

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:28-OCT-1999 11:56:03.00

SUBJECT: Morning Meeting for 10/28/99

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Steven N. Braun/CEA/EOP on 10/28/99
11:55 AM -----

Medley_Global_Advisors@medleyadvisors.com

10/28/99 11:44:42 AM

Record Type: Record

To:

cc:

Subject: Morning Meeting for 10/28/99

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Medley Global Advisors 212-219-9096

(See attached file: mmoctob28.pdf)

- mmoctob28.pdf

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D16]ARMS20220260D.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

MEDLEY GLOBAL ADVISORS

Morning Meeting

October 28, 1999

Brazil: Fraga exercises new-found flexibility
Indonesia: Kwik allies with IMF

BRAZIL

INFLATION TARGETERS GET AHEAD OF THE BUREAUCRATS

Brazil's central bank intervened in the foreign exchange market yesterday to keep the real from staying below the psychologically important 2.00 level. However, this does not mean that Arminio Fraga has managed to free himself completely from the IMF reserves floor. **With the next IMF agreement, Brazil will move towards inflation targeting, but monetary aggregates, including reserves, will still figure in the performance targets monitored in Washington.**

Like most Fund programs, Brazil's was designed around monetary aggregates, specifically net domestic assets (NDA) and net international reserves (NIR). An NDA target limits flexibility in pursuing an inflation targeting approach to monetary policy, while an NIR target reduces the central bank's ability to act in the exchange market. In recent weeks, we have seen the government buy dollars in the market to service debt. The floor under NIR has meant that the central bank, which sources say had only about \$100 million to play with, was forced to let the exchange rate float freely. **The central bank has been pushing for the floor on NIRs to be completely removed, or at least reformulated. The IMF, however, is seen by the central bank to have a stake in making it more difficult for the central bank to intervene, since that keeps the real devalued at the expense of footloose investors, who might otherwise take advantage of cheaper dollars to skip town.** Stan Fischer knows the IMF can ill-afford to be seen as providing resources for yet another central bank to give away to the private sector.

On the other hand, Arminio Fraga has made a convincing case for inflation targeting. Yesterday's intervention is the result of increased flexibility agreed to with the IMF during the latest round of negotiations, in which Brazil managed to push the Fund to get ahead of itself in transitioning from aggregate targeting to inflation targeting. Sources at the Finance Ministry confirmed that the floor is still under discussion, **but press reports that the IMF has agreed to eliminate the minimum NIR completely are premature.** In fact, the inflation targeting frameworks under discussion at the IMF continue to include some minimum level or net inflow of reserves as part of the overall package of program benchmarks.

The IMF Executive Board is still preparing to tackle the question of inflation targeting as part of Fund programs. A round of seminars and policy papers begins this week. In closed-door sessions the executive directors will hear from outside experts and IMF staff, and eventually conduct a formal discussion aimed at agreement on how inflation targets can be incorporated in IMF programs while at the same time providing the "adequate safeguards" required by the IMF's Articles of Agreement. Unfortunately, **Brazil's next program comes up for approval now, before an inflation targeting framework has been agreed to by the Board. The result will be a hybrid program, with indicative NDA targets and an inflation target as a performance criterion.** The inflation target itself will include a warning band, in which consultations with the IMF would be triggered, as well as an outer limit. **The central bank has been adamant about not wanting any sort of hard target for NIR at which the market can aim. The team is hoping to agree to a**

graduated floor for NIR that could be adjusted if needed on an ongoing, but temporary and flexible basis. This could go down to the wire; the central bank has indicated its willingness to put someone on a plane to Washington before tomorrow's scheduled board discussion if that would help.

DEBT AGAIN

Today will bring the first of two NBC-E auctions totalling \$2.5 billion (round two will be on November 4th), which the central bank is hoping will take pressure off the exchange rate. A new eurobond is also atop the central bank's priority list (planned for the first half of November). The Treasury apparently is planning to trade R\$ 26 billion in securitized domestic debt (the so-called "rotten currencies" from old unpaid debts of the 1980s) for more conventional bonds, hoping to reduce the cost of this unattractive debt. **This will be part of a larger early November restructuring of domestic debt aimed at consolidating domestic debt, lengthening maturities, and creating a more liquid money market (including a serious secondary debt market).** Today's Monetary Council meeting will be taking up the regulations that will be put in place to effect these changes, although you shouldn't hold your breath waiting for instant implementation.

INDONESIA

KWIK ASSUMES LEADERSHIP OF ECONOMIC TEAM

Coordinating Minister for Economic Affairs Kwik Kian Gie pressed his bid to lead Indonesia's economic team today. Putting himself at the service of the IMF, Kwik cast his lot against the populist bent of the administration.

Kwik and the economic team met with the President and then held a press conference. **Kwik dominated the briefing, announcing that the first priority must be to accede to the demands of the IMF, specifically in the Bank Bali case.** He also took on the President, saying there was no money to pay the bureaucracy, to maintain the social safety net, or to pay routine government expenditures. Only yesterday the President had promised to raise government salaries. **Finance Minister Sudibyo turned in a lackluster performance, saying he agreed with Kwik but would need time before he could talk about the technical details of financial policy.**

Kwik emphasized transparency, rule of law, and the elimination of corruption as the keys to cooperation with the IMF. **Sources in Washington confirm that the IMF is ready to be back on the scene as soon as the government moves on Baligate.** Cleaning up Indonesia's politics and policy-making is an initiative the new President clearly supports. However, **Kwik will have an uphill battle against the President's populist instincts.** Yusuf Faisal, who is leading the National Economic Council, has remarked that changes in the Broad Outlines of State Policy, the general policy document produced historically by each Assembly session, would have to be accommodated by the IMF. Faisal may have been only putting up a straw in the wind, but his roots are in the PKB and he has been personally close to Gus Dur. The political leadership has chosen an economic team whose skills lie more in business and micro issues than in the macroeconomic areas where the biggest near-term problems lie. **President Wahid will eventually have to decide where the soul of the administration lies, if the intersection at 19th and G Streets in Washington is not to become the site of Gus Dur's last stand.**

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:28-OCT-1999 12:13:29.00

SUBJECT: Phone Message from Julian Lorkin

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Contact: Julian Lorkin
Company: BBC Radio, London
Phone: 44-181-624-9507
FAX: Message: Re Taiwan Security Enhancement Act recently passed by Congress

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:28-OCT-1999 15:39:29.00

SUBJECT: Government Credit Cards

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

When you receive your Government credit card, if you would bring it in and let your secretary photocopy them, she can keep the photocopy in the file. She would then have all the information she needs when she makes hotel reservations for you, in order to put that charge on your Government credit card.

Thanks to Will Gillespie for this suggestion. Justice Dept employees follow this procedure, and it seems to work well.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:28-OCT-1999 16:12:29.00

SUBJECT: Levy Speech and Graphs.

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D89]ARMS25317760W.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 2 =====

Clinton Presidential Records Automated Records Management System [EMAIL]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_t0045321_cea_html_1.msoff

Attachment Number: [ATTACH.D12]ARMS22235400U.336

The recent evidence on inequality.

