trade has an important role to play in creating an economic environment more favorable to sustainable development or social justice, I am not arguing that the link is somehow automatic or inevitable. For example, a free global market can do little to ensure that air, water, or energy resources are accurately priced for sustainable development if no mechanisms exist to internalize environmental costs. In the same way, trade liberalization is an extremely powerful engine for economic growth, but it can do little by itself to guarantee that wealth will be equitably distributed. The essential point is that environmental and social policies are needed to redistribute the benefits that trade brings and to target particular public goals. In the increasingly integrated world, many of these policy solutions will have to be as global in scope as the global economy they must now address.

First, it would be difficult not to recognize that more progress is needed in the WTO Committee on Trade and the Environment. Its work must be revitalized if the trade and environmental agendas are to advance in a mutually supportive way and if we are to move beyond identifying problems to identifying solutions. In all this work, it will be essential to take full account of the views of all WTO members, including developing countries. One clear priority is the need for a better framework to define the relationship between multilateral environmental agreements and the WTO when there is room for contradictions and inconsistencies between the two systems of law—which will in turn require greater technical coordination between trade and environmental policymakers at both the national and the international level. Ecolabeling, production and process methods, and the so-called precautionary principle are the other areas where clarity between both policy objectives—trade liberalization and environmental protection—is needed.

Second, we must continue to make progress on the labor-standards issue. The clear and strong consensus that emerged from the WTO's 1996 Ministerial Conference in Singapore was a crucial step forward: members committed to observing core labor standards, recognized the International Labor Organization (ILO) as the relevant body to address these issues, agreed that standards are best promoted by growth and development and best fostered by trade liberalization, and finally, agreed that labor standards should not be used for protectionist purposes or to question the comparative advantage of countries. The fact that the ILO is now making important strides in these areas demonstrates not only that consensus on the most difficult issues is possible but that consensus is absolutely critical to real and lasting progress.

The third step was the 1997 WTO initiative to provide assistance in collaboration with United Nations Conference on Trade and Development (UNCTAD), United National Development Programme (UNDP), the World Bank, and others, to address the needs of least-developed countries. One objective is to give least-developed countries better access for their exports in advanced markets—and I strongly advocated that we provide bound duty-free access. Another objective is to integrate the new technologies more effectively, so that least-developed countries are aware of the opportunities in the global trading system, and better equipped to seize them. The third objective is to better integrate a wide range of policies—by linking technical assistance with capacity building to design a mutually reinforcing strategy for development.

These examples emphasize three points. First, that multilateral approaches in the environmental, labor, and development fields are working, although more progress is needed. Second, that WTO members have a direct interest in real, substantive, and durable progress in these areas because without such progress the momentum of the world trading system itself could suffer. Third, that progress in these and other policy areas will be greatest where they advance according to their own logic and needs and in the forums best adapted to them. The WTO cannot provide a shortcut to consensus in these other policies. On the contrary, if governments cannot reach a consensus in the appropriate forums, it is even more difficult to see how they could reach consensus in an organization whose focus is trade and whose objective is trade liberalization.

The relationship between regional arrangements and multilateralism is another area where the relationship between different systems needs to be clarified and their common ground needs to be emphasized. No doubt, regional arrangements can help the integration process, providing an impetus to greater liberalization, especially for the developing countries. But in a world where the reality of global integration calls for global solutions across a range of policies and issues, regionalism cannot provide an alternative to the multilateral system.

The difference between multilateralism and regionalism comes down to the basic question of whether or not the agreement is discriminatory. It is true that the multilateral system has always accepted some qualifications to most favored nation (MFN) treatment in regional arrangements as long as they meet the test of Article XXIV of the GATT and Article V of the General Agreement on Trade in Services (GATS). But with the growing scope and ambition of regional arrangements it is increasingly clear that conforming with the legal requirements of the multilateral system cannot be the only consideration. There are other issues at stake that are even more important. One is the adverse impact of a complex web of differing regional and multilateral rules (especially the potential for competing dispute settlement procedures) on the integrated world trading system. An even greater concern arises when regional agreements

cover too many countries and too great a share of world trade—to the point where preferential deals become the rule rather than the exception in international trade relations. The answers to these questions—as well as the more legalistic issues—will have a powerful impact on the future direction of the trading system.

I do not claim that the multilateral trading system that we have built in the last 50 years is perfect. But it is a system that treats all countries equally, regardless of size, wealth, or power. It is a system that operates by consensus, with all decisions approved by each government and ratified by each national parliament. And, more fundamentally, it is a system that is rule based, not power based, as a shared responsibility of all its members. It would be difficult to find a more transparent and democratic system in the international community—a reality that explains the lengthening list of developing and transition economies lining up to join the organization. Yet, we do not offer grants or loans, but just a framework to negotiate the lowering of trade barriers inside binding rules, with appropriate flexibility for developing countries.

