

Towards the Pacific Community:
American Trade Relations with Asia 1993-2000

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PBEC 2000 Mid-term Meeting
Grand Hyatt Singapore
November 11, 2000

GOOD AFTERNOON. Let me thank the Pacific Basin Economic Council and our sponsors for bringing us together today.

It is always a pleasure to visit Singapore for any occasion; and especially so now. We are looking back on an active and productive year for American trade policy - from our debate on permanent Normal Trade Relations for China; to our bilateral trade agreement with Vietnam; the launch of a global Networked World initiative, legislation to further open our markets to Africa and the Caribbean, and a free trade agreement with Jordan. And we are looking ahead to the Brunei APEC meetings, where the APEC leaders will consider the questions of the New Economy; and to a genuinely historic occasion in the President's visit to Vietnam. Today, however, I would like to speak more generally, placing this agenda in the context of our broader relationship with Asia, its development over the past eight years, and the challenges ahead.

AMERICAN PACIFIC STRATEGY

As we think about the remarkable and historic political circumstances in Washington today, and what their ultimate resolution might mean for Asia, we can begin by remembering that any American Administration must begin its approach to Asia with the permanent realities: we are a Pacific nation; and we have a vital interest in the region's stability, prosperity and security. When Asia is at peace, America is more secure; when Asian economies grow and Asian families join the middle class, the prospects of American farmers and businesses brighten. The Clinton Administration's Asia policies, like those of our predecessors for a century, reflected these realities fully, in:

- Our unshakable commitment to peace and security - embodied in our military presence; a strengthened alliance with Japan; alliances with Korea, Thailand, the Philippines and Australia; our engagement with China; our participation in and support for the ASEAN Regional Forum; and of course a close and growing security relationship with Singapore.
- Our principled support for the values of human rights, freedom and the rule of law; which we believe are the strongest guarantees of long-term political stability and social order.
- Our belief in development through education - with 4,000 of Singapore's young men and women among 240,000 Asian students at American universities this year.
- And our economic and strategic interest in Asia's development and prosperity, reflected in part in trade policies based on open markets at home and abroad, and marked by over 100 separate trade agreements with Asia-Pacific nations since 1992.

THE CHALLENGES OF 1992

But as President Clinton maintained these enduring foundations of Asian policy, he also recognized that he had come to office at a moment of profound and radical change; one in which policies had to be adapted to fit new realities.

Decades of American economic leadership were in question, as a sharp recession, perceptions of lagging competitiveness, and rising budget deficits left Americans and Asians alike skeptical of America's long-term prospects;

At the same time, Asia, after decades of rapid growth, had taken its rightful place as an industrial power and shaper of the world trading system.

The technological revolution was changing business, popular culture and daily life before our eyes; and policies on both sides of the Pacific would have to adapt to it.

And the end of the Cold War had profoundly and irrevocably changed the political landscape in which policy would proceed - removing sources of tension and ideological conflict among the great powers; but also eroding the assumptions beneath long-standing alliances and security arrangements throughout the region.

THE VISION OF PACIFIC COMMUNITY

President Clinton believed, and argued in his first address on trade policy in February of 1993, that these trends together had presented the United States with an historic moment of choice. It was a moment at which the absence of a common threat could prompt nations to turn inward, towards a darkening future marked by nationalism, political isolationism and mercantilist trade rivalries; but also one in which we could shape a new era of internationalism and common interest, capitalizing on the waning of ideological conflict and the integration of the world economy through trade, technology and communications.

This analysis has been at the heart of our trade policies as a whole - at the WTO, in our relationships with our Latin American neighbors, in the regional initiatives we have begun with Europe, Africa and the Middle East, in our negotiation of 300 trade agreements worldwide since 1992 - and its conclusions are embodied in the vision the President presented to the inaugural APEC Summit in 1993. At that historic occasion - the first meeting of Pacific leaders in nearly thirty years and the most inclusive ever held - the President spoke of a "Pacific Community," which, while recognizing the diversity of the region, could unite us in pursuit of things we share: the hope of prosperity; the aspiration for education and scientific progress; the quest for peace.