Its time to review the accuracy of the stylized facts that are the basis for much of the theorizing that has been done about trends in US incomes and inequality. In general these facts which are heavily influenced by data from the 1980s suggested disturbing trends towards growing inequality and slow average wage growth. What I would like to argue today is that what we have to explain may well have changed.

The Past. For the period from 1979 through to the early 1990s, the story is a very familiar one. Whether the data were arrayed by household, by earnings decile, or by indicators of skill and education they suggested that the more advantaged did well while those at the bottom did poorly. In addition, average real wage growth was extremely sluggish and by some measures such as average hourly earnings actually declined over the period.

Several explanations for these developments, were advanced.

First, the force of technological change. An acceleration in skill biased technical change. Computers and /or new management approaches emphasizing lean production have biased demand towards skilled workers.

Second, the impact of global forces. The US economy ran large trade deficits in the 1980s. In addition, there was a rise in the participation of developing countries in US trade. In theory, trade liberalization in developing countries in particular could have this effect. Another force seen as important was the bargaining power of labor.

Third, the force of institutional changes. In particular the declining role of unions in the economy. Others pointed to deregulation.

To be sure these explanations are not mutually exclusive. Indeed may be interrelated. Trade stimulates technological change. Trade helps explain the weakening of union bargaining power. Indeed, some argued that the confluence of weaker unions and globalization put particular downward pressure on wages relative to profits.

What I'd like to do today, is to concentrate on what has happened in the US economy, since the mid 1990s and ask firstly what has happened to these forces. Next I'd like to look at the recent evidence on what has happened to various indicators of inequality, and then I'd like to reflect on what lessons we might draw from all of this.

I The forces at work over the past five years.

First, what has happened to technological change?

One very powerful feature of the strength of this expansion has been investment in plant and equipment, particularly computers and information technology. This can be seen in the dramatic rise in the share of real investment in GDP. This is partly due to a high nominal share but also reflects declines in the prices of computer goods.

A second has been a heartening acceleration in productivity growth over the past three years. To be sure productivity growth had been slow in the early part of this expansion, but we've seen business sector productivity up 1.5 in 1997, 2.4 in 1998 and 3.0 in the year prior to mid 1999. So it's clearly been accelerating. It is now well above where a trend line might have placed it.

Thus to the degree we believe productivity is related to investment and indeed driven by information technology, this should have increased wage inequality.

Second, what has happened on the globalization front?

The NAFTA has been implemented with Mexico. Trade and particularly imports has expanded rapidly. As a result of the Asian crisis and slow global economic growth, the US trade deficit in goods and services has increased dramatically. The impact on manufacturing employment growth is clear.

In addition we can see the evidence in the prices of imported goods, particularly of manufactured goods from developing countries.

Thus to the degree that trade operates to raise inequality if you look either at volumes, the deficit or traded goods prices, or trade agreements, all were in operation.

Third, what has happened on the institutional front? Union membership has declined by over 400,000 since 1994. Employment in manufacturing after rising through 1997 has fallen. In addition, of course we have had welfare reform which has added a fair number of the least skilled workers to the labor force.

II: The Recent experience.

First let's look at real income growth. They have grown by between 9.9 and 11.7 percent between 1993 and 1998 for every quintile of the income distribution. What we see is a remarkably constant share of output going to labor. The real product wage has tracked output per hour.

Second let's ask what has happened to the share of labor in overall business output.

What we see is that contrary to expectations, this share has actually increased since 1997. There is little evidence that international competition has weakened labor's ability to bargain in this recent period. There is little evidence indeed if we look at the most recent bargain concluded by the UAW which looks as though it was written in the 1960s.

Lets now move to a standard measure, **the college premium the ratio of average weekly earnings of college graduates to those of high school graduates.**

We see this ratio increases from 38 percent in 1979 to 74.3 percent in 1994 but between 1994 and 1998 it actually declines to 71.3 percent.

The same story emerges in data for average hourly earnings in the CPS although the hourly premiums are 44 and 50 percent for men and women respectively.

Contrary to expectations, there appears to have been no acceleration in the premium over the past five years.

Lets turn to look at another way to classify the data, by earnings decile. Here we use data from the CPS. First lets look at changes in the spread between those earning at the 90th percentile and those earning at the 10th percentile. Lets look at weekly earnings. Between 1979 and 1996 the ratio increases to 4.45. Between 1996 and 1998, however, it declines to 4.36.

In the weekly data the 90/50 spread also rises from 1.86 to 2.12 in 1996 and then subsides.

An even more dramatic picture emerges in the hourly data in which we array the changes between the first half of 1999 and 1994. We see an increases are highest at the bottom and lowest at the top. They're up 8.6 percent since 94 in the lowest, up 4.7 at the top. Over a somewhat longer time

Thus the earnings here actually look as though there has been an increase in wage equality over this period.

The next set of data are more comprehensive. **They examine the gini coefficient for household income.** After two decades of rising inequality this measure has shown no significant change between 1993. Here too, it appears as if the GINI is back in the bottle.

The least fortunate.

A fourth set of data are those for poverty. These show excellent progress since 1994. The 1998 poverty numbers suggest poverty is lower than at any time since 1979. The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998. Over the last five years typical families have seen their incomes rise by 12.1 percent and African American families by 21.0 percent.

Unemployment. African American unemployment from 14.3 percent to 7.8 percent – the lowest on record. Hispanic from 11.5 to 6.5 percent – also the lowest on record. In

Now what should we make of these data?

The overwhelming impression appears to be that the inequality has stopped rising. Its certainly incorrect to claim that we have actually reversed the drift towards inequality in the 1980s and hard to make the claim that inequality is now on a downward trend – and some see trouble in that. But this is convincing evidence that inequality has not continued to worsen. And that is highly significant.

It is important that this new evidence be introduced into the discussion.

Because it is powerful evidence that maybe our theories of the links between the forces in operation should be rethought:

I: Are there other explanations?

One obvious candidate is the role of high pressure economy and the assistance that the major trends have played in allowing us to maintain it.

Indeed there is certainly compelling evidence that a high pressure economy tends to increase opportunities for workers particularly at the lower end of the scale. It may set in motion a positive virtuous circle in which new opportunities lead to new skills, higher productivity and improved competitiveness which in turn allow for labor markets to be run at higher levels without upward pressure on wages.

Ironically, the three forces which were seen as working towards increased inequality may well have contributed to this offsetting factor

A: Increased international competition can lead to a one time reduction in prices and margins.

Similarly, particularly when we get positive shocks to productivity there is a powerful positive macroeconomic influence allowing firms to pay higher wages without passing it through into inflation

B: Maybe when there is enough manufacturing capacity globally there is less inflation and that allows us to create more jobs and to provide a high pressure economy which creates positive opportunities for relatively low-wage workers to move up.

A second possibility is that the trends themselves have been brought to a halt by offsetting microeconomic forces.

