REMARKS OF RITA DERRICK HAYES
U.S. AMBASSADOR TO THE WTO

The World Trade Organization: Next Steps

April 14, 2000

Good afternoon. I would first like to express my appreciation to all of you who helped organized this conference, to Ambassador Proffitt for inviting me to participate, and to the people and Government of Malta for their exceptional hospitality.

Malta is a Mediterranean paradise. I can see now why it was chosen by President Bush and Chairman Gorbachev for their historic meeting at the end of the Cold War. The United States' long and close relationship with Malta dates back to the support given by the Knights of the Order of St. John to the French navy during the American War of Independence. Malta has played a prominent role as a port for American ships in the Mediterranean and served as a staging point for the U.S. invasion of Sicily during the Second World War.

The long-standing trade relations between the United States and Malta should not be overlooked. In preparing for this talk, I noted in an interesting article on the Internet Web site "aboutmalta.com," that trade connections between Malta and America date back to the end of the eighteenth century.

It is a pleasure for me to meet with you and to share our views

on the World Trade Organization. It has been an eventful few months in Geneva since the Seattle Ministerial last December. Already this year, we have successfully launched negotiations on agriculture and services. We have also been working with other Members, the Chair of the General Council and WTO Director General Mike Moore to address some other initiatives that were under discussion in Seattle. So, I couldn't be more pleased to slip away from the bustle of activity in Geneva, even if my stay in Malta will be a short one.

When I sit in meetings of the WTO in Geneva, I often marvel at how some of the smaller delegations make every effort to participate in the activities of the organization. Ambassador Bartolo and his staff sit at a table in front of us, so I can assure you all that Malta is fully involved and committed to the work in the WTO, despite the strains that the large WTO workload must place on such a small delegation.

U.S. Objectives for the WTO

In order to understand our view of the next steps for the WTO, it might be useful if I identify our overall objectives for trade policy, since they guide our at the WTO:

- Continue our progress toward open and fair world markets, through leadership in the WTO on the accession of new members and the newly begun negotiations on agriculture and services; and broad, substantial initiatives with all our major trading partners in each region of the world;

- Advance the rule of law and defend U.S. rights by ensuring full compliance with trade agreements and strongly enforcing our trade laws;

- Encourage the full participation of all economies, including economies in transition and developing nations, in the world trading system on an equitable basis;

- Ensure that the trading system helps lay the foundation for the 21st century economy by offering maximum incentives for scientific and technological progress;

- Ensure that trade policy complements and supports our efforts to protect the world environment and promote core labor standards overseas; and

- Advance basic American values, including transparency and accessibility to citizens and involvement of civil society in the institutions of international trade.

Development of the Trading System

The General Agreement on Tariffs and Trade began in 1948, with 23 original countries. It was designed to overcome the cycle of international trade protection and retaliation that contributed to the international depression of the 1930's. The political instability caused by that economic depression was a major factor leading to the Second World War.

Now that we have had over fifty years of experience with the GATT and WTO, it is clear that the reopening of world markets has led to improved economic health and living standards. Nations have a greater stake in international stability-and pace has been strengthened.

The opening of world markets has helped to foster a fifty-year economic boom. The world economy has grown six-fold; per capita income has nearly tripled; and hundreds of millions of families have escaped from poverty.

Since the creation of the GATT, there have been eight rounds of negotiations and WTO membership has grown to 136 states and customs territories. Like the United States, Malta was a founding member of the WTO. Consistent with our broad policy objectives, one of our primary activities in Geneva is to bring the benefits of the WTO to new more states through accession.

Expanding WTO Membership

The end of the Cold War has created an opportunity for the WTO to assist some of the world's greatest nations to build an infrastructure to develop their economies, through engagement with the outside world, transparency, and adoption of the rule of law. The experience of the Central and Eastern European nations has shown that WTO membership can foster political and economic reform.