This was an ambitious vision; but one not impossible to realize, and one which in fact parallels many of the assumptions and goals of ASEAN itself for Southeast Asia. It required us to sustain but also to rethink and strengthen our security alliances, notably through the new U.S.Japan Defense Guidelines; to heal over time political divisions inherited from the Cold War, evident in our support for inter-Korean dialogue and our nearly complete normalization of relations with Vietnam, Cambodia and Laos; to address the transnational challenges of crime, corruption and environmental degradation; and to build the framework of an open regional economy, from which all can draw strength and opportunity.

Here, three separate types of policies complement one another. First, at the WTO, we worked to lower world trade barriers and strengthen the rule of law - through completion of the Uruguay Round in 1994; and the more recent global high-tech agreements on Information Technology, Basic Telecommunications, Financial Services and duty-free cyberspace. Second, we strengthened our own commitment to open markets at home, as we abolished tariffs on over 2000 types of goods, phased out our industrial quotas,

and liberalized trade in services through domestic laws such as the 1996 Telecommunications Act and multilateral commitments in financial services, telecommunications and the Internet, travel and tourism, the professions, management and consulting and other fields. And third of course was a continuous and intense Asia-Pacific negotiating agenda, within which we can count five separate major initiatives:

- The work of APEC: A reinvigorated Asia-Pacific Economic Cooperation Forum, and the historic 1993 Leaders Meeting led both to a permanent high-level forum and an unprecedented series of tangible trade accomplishments: a spur to completion of the Uruguay Round; the WTO's Information Technology Agreement, virtually eliminating world tariffs on semiconductors, computers and telecommunications equipment; a stronger trans-Pacific business-government dialogue and common approaches to the emerging issues of electronic commerce and trade facilitation; and a commitment by the region as a whole to the long-term vision, formally adopted the following year in Bogor, of "free and open trade in the Pacific."
- Our program of market-opening and deregulation in Japan, our largest Pacific trading partner and Asia's industrial giant. Since our negotiation of the Framework Agreement in 1993, we have concluded 39 separate market-opening agreements - from cell phones and semiconductors to cars, apples, and most recently telephone and Internet services - and joined them with an innovative Enhanced Initiative on Deregulation and Competition Policy, now in its fourth year, which has found mutually beneficial ways to create competition and promote reform in housing, pharmaceuticals, telecommunications, energy and other sectors.
- Our progress toward normalization of trade with Asia's transitional economies: bilateral trade agreements with Cambodia and Laos and permanent Normal Trade Relations for Cambodia in 1997; agreement on WTO membership and PNTR for Mongolia in 1998; most recently, our landmark bilateral trade agreement with Vietnam, paving the way for the historic Presidential visit next week.
- Our negotiations with major trading partners throughout the region on a very wide range of issues - which has led to the conclusion of twenty-two separate agreements with the members of the Association of Southeast Asian Nations, covering intellectual property, agricultural trade and other topics as the U.S.-ASEAN trade relationship has grown from under \$70 billion to nearly \$150 billion a year; to thirteen agreements with South Korea, from automobiles to beef, steel and telecommunications; cooperation with Australia and New Zealand, in particular toward reform of worldwide agricultural trade; and a new trade dialogue with India, with very substantial agreements regarding non-tariff barriers and textile trade and developing common interests in the information industries.
- And the capstone of our Asian trade policies in the negotiations with China, beginning with landmark agreements on intellectual property and agricultural trade, and culminating in the bilateral agreement on China's accession to the WTO. The benefits of this agreement, when China enters the WTO, will extend throughout the Pacific: deepening and accelerating China's own economic reforms; creating a vast array of new export opportunities for China's trading partners; strengthening the world trading system; and, in the aftermath of the Congressional debate on PNTR, also further strengthening the public consensus in the United States for engagement and open trade.

THE RESULTS: TRANS-PACIFIC TRADE AND INVESTMENT TODAY

The agenda has been intense and demanding. But in its cumulative effect - and of course together with initiatives developed within the region, including the ASEAN Free Trade Area and President Kim's

liberalization program in South Korea - it has created a more open Pacific region, in which trade barriers are lower, economies more closely integrated, and economic ties across the Pacific broader and deeper.