One possibility with respect to technology is that in fact firms have found ways to employ relatively less well educated workers more effectively because these workers have become relatively cheaper. So skill bias does not come down from heaven but is affected by relative prices and thus endogenous.

A second possibility is that the downward pressures from “trade” or globalization may have run their course. In particular, the issue of substitutability between domestic and international production is relevant. It could be that we have been driven out of low-wage activities so there is less sensitivity to trade than before because we’ve been driven into non-competing goods.

A third possibility is that our explanations were defective in the first place.

That we actually have never had a very firm grasp on what was shifting the trends in the first place. There were always problems with the story assigning a large role for trade. The numbers just didn’t seem to add up to anything big enough to explain a large share, and the other implications of the theories didn’t seem to be corroborated.

There was also a problem with the skill biased technology story. Why so much change and so little progress?

Another element in the picture, is policy. As Gene Sperling has pointed out strong deficit reduction has not hurt poverty reduction. Increased funding for EITC. And for anti-poverty programs. Head Start, WIC and EITC. One particularly plausible change is the minimum wage. Certainly this should have raised wages at the bottom and it does not appear to have had a noticeably negative impact on employment of the least well paid workers.

So I think there is lots here to take some satisfaction in

We should not be complacent. Ideally we would like to see sustained gains for all and particularly large gains at the bottom. So we need to sustain progress.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:28-OCT-1999 13:47:31.00

SUBJECT: Combined Federal Campaign

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael S. Kosoff (CN=Michael S. Kosoff/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

This is a reminder that the Combined Federal Campaign is now underway. CFC material was distributed a few weeks ago, along with a cover memo from the CEA Chairman.

If you decide to participate in this program, you may choose to earmark your contribution for a specific charity by completing the pledge card that was distributed a few weeks ago, noting the number code for the specific group(s) you decide to designate. Your contribution would then go only to the agency or agencies you have designated. If you wish your contribution to be distributed among all the CFC charities, you need not make any specific designation on your pledge card.

If you are not on our payroll, you can still make a contribution for which we will receive credit. You may make a one-time contribution in the form of a check and attach it to your pledge card. You will then help us to meet this year's goal.

If you did not receive, or have misplaced, the CFC material, please let me know, and I will see that you get the information you need.

Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 17:12:02.00

SUBJECT: Re: AD/CVD cases against the US

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Do we have the data on who we've filed against so we can make a matrix?

How are you coming on peaks?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 17:23:18.00

SUBJECT: Re: AD/CVD cases against the US

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

peaks are coming.

the who we filed against data should be on the commerce website as well. I
will take a look.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 09:23:16.00

SUBJECT: Micro Chapter

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

robert -- these are martin's comments. can you let me know if you have any additions, subtractions, differences that you want to flag., i'll integrate your comments and send will a joint response from the three of us. thanks much.

----- Forwarded by Audrey Choi/CEA/EOP on 10/29/99 09:22 AM -----

Martin N. Baily
10/29/99 09:19:28 AM
Record Type: Record

To: Audrey Choi/CEA/EOP@EOP
cc:
Subject: Micro Chapter

Here are my thoughts on the outline for you to add your comments and Robert's and then send to Will.

1. Making good progress,
2. Need to get a better sense early of the big themes and then have the case studies illustrate those themes. The big theme, as I see it, and as you describe it in II, is the following. The US economy has been constantly changing and that its ability to adapt and innovate and develop new industries and improve old ones is key to our long run economic success and our recent success. This pattern of change creates important challenges for policy. Maintaining competition. Financing investment, Supporting technology. Demands on labor (refer to next chapter). Get these points up front.
3. Shorten and consolidate the cases. Do the auto industry, showing first the development of mass production, then the GM model and then the globalization of the industry which forced US companies to adapt again. Put most emphasis on the recent period and the revival of the auto industry in the 90s. Bring out the ways the case illustrates the themes. Flexibility, investment, training etc. Similarly for steel. Need to be sensitive to the fact that unions may not love the ways the industry has changed.

4. Skim lightly over the early Sears story and focus on the recent development of the industry. Particularly the use of IT to allow stores like Walmart and the Gap to operate efficiently and the development of on line shopping. Industry has been a major job creator despite constant change. Challenge of allowing continued evolution while avoiding urban sprawl.
5. Then develop the e business theme further as the latest in a line of technologies and innovations that demands change
6. Then develop the policy implications. Importance of investment to improve old industries and develop new ones. Point to the way in which shift in fiscal position helps at the micro level. The importance of a competition policy that adapts to the new economy. Importance of science and R&D to maintaining pace of innovation. Conclude with upbeat tone on how US is in strong position as century ends. Foreshadow the labor issues for next chapter.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 14:06:44.00

SUBJECT: Singapore

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

Robert and I had the sign wrong earlier. Singapore actually has larger GNP than GDP, since net factor income is substantially positive (almost 3 percent of GDP). They receive huge inflows of FDI, but they also invest large sums abroad--as indicated by their large current account surpluses since the late 1980s. The CA surplus, for example, was almost 20 percent of GDP last year. (The CA surplus was \$17.6 billion in an economy of \$84 billion at market exchange rates).

For Robert's point on welfare, consumption gives one indicator. Private consumption is 39 percent of GNP (41 percent of GDP).

John

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 13:42:55.00

SUBJECT: Re: Micro Chapter

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

The thing to emphasize is that we are not writing history. The insights we develop from the history should be used to analyse the present and the future.

Second, I still think the framework should be stimulant, response, policy challenges.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 10:09:16.00

SUBJECT: EXPEDITED REQUEST FOR DOCUMENTS

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael S. Kosoff (CN=Michael S. Kosoff/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:
please read the request for documents below. please note that the deadline
for our collective agency response back to counsel's office is Monday at
noon.

please search your files and if you have any responsive documents, please
bring them to me. if you do not please send an email to Francine
Obermiller confirming "I have searched all my files and do not have any
responsive documents."
thanks for your cooperation.

----- Forwarded by Audrey Choi/CEA/EOP on 10/29/99 10:05
AM -----

PostMaster 10/29/99 10:01:01 AM

Record Type: Record

To: All EOP Users, All USTR Users
cc:
Subject: EXPEDITED REQUEST FOR DOCUMENTS

MEMORANDUM TO: All EOP Staff

FROM: Beth Nolan
Counsel to the President

SUBJECT: EXPEDITED REQUEST FOR DOCUMENTS

We have received a document request for records relating to Carol
Moseley-Braun. Accordingly, please conduct a thorough and complete search
of all your records -- whether in hard copy, computer form, or any other
form -- for any of the following material for the period January 20, 1993
to the present.

All documents and materials referring or relating to an Internal Revenue
Service investigation of Carol Moseley-Braun.

Every employee is responsible for searching his or her own files and records to ensure a comprehensive search. Each office head or Assistant to the President must certify that his or her staff has done a complete and thorough search.

In addition, if you believe that files from your office that have been sent to the Office of Records Management may contain responsive information, please advise us so that we may ensure that all responsive documents have been located.