The reality of globalization is the reality of interdependence—an interdependence that, as I said at the outset, extends far beyond trade or strictly economic criteria. The human dimension of globalization is even more important. In every country and every region, the same questions, concerns, and anxieties are being expressed: People want the fruits of economic growth and integration, but at the same time they fear the effects of globalization on the environment, wage levels, or cultural identities. They want a strong and enforceable system of rules, but only for others. They claim that their policies and practices are best and want them adopted by others, but rarely do they accept the same proposition in reverse. They also recognize the benefits of greater cooperation and coordination at the international level, but they instinctively resist interference in domestic affairs or laws or policies. This apparent contradiction reflects the fact that politics are mainly national, while technology, economics, and people's hopes and fears are increasingly global. This is why an international architecture that balances both policies and objectives is needed.

By definition, the global challenges we all face call for shared and cooperative solutions. They demand consensus. This means using multilateral negotiations to construct multilateral agreements that will require determination, skill, and patience. In May 1998, we had an opportunity to celebrate a unique and uniquely valuable exercise in global economic cooperation: the 50th anniversary of the multilateral trading system. But we now have a window of new opportunity to be as creative in developing the architecture of an increasingly borderless, global economy as our forefathers were a half a century ago in developing the postwar international system. The world needs a breadth of vision that can match this emerging global age. Now, as then, the United States will be expected to help to provide that vision and the leadership to make it a reality.

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# Challenges to the Global Trading System

AMBASSADOR CHARLENE BARSHEFSKY

It is a particular pleasure to address this forum, as we mark the 50th anniversary of the General Agreement on Tariffs and Trade (GATT) system and look ahead to its prospects in the 21st century.

## Introduction

We should be grateful that we are alive at a very unusual time in history. The United States is enjoying a prosperous age. Not only is the unemployment rate lower than ever before, but science, technology, and medicine is surging ahead, the government's budget is in balance, crime and welfare rates are falling, and the environment is much cleaner than it was a generation ago. If the United States stays on the right path, we should expect the economy to continue to grow, productivity to advance, inflation to stay down, and living standards to rise.

Looking abroad, we see an era of peace. For the first time in decades, the United States does not face any global threat. There are also fewer people hungry than ever before, and there has been an annual decrease in infant mortality, an increase in literacy rates, advances in science, and even a boom in trade.

The 21st century will give us a chance to build a world that reflects our most cherished values: a world of open and accountable governments that succeeds because of the rule of law and its fair employment practices; a world that is just and peaceful; a world that maintains a

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*The Honorable Charlene Barshefsky is the US Trade Representative.*

clean and healthy environment; and a world that rewards creativity and entrepreneurialism.

This morning, I would like to talk about the role that international trade, and specifically the multilateral system, has in the Clinton administration's plans to make this future a reality. There are a number of issues the multilateral system must address, from traditional trade barriers to new member recruitment. It must also ensure that members fulfill the spirit as well as the letter of their commitments. The multilateral agreements on trade must also promote transparency, fight bribery and corruption, respond to the social questions of labor standards and environmental protection, and set guidelines in the new sector of electronic commerce. However, its most important task may be to calm not only the growing concerns and anxieties of ordinary citizens around the world, but also to answer the question: Are trade or trade agreements the enemy of jobs and high living standards?

## The Last 50 Years

Before we can answer this question, one must look back at the people, ideas, and institutions that brought the world to this point. The establishment of the multilateral system is a good place to start.

The founders of the GATT system—the World War II leaders of the United States, the United Kingdom, and the other Allied nations—began their discussions just a few months after World War II, where they had learned two lessons. First, they realized that political tolerance of human rights abuses and international aggression had brought disaster upon the world. Second, they realized that the economic detachment of countries from one another after the trade wars of the early 1930s had deepened the Depression and made it easier for dictators and demagogues to come to power. To quote US President Franklin Delano Roosevelt:<sup>1</sup>

[A] basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. . . . [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power—and that such a rise encourages a better standard of living in neighboring countries with whom it trades.

The result of these lessons was the network of international institutions familiar to us today: the United Nations, the International Monetary Fund (IMF), the World Bank, the International Labor Organization

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1. A radio Fireside Chat reporting on the 1944 State of the Union Address, 11 January 1944.

(ILO), and the GATT. All of these institutions had a common commitment—the rule of law and a faith in human freedom, which is the best guarantor of peace and a better life.

The GATT system began with border measures such as tariffs and quotas, then moved to nontariff barriers in the Tokyo Round, and subsequently covered agricultural trade, services, investment, intellectual property rights, and the trade impact of domestic regulations in the Uruguay Round. As a result, there has been more liberal trade in goods, services, and investment as well as more choice and more freedom for consumers. Labor, financial capital, and natural resources are used more efficiently, more productively, and to the benefit of all rather than to just a few. Trade has grown 16-fold, economic output has increased 4-fold and, at least in the economic sphere, the rule of law is honored more each year.