Our trade relationship with Asia has nearly doubled since 1992, rising from just over \$400 billion to a likely \$800 billion this year. Asia's exports, benefiting from America's steady growth and a more fully open U.S. market, have grown to the point at which in a typical month we import six million cameras from China, 42 million kilos of Australian beef, thousands of hours of on-line computer tech support services from the Philippines, 38,000 cars from South Korea and 10 million kilos of shrimp from Thailand. American goods and services exports across the Pacific have likewise grown by well over \$100 billion since 1992, with results ranging from high-technology goods, to business consulting services, agricultural commodities and more.

America's investment stake in Asia has risen with equal speed and equally important implications for the future. Our direct investment stock has risen from \$78 billion in 1992 to \$186 billion last year, including over \$20 billion here in Singapore. This integrates American companies more closely into industries from autos and computers to finance and telecommunications; and in doing so, creates long-term export opportunities for Americans; jobs and development for Asia; and ultimately a more prosperous region, to the benefit of all.

Altogether, when we look at the landscape of Pacific trade and investment - recognizing the traumas remaining from the financial crisis, understanding that there are areas in which we can do more and do better - we can take some satisfaction in our work. The agreements we have reached, and the trade and investment statistics that flow from them, show new opportunities and broadening horizons for individuals: Japanese college graduates choosing new entrepreneurial ventures over traditional careers in the bureaucracy; young Chinese men and women signing up with joint ventures in Shanghai or Tianjin; American cattle ranchers and wired workers living out their own dreams. And -subtly, incrementally, not irreversibly - they also show a region strengthening the bonds of common interest, shared prosperity, security, and peace.

THE COMING CHALLENGES

But as we acknowledge these advances, we must also note new challenges and causes for concern.

The policy agenda of the years ahead will be demanding: implementation of China's WTO commitments; consensus on the WTO agenda and a new WTO Round; the continuing work of market-opening and deregulation in Japan; Russia's accession to the WTO; the deepening of economic reform and restructuring in Korea and Southeast Asia; the legislative agenda in the United States - which will proceed in an extraordinarily complicated political environment and span issues from approval of the U.S.-Jordan Free Trade Agreement to the Andean Trade Preferences Act; and of particular interest in Asia, our implementation through grants of Normal Trade Relations of the trade agreements with Vietnam and Laos.

And another set of questions - let me mention just three - poses longer-term more conceptual, and perhaps therefore even more difficult challenges.

1. The Framework for Free and Open Pacific Trade

First, it is now time to consider the formal means of implementing the Bogor vision of free and open trade across the Pacific.

Our work over the past eight years has lowered trade barriers throughout the region, and ultimately by bringing China and Chinese Taipei into the WTO, approving PNTR for China,

normalizing trade between the United States and Vietnam, and expanding ASEAN to Vietnam, Cambodia and Laos - removed some of the more evident trade policy anomalies of the early 1990s.

But an equally challenging task lies ahead, in the development of the formal rules and agreements that will create a genuinely liberalized and open region. Singapore deserves great credit for beginning the work with proposals for Free Trade Agreements with other Asian countries and across the Pacific. It is my hope that in the years ahead, we will be able to work together on this project, through an agreement realizing the "Pacific-5," thus joining the United States with Singapore, Australia, New Zealand and Chile in a first major step toward the Bogor vision. We should also strengthen the U.S.-ASEAN trade dialogue, perhaps including links between NAFTA and the ASEAN Free Trade Area. All of this in turn can provide a rigorous framework of open trade, which others can join and build upon.

2. **Toward the Networked World**

Second, trade policy must accelerate to keep pace with the technological revolution.

The first APEC meeting in 1993 took up the classical problems that have preoccupied businesses, customs agents and Trade Ministers for many decades: reduction of trade barriers at national borders; more broadly, policies that affect tangible goods arriving by boat or plane. The intervening years have joined to these a series of new and in some ways entirely different questions, aptly symbolized by the New Economy focus of the APEC Leaders Meeting in Brunei. These are the development of trade policies appropriate for weightless goods that arrive by wire or satellite beam, and transactions in the naturally borderless world of cyberspace, where no trade barriers have yet arisen.