GIVEN THE EXPEDITED NATURE OF THIS REQUEST, All materials must be provided to Karl Racine (OEOB Room 479) by noon on Monday, nOVEMBER 1, 1999. If you have any questions, Karl can be reached at 456-6285.

I appreciate your diligence in this matter.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 16:20:04.00

SUBJECT: AD/CVD cases against the US

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Commerce apparently has not updated their AD/CVD site since 3/99. Here's a spreadsheet with a brief summary. Given that the info is not complete, I'd avoid quoting the exact numbers as this point.

It seems our NAFTA partners are the ones filing the most AD cases against us.

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D95]ARMS20965780J.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Clinton Presidential Records Automated Records Management System [EMAIL]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_v0677134_cea_html_1.msoff

Attachment Number: [ATTACH.D89]ARMS25317760W.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 18:25:03.00

SUBJECT: wto paper

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

just a friendly reminder that we should try to read the WTO paper over the weekend so that we can give victoria very specific, text-oriented comments on monday. we do have a pretty compressed schedule to get it through interagency clearance and ready for public release, so we should try to be as surgical as possible. (also, i think poor victoria's neck may totally freeze up if we don't give her very specific feedback).....

see you on sunday!

best
ac

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 15:31:24.00

SUBJECT: Strategic Planning Calendar

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

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READ:UNKNOWN

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READ:UNKNOWN

TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

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TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:
Please let me have any updates on the Strategic Planning Calendar. Thank
you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 12:16:02.00

SUBJECT: Re: q

TO: Matthew Miller <mattino@worldnet.att.net> (Matthew Miller <mattino@worldnet.att.net> [UNKNOWN])
READ:UNKNOWN

TEXT:
martin_n._baily@cea.eop.gov

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 18:27:41.00

SUBJECT: manufacturing

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

NEC is trying to pull together a document for the manufacturing task force that reflects the conversations that have taken place and also the analysis that has been done. they are asking for anything that reflects the work that CEA has done on the topic. Robert -- do you have anything in writing that would fit the bill? if so, would you mind zapping it my way?
thanks much, ac

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-OCT-1999 12:21:48.00

SUBJECT: Weekly Monitor for 10/29/99

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Steven N. Braun/CEA/EOP on 10/29/99
12:21 PM -----

Medley_Global_Advisors@medleyadvisors.com

10/29/99 12:02:30 PM

Record Type: Record

To:

cc:

Subject: Weekly Monitor for 10/29/99

NOTICE: Forwarding this proprietary email report constitutes violation of
United States and international copyright laws, and will be pursued to the
full extent of the law.

Medley Global Advisors 212-219-9096

(See attached file: wmoctob29.pdf)

- wmoctob29.pdf

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D54]ARMS25129180R.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

MEDLEY GLOBAL ADVISORS

Weekly Monitor

October 29, 1999

PART I: MEDIUM TERM VIEW

All We Are Saying Is Give Growth A Chance

Fed Chairman Greenspan's recent comments, like those of most European and Japanese central bankers, hold out hope that the current round of interest rate tightenings are part of a modest snuggling rather than an all-out war. Official rates in the United States, EMU and UK will rise slightly in the coming twelve months, but in no case by more than 100 basis points as markets do a lot of the work for central banks on two separate fronts. The most direct front is that credit markets rush far ahead of authorities to tighten substantially more along the curve and have a bigger impact on growth than the relatively small official moves would indicate. The second front of market help comes as deregulation, massive productivity increases and a generalized low inflation environment combine to keep pricing power low on a macro-economic level.

This modest rate-hiking environment is all the more surprising because the world is moving toward its first sustained bout of fully synchronized growth since the late 1960s. All three major economic regions -- US, Europe and Asia -- will be growing at near trend levels next year and in that growth could lie the answer to the increasingly troubling questions about what happens to developed country growth and finances as the post-war generation edges off into retirement. We often read about the remarkable seven years of growth the US has enjoyed this decade, but even more remarkable is that, according to the newly revised GDP figures yesterday, the US has been in expansion for all but 9 months of the past 18 years. In other words, we have been growing essentially non-stop for two decades. And there is every reason to believe that as Europe and Japan move forward with their restructurings and retooling that they can achieve similar growth potential -- if not in size at least in duration.

All of that is exceedingly good news if it works out, because with another 5 years of moderately strong OECD growth, we will bring another 300-500 million people into the world economic system as fully developing producers, consumers, savers and innovators. If we stop looking at the world chopped up in arbitrary nation-sized bites and start looking at the world as increasingly integrated satellites of production and consumption we can see that major regions of northern Central America, southern India, northern Africa, coastal China and most of recovering Southeast Asia are ready to move into a phase of self-reinforcing development and growth if demand for new production and service capacity rises under an assumption of sustained OECD growth. Forget national statistics and consider these regional pockets as new recruits for the world economy and the policy implications become crystalline. Adding a chunk of young workers and consumers to the world larger than the US or Europe should have an obvious appeal to graying populations in the senior OECD countries.

If maximizing the chance that this emergent force becomes part of the world economy becomes a G-7 level goal -- as it should -- three immediate policy implications fall out. First is that monetary authorities need to balance the need for sustained growth against the all-out war against inflation the world has been waging since the 1970s. There is every indication that Fed Chairman Greenspan understands that completely as he works steadily toward the "triple soft landing" goal without tipping US stocks or the US economy into recession. But there is less certainty that European central bankers have the institutional backdrop to make the important distinction

between pre-emptive and hyper-active as they struggle to assure themselves that the world views them as a credible central bank. This challenge is particularly acute since internal staff work by the ECB indicates that interest rate hikes have a substantially differentiated impact among EMU countries. Unfortunately, the large weak economies -- Germany and Italy -- are also the most affected by them. ECB calculations indicate that while France has a multiplier impact of 0.5, Germany has a 1.2 multiplier and Italy about the same level. Thus the impact of any rate hike on overall European growth rates may be far more pronounced than generally realized.

The demographic, fiscal and structural value of bringing the developing satellites into the world economy is so obvious and so pronounced that this goal deserves to be placed explicitly on the monetary policy agenda of OECD central banks. Viewed over a 10-year time horizon, the struggle to restrain fiscal demands from a notoriously self-centered and pampered post-war generation will be all but impossible for political authorities. But the struggle will be much easier to manage if we enter that period with new engines of demand, production and growth kicking in from these cusp regions than if we expect the graying OECD nations to fend for themselves. As the US and UK have shown these last few years, there is nothing like strong trend growth to produce fiscal surpluses that will give the governments some breathing room as the baby-boomers enter dotage, stop investing and start whining full time. Monetary authorities will be faced with far more difficult policy choices in that not-too-distant future if they cut off growth now and thus reduce the chance that this Global Cusp graduates. The medium-term needs should be fully incorporated in near-term monetary decisions.