Not surprisingly, WTO accession for countries with economies in transition has proven to be a difficult process. The accessions have progressed at varying speeds and our consistent efforts are netting successes. Since 1995, the WTO has admitted six members with transition economies: Slovenia, Bulgaria, Mongolia, the Kyrgyz Republic, Latvia and Estonia. We have completed negotiations with Georgia and are only awaiting word of domestic ratification. Negotiations with Albania and Croatia are almost complete. We have also made significant progress with Armenia, Lithuania and Moldova- and are continuing work with Russia and the Ukraine.

Our work on accessions also extends well beyond transition economies. In the Middle East, for example, Jordan recently completed its negotiations to enter the WTO. We have also made significant progress with Oman, and have held important discussions with Saudi Arabia.

However, completion of our bilateral WTO accession negotiations with China clearly takes center stage. China's WTO accession has the potential, beyond economics and trade, to serve as a foundation for the rule of law within China, as a precedent for the willingness to abide by international standards of behavior. The United States has already completed a far reaching bilateral agreement with China for WTO accession, which covers agriculture, services, industrial goods, unfair trade and investment practices- with specific and enforceable commitments.

The bilateral agreement with China provides for real market access improvements, which will be available to all WTO members: the average industrial tariff rate will fall from 25% as recently as 1997, to about 9.4% in 2005. China has also made important commitments to eliminate all quotas and discriminatory practices, as well as to liberalize product distribution channels. International services providers will benefit from greatly improved market access in most sectors, including distribution services, telecommunications services, financial services, professional services and many others.

Recent WTO Accomplishments

The WTO was created as a permanent forum for negotiations. Already, since its creation, the WTO has reached important agreements in several areas. Since my arrival in Geneva, the WTO reached an important agreement on financial services. This package involved countries, including Malta, which account for well over 90% of the relevant markets in banking, insurance and securities trading. In industrial countries alone, over $1 trillion a year is earned in this sector. World banking assets affected by this agreement amount to $40 billion. Malta should be commended for its decision to participate in this agreement.

There have also been agreements on Information Technology products - which eliminated tariffs on $600 billion worth of trade in high-tech manufactured goods, such as computers and semiconductors - and on Basic

Telecommunications Services - which secured competitive regulatory principles in a sector long dominated by monopolies.

Like the financial services agreement, we see these two agreements as building blocks for the 21st Century. They are designed to stimulate technological development, spur investment and enhance competitiveness. Participation in these agreements is not limited solely to the large trading countries, nor is it limited solely to the most advanced economies- although the largest trading Members do all participate. The list of ITA participants, for example, also include Members as diverse as Hong Kong China, Macau, India, Mauritius, Switzerland and Liechtenstein, as well as several Central European states. All recently acceding Members have seen the advantages of the ITA agreement and have similarly agreed to participate. We encourage Malta to reconsider the benefits that these the information technology and telecommunications services agreements have to offer and decide to join them soon.

The WTO has also been successful in obtaining a commitment from all members to maintain a "duty-free cyberspace." This commitment will help ensure that electronic commerce develops freely as a means to promote trade, strengthen the power of consumers, and help the most impoverished and remote regions tap into world markets.

WTO Mandated Negotiations

As you are aware, the WTO was unable, in Seattle, to

launch the new broad-based round of negotiations. However, as noted at the outset, negotiations have already begun on agriculture and services. This work is pursuant to a mandate from the Uruguay Round agreement, which provided that further negotiations should begin in the year 2000.

Together, agriculture and services account for a large proportion of world production, employment and trade. According the to the World Bank, more than half of the world's workforce is engaged in agricultural activities, while nearly a third work in services industries.

The first special session on agriculture resulted with the development of a program of work for the first phase of the negotiations, including benchmarks for tabling negotiating proposals by the end of this year, to be followed by a stock-taking session in March 2001.