Here, we have recently announced, and will advance in Brunei and at the WTO, a new "Networked World" proposal. Building upon the WTO's four high-tech agreements - on Information Technology, Basic Telecommunications, Financial Services and duty-free cyberspace - it will help adapt the trading system to this new era. Our initiative calls for progress across a six-point agenda:

- Consensus that the WTO principles that apply to conventional forms of business - non-discrimination and least-restrictive treatment, as well as technology neutrality - also apply to electronic commerce.
- Eliminating tariffs on information technology goods, building on the existing Information Technology Agreement to add new products and take account of the growing convergence of information technology products;
- Updating intellectual property policy to the digital environment, through wide ratification of the World Intellectual Property Organization's so-called "Internet Treaties" on digital copyrights and phonograms;
- Further liberalization of telecommunications markets, opening markets to innovative services and encouraging investment in a variety of types of infrastructure suitable for high-speed Internet access;
- Broad market access commitments in services especially suited to trade over the Internet, such as the professions, computer and consultation, financial services and

others; and

- Technical assistance and other measures to address concerns about a digital divide that might accentuate rather than bridge technological gaps between and within nations.

This is the logical next step for high-tech trade. As the Networked World initiative creates new opportunities for companies and entrepreneurs, it will ease access for nations to the technologies necessary for development in the 21st century. More broadly, it will promote throughout the world the principles of open markets, consumer protection, incentives for research and development, flexible and pro-competitive regulation that have helped the United States and Singapore succeed in the New Economy; helping us to build a 21st-century world economy more dynamic, more conducive to development, and more responsive to the rule of law.

3. The Strengthening of Public Consensus

Finally, the challenge of consensus at home.

Trade policy is a means to an end: we pursue open markets to realize a larger vision of common interest, mutual benefit and shared destiny. This is the right vision: we see this very clearly not only when we assess the positive benefits we draw from economic integration, but when we contemplate the diverging fates of Burma and Thailand, or contrast the confidence and success of South Korea with the tragedy of North Korea. Experience tells us that no nation can succeed if it shuts its economy off from the world; and that all of us gain - in prosperity, in opportunity, in long-term security - when we are open to one another.

But we also know that public concerns and anxieties about open markets are real and cannot be ignored. These are evident in the United States, where rancorous debates over trade can often serve as a proxy for more general concerns about the pace of economic and technological change. And they are present on the western shore of the Pacific as well; both through the types of traditional concerns that have slowed progress on APEC's early voluntary sectoral liberalization program, and as Asians reflect on the experience and lessons of the financial crisis.

Governments cannot simply ignore these fears. We must be willing to rebut unfounded concerns directly, and this is certainly as important for American Administrations as for Asian governments. But we must also be willing to strengthen transparency and conduct open dialogues both within and among nations, and to accompany the opening of markets with progress on issues that will not wait.

These include appropriate attention to the relationship between the opening of markets, protection for the environment, and the concerns of workers. Here our recently signed Free Trade Agreement with Jordan gives us an option, as a rigorous free-trade agreement which eliminates tariffs and non-tariff barriers for industrial goods and agriculture, liberalizes services industries, addresses electronic commerce, and also has as a cornerstone in its treatment of labor and environmental issues the principle that nations should enforce their own laws and cooperate multilaterally in such fields.

Equally important, progress towards open markets must be accompanied by the range of domestic policies - a reliable rule of law; sound financial policies; safety nets for the unemployed and the elderly; universal education for children - that are equally essential to longterm growth and development.

CONCLUSION: TOWARDS THE PACIFIC COMMUNITY

These are not simple challenges. They are difficult enough for any one nation to meet; and the result we seek requires an effort sustained over years and coordinated across the largest and most diverse region in the world.

But we ought to approach them with some confidence; and we can see the reasons for that not only as we look back across the record of the past eight years, but ahead to the events of the coming days.

In the seventh APEC Leaders meeting in Brunei, we see something remarkable. This is a permanent and regular dialogue joining the world's largest and most sophisticated economies with newly industrial economies, high-tech city-states and nations in transition from planning to the market; which joins governments representing 2.4 billion people who speak nearly half the world's languages, practice all the world's great religions, and draw upon cultural and philosophical traditions as varied as the classics of India and imperial China, the European Enlightenment and the modern immigrant experience; and through which all of these nations and people find ways to achieve the goals that all can share.

And in the President's visit to Vietnam, we see something equally remarkable: nations transcending old divisions; finding common ground; and looking ahead to a future of shared destiny and the common good.

It is a fitting conclusion to the Clinton era in Asian policy; and the ideal foundation for an era of hope, achievement and progress towards the vision of Pacific Community in the years to come.

I thank you very much.