The second set of policy implications drive us to understand that United Nations programs (and particularly the UN Development Program) and World Bank agendas should be viewed not as touch-feely charity work, but as a central and exceedingly selfish policy for G-7 leaders. These institutions have the capacity, the expertise and the willingness to be active capitalist tools, but their centrality must begin to be understood. G-7 officials should bring UN and World Bank leadership into an explicit and cooperative policy-making effort designed to focus a substantial proportion of these organization's available resources (which, by the way, should be actually paid as promised, Trent) into programs specifically designed for the Global Cusp communities in the quickly developing regions of Asia, Africa, the Indian sub-continent and Central America. These organizations can help with credit availability, law-based system building, community and education development programs -- and home ownership drives -- that are essential to establishing the frameworks under which civic society can flourish.

The third set of policy implications would push the BIS and G-7 financial architectural talks toward opening a sub-committee focused explicitly on working with the regional governments and national governments of the Global Cusp areas. The goal is to establish a fully functioning credit system that has both the positive ampliative aspects of a fractional banking system and the restraining impact of a system that can monitor and adjust for credit, counterparty and event risk. The real lessons of the Asian and Latin American mini-crises of the past two years is not that "crony capitalism" doesn't work, it's that immature credit and financial systems allow risk to pile up in ways that make effective use of capital nearly impossible. The result is that credit allocation is inefficient within sectors, that credit creation tends to explode into overly liquid bubble conditions and that capital inflows remain completely unchecked in ways that maximize the distorting effects of cheap and unregulated money.

Making policy to assure that Global Cusp areas fully emerge into the international economy may seem like an impossible task, but thanks to the low inflation environment and spectacular gains in technology we are enjoying it is anything but impossible. In fact, the very diversity of intellect, instinct and intuition that has made this golden age possible should make us want, more than ever, to bring the intelligence and resources of the Global Cusp community into the world economy. The lessons of the last two decades clearly show that the more people who come to the party ready to play, the more likely it is that productive and powerful new ideas make their way into economic life. Precisely because OECD growth and inflation pressures are so well balanced

at the moment, we have the opportunity to let the train roll on and bring a vast army of new participants into the fold. To cut that short would be a disaster for the economic growth, for the fiscal health and ultimately for the national security interests of the G-7 nations. With any luck, the political and monetary leadership will recognize and organize around this fact. That way the noise of increased production and activity may just drown out the noise of baby-boomer whining as we head into the new century.

PART II: CORE POSITIONS

G-7

UNITED STATES

- **THE FED** -- The current FOMC consensus going into the November 16 meeting is for a 25 basis point rate increase and a neutral bias. The language of the communique will hold particular importance this time as it will signal Fed thinking after the turn. A bit of a split has opened. On the one hand, most of the governors and a strong wing of presidents who fear the economy is not slowing are pressing for hawkish language to suggest more hikes after the turn. On the other hand, Fed leadership and a handful of presidents are countering that the much, much awaited slowdown is coming (in no small part 'cause the Fed has successfully flattened the Dow's performance since end of spring), and that productivity is still growing strongly and therefore, we may be near the top of the tightening. Even more so than in the recent past, the data will determine which way the balance swings.
- **DOLLAR** -- US anxiety about the pace of the dollar's decline has been successfully kept out of the headlines and left to the Street and media pundits, but the fact is, dollar/yen continues to hang in there by staying within the comfort zone. The BOJ and MOF seem to be fulfilling their end of the G-7 agreement, and the G-7 agreement to consider a joint intervention is still in place -- though there doesn't seem to be much passion about its need just yet. The operative phrase on dollar/yen is a "premature strengthening" of the yen. The overall policy objective remains to ease any downward adjustment in the dollar as the other major economies recover. Gently does it.
- **PRESIDENTIAL POLITICS** -- Gore is back. The green suits and the over the top empathy are working. The Vice President has managed to reduce "W's" lead to just 6 points. Bradley's support has also softened and Gore campaign insiders who fought for the "take Bill on hard" strategy feel vindicated. "W's" campaign is nervous, and the decision has been made to start buying paid media quietly, so as not to give the impression of panic. Moreover, McCain has also surged as a real alternative to the former first son. Watch for Gore to position himself running against W and Buchanan at the same time, much like Clinton ran against Dole and Gingrich. It works. Debate within Gore's camp now is whether to exclusively pound Bradley for now or share the blows with W.
- **CHINA-WTO** -- Administration is working on a new offer for the Chinese that makes it look as if a) Clinton did not make a mistake in April and b) the Chinese really want it. Thus the posturing coming out of Commerce and Barshefsky's office claiming that the Chinese don't know what they want. In fact, they do. They want the deal done now, and so does Clinton, since he thinks of it "as a legacy thing." Since Congress' vote this year is no longer required, a deal is still possible this year. By the way, Gore can handle it.

EUROPE

- **ECB** -- A consensus within the ECB Governing Council is much prized as it weighs its first ever credibility-bolstering rate hike, and the consensus taking shape is for a 25 basis point hike in the refi rate on November 4. Yes, some of the peripherals are red hot, and the ECB directorate tends to be more sympathetic to them than they are to the pleas of the big cores countries of Germany and Italy to take it easy with the timing on the much awaited hikes. But 50 would send too panicky a message when they know they're not behind the curve. In any case, the ECB seems keen to signal November 4 is not a "one and done" like a mirror of April,

but in fact is the first step of what will be a gentle tightening to bring rates from their currently "very accommodative" levels to a "neutral" level by the end of the first quarter when Europe's recovery will be firmly entrenched.

- **EURO** -- Tanked this week, but drawing no particular policy attention. The euro factors into monetary policy since as it strengthens it will marginally slow the economy, and as it weakens it marginally raises import prices, but in neither case are these primary variables. The ECB's medium term view is of an appreciating currency driven by strong fundamentals and that looks to be the case.
- **POLITICS** -- Schroeder may be taking a beating in the polls, but the fact is, the SPD left wing is faring no better after Lafontaine's book-tour rantings finish him as an SPD player. Eichel is still set to push through his austerity package, and this week bolstered his position by reworking the detail of the complicated package so most of it doesn't need to go through the Bundesrat at all. The ECB doesn't help his case much with the left since he pitched the cuts as a way to deter ECB rate hikes, but oh well. Some lip service to unions on retirement and to the wounded left on inheritance taxes, but that attests more to Schroeder's picking up a page from Jospin playbook of talking left but moving right. True to form, the wily Jospin continues to cater to the left in rhetoric but is betting watered down 35 hour workweek will be enough to placate them while DSK promises to deliver growth and decent budget numbers. Noises being made that he should have cut more in the deficit, but he can safely ignore it as there is no public or real political sentiment to do so, and in any case, he will have some "unexpected" revenue to play with by end of year as GDP is outpacing expectations. In Italy, Cossiga continues to bait D'Alema probably not to a nefarious end, but just to show who's not boss. Still, with 10 parties in a coalition, a cabinet reshuffle in a budget month is a tricky business and at a minimum may drag on longer than would be desirable. Got your ENEL shares? Can three million Italians all be wrong? (Don't answer that.)