## Answering the Question of the 20<sup>th</sup> Century

At the same time, another large part of humanity was unwillingly enlisted in a different experiment. On the other side of the Iron Curtain, rulers saw human planners as preferable to the less ordered and predictable forces of the market.

The American socialist, Edward Bellamy, writing well before the Cold War era, accurately, and with approbation, forecast the development of the Soviet system in *Looking Backward*, a book that describes how a 19<sup>th</sup> century Bostonian awakes in the year 2000 to find a comprehensive plan for all economic output directed by a few people in the nation's capital. Citizens, enrolled in an "industrial army," would carry out the economic plan each year and be supervised by "captains," "colonels," and "generals"; at the head of the hierarchy would be the "president," who got his job without a popular vote. In essence, as the metaphor of the industrial army indicates, it would be a system based on coercion rather than free choice.

One of the great questions of the 20<sup>th</sup> century was: Which of these systems would succeed? Would it be the US system, which is based on freedom, markets, and the rule of law or would it be the Soviet system, which is based on coercion, central planning, and force? Even as late as the 1950s, Soviet Premier Nikita Khrushchev threatened to economically overpower the United States, and the United States took the threat seriously, especially since the Soviet model continued to win adherents in developing countries until the mid-1980s.

But history's lesson is now clear. One must neither idealize free markets—competition can be painful and divisive, and market failures in areas such as environmental protection are real—nor believe that government is useless to understand that there is no substitute for the market. When judging by economic productivity, scientific and technological

progress, as well as by the basic values of freedom and the rule of law, free markets will always win.

The GATT system deserves much of the credit for the success of free markets. It catalyzed the greatest expansion of global growth and opportunity in history, and the world, almost unanimously, agrees that its principles offer the best hope for the future. China and Russia—for decades the greatest enemies of the free market—best illustrate this concept since they now hope to join the world trading system. As the GATT develops in the next century, we have every reason to expect that more open global markets can continue their contribution to a prosperous and peaceful world, lifting millions from poverty and exceeding the US economic aspirations.

But the ability of the United States to create such a future depends on its willingness to confront four great challenges. First, the United States must continue the work of the past 50 years and finish the work that remains undone in today's GATT system. Second, it must update the current system so that it addresses the issues of new products, services, and methods of trade—in particular those created by new technologies. Third, the United States needs to reach a consensus on addressing the social questions posed by trade. Most importantly, it must ensure that the system continues to reflect the values, and thus the support, of US citizens.

## **Completing Today's System**

Let me begin by discussing the first of these challenges: the unfinished work of today's system.

### **Too High Traditional Trade Barriers**

Traditional trade barriers remain too high. They are highest in some of the areas where the United States is most competitive. Agriculture, which will have a new set of talks in 1999, is the best example. Eliminating these barriers will allow new economic opportunities and higher living standards—just as it did in the sectors<sup>2</sup> in which the Uruguay Round eliminated or harmonized tariffs (immediate effects included a nearly 34 percent increase in US exports, which was far above the overall rise of exports). In 1999, negotiations will begin on the “built-in agenda” of the Uruguay Round, including new discussions on expanding the liberalization of trade in agriculture and in services, improving and extending

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2. Sectors included harmonization for chemicals and tariff elimination for agricultural equipment, beer, construction equipment, brown distilled spirits, furniture, medical equipment, paper, steel, pharmaceuticals, and toys.

WTO rules on government procurement, and strengthening intellectual property rights, among others.

## New Members

Although large, the system does not include some of the world's biggest countries, fastest-growing economies, or its largest trader. China, Russia and the rest of the former Soviet Union, Taiwan, and Saudi Arabia come to mind, as does Vietnam, when one thinks of nonmembers. As long as these nations remain outsiders, the GATT system will be incomplete, imperfect, and subject to distortion from those who are not bound by its rules.

Integrating many of these economies, which are in transition or which take alternative forms, is a complex task. To strengthen rather than undermine the world's market-based rules, they should be brought in, but only on the right terms. The countries must agree to uphold their commitments to open markets, maintain transparent, nondiscriminatory regulatory systems, and allow effective, national treatment both at the border and within the domestic economy. Although the task is difficult, I believe it is possible.

## Making Membership More Meaningful

Some countries have been members of the GATT system for decades, but they have maintained markets hostile to competition.