Within the agricultural negotiations, we are focusing on substantive reform proposals, such as the elimination of export subsidies, reducing tariffs and reducing trade-distorting domestic support levels. We also want to ensure market access for biotechnology products, through the application of open, transparent, science-based regulatory regimes.

The initiation of services negotiations, which is taking place within the WTO Council for Trade in Services and its subsidiary bodies, has similarly gotten off to a brisk start. We expect that these negotiations will offer commercial

opportunities for all Members. The first two services negotiating proposals were in fact tabled by developing countries: Pakistan- on movement of persons engaged in services activities; and the Dominican Republic, joined by Honduras and El Salvador- on tourism services.

In services, the United States will seek the removal of restrictions on services trade and will ensure non-discriminatory treatment for foreign services suppliers. We are particularly interested in such sectors as energy services, environmental services, audio-visual services, express delivery, financial services, telecommunications services, professional services, private education and training, private healthcare, and travel and tourism.

Progress Towards a Round

Of course, we are interested in bringing more elements to the negotiating round than merely services and agriculture. Most WTO members already agree that a number of issues should be included within the scope of negotiations. These include market access for industrial products, electronic commerce, trade facilitation, and transparency in government procurement.

In an effort to build support to launch a broad-based round, we are working with other Members, including the European Community, Japan and Canada, to provide input to the Director General, who is developing a package that addresses the

immediate needs of many Members. We see this package as addressing four areas that have been identified as being of utmost interest: greater market access for products from our poorest Members, the least-developed countries; a revitalized program for capacity building and technical assistance; requests for additional transition periods to implement certain Uruguay Round agreements; and enhanced transparency. I would like to touch on these elements in a bit more detail.

Promoting Economic Opportunity in the Poorest Countries

Our work at the WTO is of crucial importance to the promotion of economic growth and sustainable development in the world's poorest nations. The four largest WTO members have agreed to provide least-developed Members with enhanced market access by implementing tariff-free and quota-free treatment consistent with international agreements, under preferential schemes for essentially all products. This will build upon the work that we have already undertaken, for example, with African and Caribbean Basin nations, to ensure that they can participate fully in the trading system.

Combined with greater market access, the WTO would establish a new, revitalized program for capacity building and technical assistance. The objective of this work, which is being carried out jointly with other international institutions, will be to promote a better understanding and use of WTO rules, so that the recipients are able to exploit the opportunities available to them as WTO members.

Implementation Issues

All WTO Members acknowledge the importance of implementing the commitments that they made during the Uruguay Round. Some of these agreements have been difficult for Members to implement- whether due to technical complexity or because of political difficulties- but they do offer substantial benefits.

The Customs Valuation Agreement, the Agreement on Trade-Related Investment Measures (commonly referred to as TRIMS), and the Agreement on Trade-Related Intellectual Property Rights (TRIPS) work together to create an environment of transparency, predictability and regulatory efficiency in which foreign and domestic investment can thrive.

Malta should be commended for its efforts to implement the Customs Valuation Agreement. This agreement establishes an approach to value imports for purposes of applying tariffs. While it is not technically complex, it can involve significant changes for habit-bound customs authorities. Malta took advantage of its transition period to focus on what steps it needed to undertake to implement the agreement, to commit the necessary resources, and to seek help where it was having difficulties.

Malta should be congratulated on its success in implementing the Customs Valuation Agreement and for responsibly seeking additional time to eliminate the use of

minimum import values on a small number of products. On this basis, we and our trading partners were able to develop a flexible package to accommodate Malta's needs- and we have all gained.

As part of the package for rapid action, the four major trading members would like to build upon the experience of Malta and other countries that sought additional time to complete the implementation of these key agreements. We are ready to act sympathetically and flexibly in response to requests for the extension of transition periods for the TRIMS and Customs Valuation agreements. Consideration of requests should continue to be done on a case-by-case basis, in accordance with the relevant provision of the WTO agreements. We are also prepared to grant least developed countries an additional extension of the transition period to implement the Agreement on Sanitary and Phyto-sanitary measures.