UNITED KINGDOM

- **BANK OF ENGLAND** -- 25 is on the table for this month. The Bank firmly says that in principle it can go in December, but in reality it's not an option. January is a long time to wait if they decide to hold, and even that could be in the midst of Y2K turbulence. The remarkable US data this week strengthens the arguments of the doves that new economy stuff could be for real, and it's worth giving growth a chance in the UK too. The housing data are mixed, but there are increasing signs of a slowdown in pace. And sterling still defies gravity. But the labour market and consumer demand are still a source of worry. Preemption is still at the center of the BoE's monetary policy thinking. By the way, don't pay too much attention to reports of internal rows about resources. This debate has been running for well over a year, and arguing about who gets which research assistant and desk doesn't distract them one iota from the real task. This kind of stuff occasionally happens in other organizations as well, right?
- **POLITICS** -- Not since the Sun ran the headline 'Hop off you Frogs' have the tabloids been in such a state of bliss. Nothing like a row with France to get the average Brit fired up and patriotically buying newspapers with naked women in them. It could hardly be less helpful for Blair's European strategy. He wants to improve the image of Europe and European institutions in the eyes of the Brit on the street, before moving on to the more difficult ground of the euro. And now French food and products are being cleared from shelves across Europe. Even Blair's agriculture minister is saying he won't touch the stuff. At least Blair isn't stupid enough to overreact, stressing the UK "plays by the rules". Downing St. is hoping it'll blow over soon. But the speed -- and glee -- at which the ridiculous row has raced ahead shows just how difficult selling the euro in Britain is going to be.

JAPAN

- **BOJ** -- The BOJ Policy Board left well enough alone again this week. No new moves toward quantitative easing were seen. However, the BOJ did say that for the two month Y2K period (December 1, 1999-January 31, 2000) it would accept US Treasury securities as collateral for money market transactions. The BOJ hopes to ensure that there is plenty of liquidity around

over the turn of the year. After announcing this unprecedented move to accept US dollar-denominated securities as collateral for yen-denominated money market transactions, the BOJ went on the offensive and asked MOF to consider repealing the withholding tax on bond interest to improve demand for JGBs.

- **DOLLAR/YEN** -- Dollar/yen was weaker through most of the week, following the overall weak dollar trend in the currency market. While the currency may be getting close to joint intervention levels, the relatively buoyant Nikkei has prevented both the BOJ and the US Treasury from pulling the trigger. There are likely to be more attempts to jawbone the dollar higher if the pair gets a 103 handle (or worse) but intervention may still be a ways off.
- **JGBs** -- JGBs are on the weak side as investors begin to worry about an increase in bond issuance to fund both the supplementary budget and the new, long-term care insurance program. Trading remains largely range-bound as there is still reasonable institutional investor appetite for 10-year bond yields as they approach the 2% level. If the BOJ is successful in getting MOF to end the withholding tax on bond interest and to remove other impediments to trading, demand for JGBs could rise along with prices, especially from foreign investors.
- **EQUITIES** -- The Nikkei remains firmly in the "comfort zone" above 17,000 and there has been increased talk of 20,000 as corporations continue to report earnings for the six months ended September 30. There have been many downward earnings revisions but also a few substantial upward earnings surprises this results season. If foreigners decide to continue buying, that could draw in new buying interest from local investors. The recent liberalization of commissions is also helping to attract money back into equities.
- **POLITICS** -- Details of the supplementary budget and the economic recovery program are still being discussed. There is also a lot of horse-trading going on between politicians over how to implement the new tax that will fund the government's long-term care insurance program. Prime Minister Obuchi is finding his three-party coalition to be quite a handful these days as weeks of bickering is starting to delay important legislation.

EMERGING MARKETS

ARGENTINA

- **BYE, BYE MENEM** -- Fernando De la Rúa will be inaugurated as President on December 10, ending 10 years of Peronist rule. His coalition failed to grab the governorship of Buenos Aires and an absolute majority in Congress. This is a reminder that "tough medicine" fiscal reforms will have to be implemented with care and skill. No worries, though, the new President gets it.
- **FISCAL CREDIBILITY SHOCK THERAPY** -- De la Rúa knows that he needs to deliver the fiscal mega-adjustment as soon as possible. There is a gentlemen's agreement between the Peronists and Alianza to pass whatever economic measures are needed after the election at the suggestion of the winning party. But just in case, De La Rúa is quietly letting it be known that he would not hesitate issuing presidential decrees to get the job done. Debate within the Alianza is how much to cut expenditures and how fast to do it. After letting Machinea twist in the wind for a couple of weeks the former central banker is now the top economic policy coordinator.
- **IMF CARD** -- Top fund officials are comfortable working with Machinea, and they intimate that they might be flexible with Argentina's new economic team. Informal conversations with representatives of the new team are set to begin. Speculation that De la Rúa will offer a top job to Western Hemisphere head, Argentine Claudio Loser, is just that -- no formal conversations have taken place. Despite the old news of larger than expected deficits for 1999, the Fund is prepared to offer a new funding arrangement, provided that the 2000 Alianza budget is fiscally responsible, as all indicators suggest.

CHINA

- **POLITICS** -- Chinese leaders now must wish that they hadn't worked that hard over the past decades to foster anti-West nationalism which has surged since April. Pro-reform leaders,

especially Premier Zhu, are under tremendous pressure but no imminent threat. The crackdown on Falun Gong is intended to nip it in the bud so that it won't touch off real social unrest. The issue will linger but unlikely snowball into a bigger issue. The current problems will slow things down a bit, but will not result in major policy changes. Reform and opening up have struck deep roots in the society and it would be extremely unpopular to reverse that policy.

- **YUAN** -- Given the increased trade surplus and the growing size of its foreign currency reserves, Beijing doesn't see an economic rationale to devalue the yuan any time soon. Moreover, the government doesn't want to further undermine its legitimacy at home by going back on its promises. The yuan is safe, at least through the middle of the year 2000.
- **SOEs** -- Quite a few measures designed to help debt-burdened and money-losing companies have been announced in the past few weeks. More will come. The current focus is on salvaging some big SOEs by reducing their debt burdens. More and more quality companies are also being encouraged to raise funds through the stock market. The second phase of this reform -- the privatization of many medium and small SOEs -- will proceed more slowly and tentatively as leaders try to avoid social instability.
- **TAIWAN** -- The "wait-and-see" game continues. Beijing doesn't want to further alienate Taiwanese people with harsh rhetoric, so Beijing will unlikely take any major moves against Taiwan before the presidential elections take place in next March. The Taiwan Security Enhancement Act before the US Congress will make China both nervous and angry but President Clinton will most likely veto it if both houses really approve it.
- **WTO** -- When Chinese officials say that there isn't much room for more concessions on their WTO offer, they should be taken literally. WTO membership is in China's own economic interest, therefore China wants it. However, the leadership cannot afford to be seen as giving in more after a series of foreign policy debacles. If the US and the EU want to close a deal, there is plenty of time to do that this year. However, if they are still in the mood to extract more concessions from China, then the deal is off.