Successive negotiating rounds significantly changed the letter of the laws governing the markets of these countries, as tariffs fell, quotas relaxed, and so on. Nonetheless, they often failed to meet the spirit of their goals. Markets remain largely closed, opaque, and driven more by informal cliques than by laws, rules, and contracts. Japan is a classic case. The seeds of the Asian financial crisis in other nations are another prime example of this closed-market mind set. Excessively close ties between government, business, and banks combined with lack of transparency and suppressed competition and market mechanisms have triggered the crises throughout the region. As we look ahead, we must examine whether the GATT or the WTO should be more alert to those structural and systemic barriers to trade, how we can correct them, and how we can prevent similar problems in the future.

Similarly, other long-standing member countries have used different methods to avoid opening up to global competition. India has long maintained balance of payments restrictions on imports. Many African nations never undertook the basic tariff bindings that would open their markets and enable them to grow. Some, despite GATT membership, have increased overall protection, exacerbating their economic isolation and worsening poverty. New trade incentives, anchored in economic

reform and, for example, embodied in the Clinton administration's Africa policy, should help. But we must again ask why the system did not address these problems long ago.

## **The 21<sup>st</sup> Century Economy**

The GATT system must evolve to fit the economic world of the 21<sup>st</sup> century. Today, and more importantly in the future, services as well as goods cross national borders. Business is done by email and computer as well as in person. And human ingenuity creates new categories of goods, new forms of services, and entirely new ways to conduct trade every day.

The GATT system is already changing to reflect this reality. In 1997, members successfully negotiated three global agreements for the foundation of the 21<sup>st</sup> century economy: information technology, telecommunications, and financial services. These agreements are so significant that WTO Director-General Renato Ruggiero speaks of them as the equivalent of a major trade round.

The Information Technology Agreement (ITA) will eliminate tariffs on a wide range of global information technology products over the next several years; products that currently make up about 1 in every 30 US dollars of world GDP. Even now, we are moving forward with negotiations for a second ITA for expanded product and country coverage.

The Agreement on Basic Telecommunications includes 70 countries and over 95 percent of world telecom revenue in a \$600 billion industry. It provides US and foreign companies with access to local, long-distance, and international service through any means of network technology and ensures that US companies can acquire, establish, or hold a significant stake in telecom companies around the world. This agreement replaces a 60-year tradition of national telecommunications monopolies and closed markets with market opening, deregulation, and competition, which reflect the American values of free competition, fair rules, and effective enforcement.

In December 1997, we secured the Multilateral Agreement on Global Financial Services, which included banking, securities, insurance, and financial data services. It covers 95 percent of the global financial services market, and 102 WTO members now have market-opening commitments in the financial-services sectors. They encompass \$18 trillion in global securities assets, \$38 trillion in global (domestic) bank lending, and \$2 trillion in worldwide insurance premiums.

These agreements recognize that the world is in an era of intense technological change—when product life cycles are measured in months and information and money move around the globe in seconds; when we can no longer afford to take seven years to finish a trade round or

let decades pass between identifying and acting on a trade barrier; and when the infrastructure of the 21st century economy is as much information and communications as roads and ports.

But we will have to do more. In particular, we will have to address global electronic commerce—electronic transmissions and the internet. As President Clinton noted in his speech to the Technology '98 Conference, the internet is the fastest growing social and economic community in history. A survey in April 1998 concluded that the world wide web currently has at least 320 million pages and will have more than 3 billion by the turn of the century. Experts predict that by 2002, electronic commerce between businesses in the United States alone will exceed \$300 billion.

Today, the world of electronic transmissions is, in trade terms, pristine. The GATT system, to oversimplify only slightly, represents 50 years of unraveling the tariff and nontariff barriers governments created over a century.

The right vision today will spare the next generation that work in electronic commerce. No member of the WTO now considers electronic transmissions subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages, or computer data links, and this duty-free treatment should include electronic transmissions on the internet. We hope to keep it that way, as the first step of ensuring that electronic commerce remains a catalyst for growth and expansion of trade.

### Transparent, Open, and Competitive Markets

The GATT system must also address problems that have existed for many years, but which it does not currently reach. For example, all countries have established regulatory systems to protect such critical interests as the health, safety, and security of their citizens. These are essential functions of government. The GATT system then needs to ensure that such regulatory systems result in the transparent, procompetitive markets they are intended to foster and yet also are flexible enough to identify further areas that need regulation. The Asian financial crisis serves as a stark reminder that genuine transparency is more than the mere publication of rules and regulations.

Some basic principles should apply to new areas that need regulation. The WTO's role is not to demand a system of uniform regulation nor to detract from the absolute right of governments to establish a particular set of regulatory norms—provided that they are neither discriminatory, nor arbitrary, nor disguised barriers to trade. Rather, the role of the WTO is to ensure that national regulatory practices are fully transparent and not politically directed. These public regulations include enforcing the principles of genuine national treatment and due process, upholding

commitments to publish, and making all regulations readily accessible. Inherent in the need for clear, enforceable rules is also the need for impartial regulators.