Transparency

The enhancement of WTO transparency has two important aspects- internal and external transparency. With respect to internal transparency, there is a need to ensure that all Members, regardless of size, have a voice in the organization and have the means to participate effectively. Because Malta has a small delegation, the work on internal transparency should make their work easier and more efficient.

The work on external transparency seeks to address the

challenges posed by a public that is ever more focused on international trade issues. As trade growth becomes more important to all nations- and as education and modern telecommunications lead to greater scrutiny and debate- the need for openness, accountability and public access increases. The WTO has already gone much further than the GATT before it in opening itself up to public scrutiny, but it must adapt itself further as an institution.

We are working for greater transparency throughout the system, by seeking rapid release of documents, by enhancing the input of citizens and groups, and a more regular organization of symposia and other forms of dialogue with civil society. These are the measures which create the foundation of public support for the institutions of our government, and they will do the same for the trading system.

Trade Facilitation and Electronic Commerce

One area in which a small economy such as Malta could stand to benefit directly is in the area of trade facilitation. In a WTO context, the term trade facilitation has a very simple meaning – it refers to how new rules and disciplines can help traders, particularly small- and medium-sized enterprises, get their products across borders with a minimum of delay and red tape.

The nature of trade flows has changed greatly over the past ten years, not only in terms of increased trade, but also in terms of faster time-lines. In some sectors, product cycles last no more than 12 to 18 months. These dramatic changes have been brought about

mainly by developments in electronic communication and advances in transportation capabilities. In this environment, regulatory structures have not always kept pace. Small- and medium-sized enterprises in particular are harmed by a lack of openness in customs procedures and supply disruptions caused by delays at the borders.

The arguments for additional WTO action in the area of trade facilitation are compelling. First, there is a clear link between economic development and improvements in the trade facilitation environment. In a global economy that operates with just-in-time delivery and just-in-time distribution, a transparent system of border controls that allows for rapid release of goods is a necessity for expanding economic output. Manufacturers need inputs, and investors need to know that sourcing plans and operations will not be subject to interference because of difficulties in customs clearance.

Second, improvements in the trade facilitation environment are an essential part of institutional reforms that are being undertaken worldwide by governments in various contexts.

Electronic commerce is another area in which small economies have much to gain and offers a wide range of opportunities for business, exporters and importers alike. Electronic commerce has introduced new, innovative means of conducting trade- as well as benefits in other areas, including education, health and communication.

At the 1998 Geneva WTO Ministerial meeting, Members

agreed to a moratorium on the application of customs duties to electronic transmissions, as well as a work program to consider other issues. During the subsequent work, it was affirmed that existing WTO rules apply to electronic commerce, but more work was required on how the rules apply- for example, whether some transmissions are more like goods or services?

Electronic commerce offers small, developing and transition economies the opportunity to acquire technology rapidly and to instantaneously access markets never before imagined. Electronic commerce brings worldwide customers to the doorstep of businesses and entrepreneurs before the companies have even identified their market.

Conclusion

I think you can see how the specific elements of our work at the WTO relate to the overall U.S. trade policy objectives that I noted at the beginning of this talk. I am confident that a new broad-based negotiating round will be launched in the near future.

Through these negotiations, the WTO will continue its progress in opening world markets, to agricultural products, non-agricultural products and services. We will seek to ensure that the 21st century economy can develop rapidly, by eliminating barriers to the introduction of high technology products and services- as well as electronic commerce.

We will continue to work for the participation of all economies in the multilateral system- including economies in transition and developing nations. And to complete the negotiations of accession for several more economies- including China- in the very near future.

We will also work to ensure that our basic values, including transparency and accessibility of civil society, are reflected in the operation of the WTO.

As you can see, we are having a busy and exciting year in Geneva. Thank you for your attention. I look forward to answering any questions that you may have.