HONG KONG

- **ECONOMY** -- HK Officials continue to intimate that HK's economic recovery has picked up speed in recent months. Many signs also point to a stabilizing trade environment for HK. This optimism about the territory's macro economy has not rubbed off on the equity market, but the mood in the territory is gradually improving despite lingering uncertainties about the economic prospect on the mainland, oversupply from a spate of IPOs and placements, and the looming rate hike by the Fed.

BRAZIL

- **ACTING WITH RESERVE** -- The central bank has gained the IMF's agreement to spend more on intervention. A reduced emphasis on the reserves level is consistent with Arminio Fraga's inflation-targeting approach, but this doesn't mean the Fund will let the reserves floor go completely. The next program is likely to have a modified reserve target as well as a performance benchmark based on realized inflation.
- **MICRO-MANAGING** -- With the macro framework broadly in place, the technocrats have set their sights on market microstructure issues, including the cost factors underlying consumer lending and the public debt markets. A new liability management program is to be announced in November, aimed at consolidating domestic debt, lengthening maturities, and creating a more liquid money market.
- **DON'T COUNT ON CONGRESS** -- The tax reform proposal put forward this week was not exactly what the administration wanted, but it could be the basis for a workable compromise. That's about as much as you can expect from the government's "allies" in Congress. The chamber of deputies has set itself an ambitious program including health care and social security reforms. But the administration will be hard pressed to keep its congressional coalition together, particularly if Shadow President ACM gets more rambunctious.

INDONESIA

- **NATIONAL UNITY** -- President Wahid, VP Megawati and their "national unity" cabinet have a daunting agenda of economic and domestic political issues facing them, and a dearth of experience. Popular good will may last for a while, but the protests against military participation in the cabinet and the closure of the information ministry, and the demonstrations for independence in Aceh -- not even giving the new Regional Autonomy and Human Rights Ministers time to take office -- suggest that the honeymoon will be short indeed.
- **ECONOMIC PROGRAM** -- The Coordinating Minister has been Kwik to assume control, while the Finance Minister begs for time to familiarize himself with the issues. The loudest noises are being made about cooperating with the IMF, but there are whispers of populism that bear monitoring. The IMF is ready to move as soon as the government points Baligate in the direction of resolution by at least publishing the audit. The new government appears ready to do so, and Parliament is to debate the still-secret audit of the bank in early November.

KOREA

- **RATE MANAGEMENT** -- As growth steams ahead, the government is still managing corporate bond prices through the government-sponsored stabilization fund. The BoK has let its inflation worries be known, but will not act preemptively given the Daewoo-fueled uncertainty in credit markets. The injection of additional government money into the ITCs will help keep the market party going.
- **PRESS-GATE** -- Yet another scandal rocks DJ's administration, this time allegations that the tax investigation of a prominent newspaper was part of a concerted plan to intimidate and control the press. The ruling party first agreed to a special parliamentary investigation, then reversed itself. This comes on top of recent Presidential comments to the effect that public safety requires wiretapping. The more things change the more they stay the same.
- **PRESSING FOR REFORM** -- Or at least something that looks like it. Estimates of how much Daewoo's liabilities exceed its assets keep growing, and workout plans have hit a snag over foreign debt. But the government is determined to put something out for public consumption, and then hope for the best when the November 11 ITC redemption date rolls around. Meanwhile the FTC is taking on the Federation of Korean Industries in a bid to remind the public that, despite government scandals and blundering, the real enemy is the chaebols.
- **REDISTRICTING** -- The latest scandal has set back negotiations, but DJ's plan to insure his parliamentary majority remains top priority. The NCNP and coalition partner ULD have agreed to a parliamentary redistricting plan that will create multiple winners per district and allow the ruling group to take seats even in regions in which it is relatively weak. It only remains to buy off enough GNP members to make it look like there is pluralist support for this innovative Korean-style gerrymandering. Trouble is, the phone tapping and press-intimidating scandals have so far prevented a real horse-trading session between the President and GNP leader Lee Hoi Chang.
- **NO THAW BEFORE WINTER** -- Increased aid and tourism, joint pop concerts, and no missiles for now could pave the way for marked improvements in north-south links. But that doesn't mean a quick thaw for the North's frosty international relations. US envoy William Perry has made clear the US is not ready for a three-way summit, and it's unlikely the North would agree to meet the "puppet regime" alone.

MEXICO

- **PROMISES OF A CLEAN VOTE** -- The ruling PRI conducts its first-ever presidential primary a week from Sunday. The President's favorite, Francisco Labastida, leads in the polls against principal opponent Roberto Madrazo, but it will all depend on voter turnout. The administration and the PRI leadership have promised there will be no Presidential interference and no fraud, and they are bringing in an army of observers to prove they mean it.
- **ALL FOR ONE AND ONE FOR ALL** -- An olive branch has been extended to Madrazo, with offers of political compensation if he accepts the outcome of the primary without a fuss. Madrazo's going quietly into that good night doesn't mean it will be time for a coronation

celebration just yet, but it will leave a unified PRI ready to face a divided opposition in the 2000 presidential election.

- **NO ALLIANCE FOR MEXICO** -- Having expended much energy on not achieving a coalition, the PAN and PRD candidates are running out of steam. Cardenas never had much of a chance, and Fox's own party's support is lagging. Some in the PAN would prefer to focus on state governorships and the Congress. As the PAN congressional delegation primes itself for another budget debate, Fox would be rightly concerned that yet another capitulation to the ruling party by PAN congressmen could leave him with even less to stand on in his presidential race.
- **MANAGING THE SEXENNIO** -- The government's 2000 budget shrinks the deficit but finds room for a tax cut and increased social spending. Gracias a Dios for high oil prices. But the PAN will need to distinguish itself from the PRI, so a contentious budget battle is all but assured. Both major opposition parties are preparing proposals to mandate increased congressional control over funds that had hitherto been spent at the President's discretion.

RUSSIA

- **"DAYS OF DUTCH COURAGE..."** -- The Russian Army is once again making it terrible for Grozny's local real estate agents. The public likes the sight of Russian military power pounding one of its colonies, a reaction which further helps Putin and further erodes Primakov.
- **"...JUST THREE FRENCH LETTERS..."** -- IMF's Odling-Smee will be in Moscow the first half of next week to discuss Russia's compliance with.. well, with anything, actually. The announcement of his visit has encouraged hopes that the next tranche of aid might be forthcoming. It has also mildly encouraged Russian external debt markets after three months of dismal price performance. But perhaps one should think carefully of the less bullish longer-term implications of the persistent talk that Camdessus might step down, since Camdessus was the most effective supporter within the IMF of the policy of engagement with Russia.
- **"...AND A GERMAN SENSE OF HUMOUR."** -- Belarus says it is 75% Y2K compliant, and notes that its nuclear research facilities operate on analog IT (an abacus, perhaps?), "generally considered to be immune to the millenium bug [sic]." We're certainly breathing easier.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: David Post <Postd@erols.com> (David Post <Postd@erols.com> [UNKNOWN])

CREATION DATE/TIME:31-OCT-1999 22:22:44.00

SUBJECT: dates

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
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TEXT:
to all

turns out Nancy B. can't make Nov. 19, and I can't very well
schedule
bookclub when my own wife won't be able to be there, now can I?
Alternative:

Dec. 3?