I offer competition policy, and bribery and corruption as two concrete examples.

**Competition Policy** Many countries believe that enforcing competition law is crucial to global economic health. Economic globalization has made competition policies even more important for national economies. It has also raised the question of whether an international regime is necessary as international cartels become more feasible and transnational mergers more frequent.

Such a regime, whether it is necessary or not, cannot be created quickly or simply because some WTO members have very different antitrust policies (in both the letter of their laws and in enforcement policies) and almost half do not have any competition laws. So it is critical to develop an international culture of competition and sound antitrust enforcement based on shared experience, bilateral cooperation, and technical assistance. From that foundation, focus can be placed on correcting the most egregious practices; in the long run, that will provide the basis for a more comprehensive regulatory framework for competition policy.

**Bribery and Corruption** Global action is also needed on bribery and corruption. Governments have begun to recognize what any ordinary person dealing with a corrupt official knows immediately: bribery can subvert and destroy political processes, stifle efficient markets, and act as an invisible tariff on most imports and contracts. The price that both developed and developing countries pay for bribery and corruption is not sustainable.

The WTO's most visible efforts to address the problem have taken place in the Organization for Economic Cooperation and Development (OECD). In 1994, the OECD adopted a recommendation on fighting bribery and in 1996 adopted a recommendation to prohibit the tax deductibility of bribes in international business transactions. In 1997, we agreed with 34 countries on a convention requiring governments to make this conduct a criminal offense.

The WTO itself has established and begun enforcing basic rules that diminish opportunities for bribery and corruption in, for example, transparency in government procurement and customs valuation. Although these are important first steps, more work is needed to establish effective rules and their enforcement. The OECD must also create a global ethic among government leaders that condemns bribery and corruption in all forms. Once this foundation has been laid through the efforts mentioned above, the WTO should take up the work of the OECD and immediately begin tackling bribery and corruption.

## The Broader Dimensions of Trade

The system must recognize and address the fundamental relationships between trade and the environment, and trade and worker rights.

### Trade and the Environment

Both trade and the environment are critical. The key is how to manage the two in a way that protects a rules-based trading system while addressing environmental concerns whenever necessary and working in concert with them whenever possible.

The objective is clear: set up a practical agenda for the next decade that will benefit both trade and the environment. A good example of achieving this objective is the Asia Pacific Economic Cooperation forum's agreement to eliminate tariffs on environmental goods and services—an agreement that the WTO hopes to establish worldwide through the WTO. Attention to practical problems, especially in developing countries, is needed to protect the environment. This includes making sure that cities have waste-water treatment plants, power facilities have coal scrubbers, etc. A global agreement to eliminate tariffs on these types of goods and services will make them cheaper for developing country governments; thus, trade will grow as air, water, and public health improve. This will subsequently help our efforts to slow global climate change, as developing countries find efficient power generation more affordable.

Despite this objective, wide gaps will remain between industry and environmental groups—and among countries—on how to proceed. Although establishing the Committee on Trade and Environment during the Uruguay Round was a big step forward, its slow pace of progress is discouraging. For example, the recent decision in the shrimp and turtles case illustrates how the system must work harder to distinguish between sound environmental laws and disguised barriers to trade despite clearly recognizing the members' right to adopt laws to conserve natural resources. There is a way forward, and we must find it. Sustainable development is not only beneficial to world trade—it needs to be a basic principle of the world trade system.

### Trade and Labor Standards

Likewise, the WTO must address trade and labor. Core labor standards—banning slavery and exploitative child labor, having the freedom to associate and participate in collective bargaining, and being entitled safety on the job—are not only Western values but internationally recognized human rights. Many, if not most, WTO members agree to these standards in the International Labor Organization (ILO).

As the OECD has noted, trade and growth are an important way to advance these standards. More open economies grow faster, and faster

growth creates disposable income for individuals and revenue for governments. Increased income and revenue in turn helps parents keep their children in school, governments train good law enforcement officers to enforce labor laws, businesses improve the work conditions, and countries upgrade jobs.

But we know from experience that market liberalization alone is not enough. Addressing the issue in the context of trade policy is critical to maintaining support for open trade. If the trading system is not seen as part of the solution to exploitative child labor, slave labor, or subhuman working conditions, many will assume it is part of the problem. The challenge for the system is to build a consensus that open trade should promote not only economic wealth but fundamental worker rights.

## **Public Confidence and Global Growth**

Perhaps the most important point is that the WTO system must have the support of the public here in the United States and across the world.

Increases in world trade have fueled a tremendous expansion of wealth in the world and here in the United States, where because of trade, we are in our 7<sup>th</sup> year of economic expansion. But the pace of change in today's economy causes apprehension and anxiety even among workers and consumers who reap the benefits of global trade. Many fear that growing trade and technological progress will devalue the work of those with less education and skill.

Today, the US Labor Department reports that while unemployment for those with college degrees is under 2 percent, for those without high school degrees it is over 7 percent. If these fears are not allayed, the efforts of government to advance trade will likely fail.

The answer to this final challenge falls in three parts.

First, we must recognize that trade policy cannot solve everything. Trade will continue to grow as long as the world is at peace, and technology will advance as long as people are creative. The United States needs to make sure that our country and its citizens continue to be educated and adjust to modern technology. There is no reason that everyone should not have the skills to succeed in a new world, though at present, everyone is not successful.

Education, from elementary school to college, must be available to every child. That is why President Clinton has asked Congress for money to help schools across the country to hire 100,000 new teachers, link every school to the internet, and give all young Americans the skills they need. It is also the reason he has asked for lifelong learning programs to help older workers upgrade their skills—through Pell grants, tax credits, and tax deductions to finance returns to school—and why worker training, health care, adjustment assistance, and other services must be available—

not only as the initiative of specific companies, but when any worker changes jobs. Thus, we are working to reform trade adjustment assistance and to increase funding for general worker training.

Second, the trading system itself must be more open to its citizens. There is no reason that the interested public should be excluded from observing dispute settlement proceedings or filing amicus briefs. Public input is very valuable to all WTO litigation; likewise, secretiveness breeds distrust. So the WTO, including its dispute settlement body, must be more open, transparent, and accessible to the public if the public is to have confidence in it.

Third, we must add a sustained effort to improve public understanding of the role of trade in the economy to these policies. The facts are plain: one in five new US jobs depends on exports, and these jobs pay 13 percent to 16 percent above the average wage. Therefore, we will not prosper if we cannot sell to the 96 percent of humanity that lives abroad. Thus, the right education and training policies can help everyone take advantage of these opportunities. But the public must get the facts. As the OECD noted in 1997, policy must be combined with public understanding if supporters of greater market openness are to withstand the backlash from those who are most exposed to the risks of change and from those who choose to make political hay out of protectionist arguments.

## Conclusion

The consequences of failure could be severe. A half-century march toward prosperity, employment, growth, and higher living standards might be interrupted. Also at stake is the ability of the United States to shape the 21<sup>st</sup> century world—that ability could shrink or be eliminated.

But if the United States, at the beginning of the 21<sup>st</sup> century, redoubles its efforts, the rewards—both moral and material—will be enormous. In the United States we will see higher incomes, new products and services, and innovative business practices in addition to a more rapid spread of medicines, environmental technologies, and other things that improve the quality of life.

Beyond our borders, we will see a world that reflects our most deeply held values; where new technologies will help freedom of inquiry and expression blossom; where hard work, creativity, and individual initiative find rewards; where the rule of law is stronger than the rule of force; and where ordinary people have more power to shape their lives and offer their children better prospects than at any time in human history. In short, a world that, as the founders of the GATT system hoped and believed, will offer its people freedom from want and freedom from fear.

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## Conference Participants

Raymond Ahearn  
Congressional Research Service

Dan Amstutz  
North American Export Grain  
Association

Kiyoshi Ando  
Nikkei Newspaper

Thelma Askey  
House Ways & Means Committee

Rodney Azama  
Trade & Development Agency

Claude Barfield  
American Enterprise Institute

Charlene Barshefsky  
US Trade Representative

Gloria Bartoli  
World Bank

Cynthia Beltz  
American Enterprise Institute

Mary Berger  
Washington Trade Daily

C. Fred Bergsten  
Institute for International Economics

Richard Bernal  
Embassy of Jamaica

Robert Berry  
NationsBank

Jean-Francois Boittin  
Embassy of France

Paul Bonicelli  
House International Relations  
Committee

Carlos Primo Braga  
World Bank

Myron Brilliant  
Chamber of Commerce

Laura Campbell  
George Washington University

Casey Carter  
Fuji Bank

Ramesh Chaitoo  
Carleton University

Celine Charveriat Institute for International Economics	Robert Devlin Inter-American Development Bank
Marty Chase Kiplinger Washington Letter	John Dimsdale Marketplace
Mary Chaves Department of the Treasury	Arinn Dixon Continental Grain
Marjorie Chorlins Motorola	Isabel Domeyko Citizens for a Sound Economy
James Christy TRW	Mike Donnelly Library of Congress
Steven Clemons Economic Strategy Institute	Thomas Dorsey International Monetary Fund
Douglas Climan Department of State	Carter Dougherty Inside US Trade
Chad Conwell Center for International Affairs	Betsy Duff NationsBank
Stephen Cooney Siemens	Nancy Dunne Financial Times
Adam Cowles General Accounting Office	Sue Eckert Institute for International Economics
David Crane Toronto Star	Angela Ellard House Ways & Means Committee
Carol Crawford International Trade Commission	Kimberly Ann Elliott Institute for International Economics
Robert Culshaw British Embassy	Karen Ellis General Accounting Office
John Curtis Canadian Government	Berit Enge Royal Norwegian Embassy
Raoul Delcorde Embassy of Belgium	Yoriko Enokido Nikko Research Center
John Deng Taipei Economic and Cultural Representative Office	Niclas Ericsson Brookings Institution
Dean DeRosa ADR International	Antoni Estevadeordal Inter-American Development Bank
I. M. Destler University of Maryland Institute for International Economics	Miguel Fadol Colombian Government Trade Bureau

Thomas Farmer Bankers Association for Foreign Trade	Joseph Greenwald Consultants International Group
J. Michael Farren Xerox	Dan Griswold Cato Institute
Geza Feketekuty Monterey Institute	Mark Groombridge American Enterprise Institute
Mark Feige Economist Intelligence Unit	Ana Gustave-Schmidt Department of Labor
Elliot Feldman Pepper, Hamilton	Tracy Haller Novartis
J. Michael Finger World Bank	Ruth Harkin United Technologies
Isaiah Frank Johns Hopkins University	Steven Harris Senate Banking Committee
Barbara Franklin Barbara Franklin Enterprises	Dale Hathaway National Center for Food & Agricultural Policy
Caroline Freund Federal Reserve	Timothy Hauser Department of Commerce
Ellen Frost Institute for International Economics	Jayetta Hecker General Accounting Office
Howard Frye American International Group	Robert Heine E.I. du Pont de Nemours
Raymond Garcia Rockwell International	Randall Henning Institute for International Economics
Joe Gavin US Council for International Business	Henry Hinton General Accounting Office
Joseph Glauber Department of Agriculture	Daniel Hofmann Neue Zurcher Zeitung
Bruce Gosper Embassy of Australia	Gary Horlick O'Melveny & Myers
Francis Grab Office of Representative Robert Matsui	Don Humbert Boeing
Edward M. Graham Institute for International Economics	Qaizar Hussain International Monetary Fund
Joshua Greene International Monetary Fund	Hiroko Ishii Institute for International Economics

Nurul Islam  
International Food Policy Research  
Institute

John Jackson  
Georgetown University

Stephen Jacobs  
Department of Commerce

Sang Kyun Jo  
Export-Import Bank of Korea

Timothy Josling  
Stanford University

Cecilia Julin  
Embassy of Sweden

Michael Kane  
Environmental Protection Agency

Ching-wen Kao  
Taipei Economic and Cultural  
Representative Office

Carola Kaps  
Frankfurter Allgemeine Zeitung

Julius Katz  
Hills & Company

Sherman Katz  
Squire, Sanders & Dempsey

Leyla Kazaz  
General Accounting Office

Don Keesing  
Chevy Chase, MD

Sydney Key  
Federal Reserve Board

Byoung-Joo Kim  
Korea International Trade  
Association

Sugil Kim  
Joong-ang Ilbo

Anthony Kleitz  
Organization of Economic  
Cooperation & Development

Julie Kosterlitz  
National Journal

Barbara Kotschwar  
Organization of American States

Craig Kramer  
Office of Representative Sander Levin

Danielle Kriz  
International Trade Commission

David Krzywda  
Institute for International Economics

Eduardo Lachica  
Asian Wall Street Journal

Deborah Lamb  
Senate Finance Committee

Carol Lancaster  
Institute for International Economics

Richard Lawrence  
Journal of Commerce

Sang Jik Lee  
Korea International Trade Association

Marc Leland  
Marc Leland & Associates

Philip Lewin  
Embassy of New Zealand

Jane Li  
General Accounting Office

Ken Lindhorst  
AT&T

John Lipsky  
Chase Manhattan Bank

Robert Litan  
Brookings Institution

Scott Littlehale  
AFL-CIO

Henry Liu  
Taipei Economic and Cultural  
Representative Office

Hugo Llorens Department of State	Jacqueline McFadyen Institute for International Economics
Xavier Lo Taipei Economic and Cultural Representative Office	John McGuinness Department of State
Jose Ramon Lorenzo Embassy of Mexico	Chris Melly International Trade Commission
Efisio Luigi Marras Embassy of Italy	Linda Menghetti Senate Finance Committee
Aaron Lukas Cato Institute	Lars Moller Royal Danish Embassy
Meg Lundsager Department of the Treasury	Fred Montgomery Office of the US Trade Representative
Robert Lyle Radio Free Europe	John Montgomery International Monetary Fund
Craig Macadangdang Office of Representative Patsy Mink	Michael Moore George Washington University
John Maggs Journal of Commerce	Mike Moore Embassy of New Zealand
Catherine Mann Institute for International Economics	Robert Mulligan Chubb
Will Martin World Bank	James Murphy Office of the US Trade Representative
Dana Marshall Department of Commerce	Takeshi Nagaya Toyota Motor
Keith Maskus University of Colorado Institute for International Economics	Janet Nuzum International Dairy Foods Association
Greg Mastel Economic Strategy Institute	Robert O'Quinn Heritage Foundation
Jessica Mathews Carnegie Endowment for International Peace	Thomas Omestad US News & World Report
William Maxwell Hewlett-Packard	Robbins Pancake Hewlett-Packard
Michael McDowell Overseas Development Council	Chris Parlin Winthrop, Stimson, Putnam & Roberts
	Eliza Patterson Port Authority of New York & New Jersey

Jack Payton  
St. Petersburg Times

Brendan Pearson  
Embassy of Australia

Art Pine  
Los Angeles Times

Valerie Ploumpis  
French & Company

Gerald Pollack  
Department of Commerce

Amelia Porges  
Office of the US Trade  
Representative

Ernest Preeg  
Center for Strategic &  
International Studies

Jeremy Preiss  
United Technologies

Louise Ran  
Commercial Times of Taiwan

Bonnie Raquet  
Cargill

Alfred Reifman  
American University

J. David Richardson  
Syracuse University  
Institute for International  
Economics

John Richardson  
Delegation of the Commission  
of the European Communities

Rubens Ricupero  
Secretary-General of United  
Nations Conference on Trade  
and Development

Leena Ritola  
Embassy of Finland

Maryse Robert  
Organization of American States

Keith Rockwell  
World Trade Organization

Rita Rodriguez  
Export-Import Bank

Dani Rodrik  
Harvard University

Robert Rogowsky  
International Trade Commission

Shanna Rose  
Institute for International Economics

Daniel Rosen  
Institute for International Economics

Toby Roth  
Roth Group

Renato Ruggiero  
Director-General of the World  
Trade Organization

Bryan Samuel  
Department of State

Amy Sanders  
Lucent Technologies

Christopher Sands  
Center for Strategic &  
International Studies

André Sapir  
Université Libre de Bruxelles

Richard Sawaya  
ARCO

Gregory Schoepfle  
Department of Labor

Stefan Scholz  
Embassy of Austria

Jeffrey J. Schott  
Institute for International Economics

Nancy Schwartz  
Office of Management & Budget

Paul Sekete  
Samuels International

Robert Sharer  
International Monetary Fund

Matthew Shearer  
Economic Policy Institute

John Sheehan  
United Steelworkers of America

Carlos Silva  
Embassy of Costa Rica

Nuno Silva  
Embassy of Portugal

Leendert Solleveld  
Embassy of the Netherlands

Barbara Spangler  
American Farm Bureau Federation

Charles Stark  
Department of Justice

John Stovall  
National Center for Food &  
Agricultural Policy

Steve Suranovic  
George Washington University

Carmen Suro-Bredie  
Office of the US Trade Representative

Satoru Suzuki  
TV Asahi

Yuji Takagi  
Mitsui

Akinori Takatori  
MITI

Karissa Taylor  
Environmental Protection Agency

Jane Thery  
Organization of American States

Harmon Thomas  
UNCTAD

Peter Uimonen  
International Monetary Fund

Matthew Valencia  
The Economist

David van Hoogstraten  
Environmental Protection Agency

Bruce van Voorst  
Time

Regina Vargo  
Department of Commerce

Doug Waddell  
Canadian Embassy

John Wainio  
Department of Agriculture

David Walters  
Office of the US Trade Representative

Robert Warne  
Korea Economic Institute

Peter Watson  
Center for International Affairs

Blanche Weiner  
Sumitomo

David Weiner  
House International Relations  
Committee

Wayne Weiss  
Black & Veatch

Peter Weitz  
Institute for International Economics

John Whalley  
University of Western Ontario

Tosha Wilkes  
ITOCHU International

Arlene Wilson  
Library of Congress

Bruce Wilson  
House Ways & Means Committee

Edith Wilson  
Progressive Policy Institute

George Wilson  
Office of Representative  
Marcy Kaptur

John S. Wilson  
Information Technology Industry  
Council

L. Alan Winters  
World Bank

Lyn Withey  
International Paper

Barry Wood  
Voice of America

Douglas Worth  
Hills & Company

Frank Wu  
Taipei Economic and Cultural  
Representative Office

Akihiko Yasui  
Fuji Research Institute  
Embassy of Japan

John Ydstie  
National Public Radio

Gary Yerkey  
Bureau of National Affairs

John Yochelson  
Council on Competitiveness

Yue Xiaoyong  
Embassy of the People's Republic  
of China