Dec. 17?

lemme know if either of those is preferable -- I'm leaning to the first

D

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ICANN Watch <http://www.icannwatch.org>

Cyberspace Law Inst. <http://www.cli.org>

Bad Dog [music] <http://www.mp3.com/Baddog1999>

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Postd@erols.com (Postd@erols.com [UNKNOWN])

CREATION DATE/TIME:31-OCT-1999 22:22:46.00

SUBJECT: dates

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

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Noreen@whconnolly.com

cc:

to all

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Bad Dog [music] <http://www.mp3.com/Baddog1999>

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 18:51:31.00

SUBJECT: Unexpected good news on Model Availability

TO: Steven E. Cahill (CN=Steven E. Cahill/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: leeprice@doc.gov@inet (leeprice@doc.gov@inet [UNKNOWN])
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TO: Robert B. Anderson (CN=Robert B. Anderson/OU=OMB/O=EOP@EOP [OMB])
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TO: Joseph J. Minarik (CN=Joseph J. Minarik/OU=OMB/O=EOP@EOP [OMB])
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TO: david.wilcox@do.treas.gov@inet (david.wilcox@do.treas.gov@inet [UNKNOWN])
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TEXT:

Joel Prakken (Macroeconomic Advisers) called to say that he managed to stuff the benchmarked NIPA data into the old model, and it works well enough so that MA will produce its November forecast from this model. New the variable definitions often differ from the old, the new time series often differ substantially from the old, but with only one exception, the same identities--albeit with altered definitions--still hold. The one exception is that there is no variable to hold the federal government's production of own-account software--an item with a \$1.7 billion. This forecasting apparatus (which I will call New Wine in Old Bottles: NWIOB), undoubtedly has some problems with the fit of some equations. However, the identities work (except federal own-account software), and that is all we really need. The new model is still scheduled to come on line around November 24th, but I think we could get to work with this NWIOB model immediately.

T3 meetings (at which T2 members are welcome) are scheduled,

on the NIIRU on Thursday morning (11/4/99) at 9:30 am.
on potential GDP on Tuesday morning (11/9/99) at 9:30.
on the near-term outlook on Wednesday morning (11/17/99) at 9:30

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 13:21:40.00

SUBJECT: Football Frolickers and Brunch-time Photos

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])

READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])

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TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])

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TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])

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TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])

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TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])

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TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

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TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])

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TO: Michael S. Kosoff (CN=Michael S. Kosoff/OU=CEA/O=EOP [CEA])

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TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])

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TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Mark N. Levine (CN=Mark N. Levine/OU=CEA/O=EOP [CEA])
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TO: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Linda A. Reilly (CN=Linda A. Reilly/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

Some of you may have noticed our newly-appointed official CEA photographer, Yu-Chin, at yesterday's brunch as she traveled around catching snapshots. The photos are already developed, and are on my desk.....there are some wonderful shots, so be sure to come up and take a look!!!

Thanks, Yu-Chin.....you did a fantastic job!!!!!!

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: JIEL <JIEL@wpgate.law3.georgetown.edu> (JIEL <JIEL@wpgate.law3.georgetown.edu> [UNKNOWN])

CREATION DATE/TIME: 1-NOV-1999 11:33:54.00

SUBJECT: JIEL update of editor's bios

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

Dear Prof. Lawrence,
please allow me to introduce myself to you. I am Barbara Eggers, the new JIEL assistant to Prof. Jackson. We are currently preparing an update of the editor's bios as published in JIEL vol. 1 iss. 3.
Since we know that you have joined the Council of Economic Advisors, we would suggest to change your entry as follows and would like to ask you to have a look at it.

Robert Z. Lawrence, Member of the Council of Economic Advisors, The White House; Albert L. Williams Professor of International Trade and Investment at the John F. Kennedy School of Government, Harvard University and New Century Senior Fellow, The Brookings Institution.

Could you briefly confirm whether this is correct or indicate to us whether you would like us to add anything?
Thank you very much in advance,

yours sincerely

Barbara Eggers
Assistant to Prof. John H. Jackson
Georgetown University Law Center
600, New Jersey Avenue N.W., Washington D.C. 20001
e-mail: be2@law.georgetown.edu
phone: + 1 (202)342-8723
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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: John Spotila (CN=John Spotila/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 1-NOV-1999 18:12:18.00

SUBJECT: re-schedule: meeting on EPA analysis supporting Tier II

TO: Henry C. Kelly (CN=Henry C. Kelly/OU=OSTP/O=EOP@EOP [OSTP])
READ:UNKNOWN

TO: Rosina M. Bierbaum (CN=Rosina M. Bierbaum/OU=OSTP/O=EOP@EOP [OSTP])
READ:UNKNOWN

TO: Roger S. Ballentine (CN=Roger S. Ballentine/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

TO: Morley A. Winograd (CN=Morley A. Winograd/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

TO: Ronald Minsk (CN=Ronald Minsk/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: George T. Frampton (CN=George T. Frampton/OU=CEQ/O=EOP@EOP [CEQ])
READ:UNKNOWN

TO: David W. Beier (CN=David W. Beier/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

CC: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Linda Lance (CN=Linda Lance/OU=CEQ/O=EOP@EOP [CEQ])
READ:UNKNOWN

CC: Kevin F. Neyland (CN=Kevin F. Neyland/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Eric M. Haxthausen (CN=Eric M. Haxthausen/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Arthur G. Fraas (CN=Arthur G. Fraas/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Donald R. Arbuckle (CN=Donald R. Arbuckle/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Jennifer R. Muller (CN=Jennifer R. Muller/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

CC: Robert S. Fairweather (CN=Robert S. Fairweather/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Richard P. Theroux (CN=Richard P. Theroux/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Amy Squires (CN=Amy Squires/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Elwood Holstein (CN=Elwood Holstein/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Sally Katzen (CN=Sally Katzen/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

Records Management@EOP (Records Management@EOP [UNKNOWN])
READ:UNKNOWN

TEXT:

Due to a scheduling problem at EPA, we will move the meeting to 9:30am, this Thursday, November 4, instead of 12:30pm. The meeting will still be held in 10103 NEOB.

Original memo is below.

MEMORANDUM

FROM: John T. Spotila

SUBJECT: EPA analysis supporting the Tier II/low sulfur gasoline rule

At Tuesday,s meeting with Carol Browner, we agreed to convene a technical level meeting to review the options EPA will be evaluating in its analysis of the final Tier 2 rule. (See the attached list) We are scheduling that meeting for next Thursday (November 4) at 12:30 p.m. in NEOB Room 10103 and would invite you to attend or send a representative. EPA staff report that they will begin delivering pieces of their analysis next week, perhaps as early as Monday.

EPA does not currently see a need to do an analysis of either a gasoline sulfur limit of 40 ppm or the phase-in approach outlined in DOE,s comments on EPA,s proposed rule. It will discuss its views in this regard on Thursday.

We also think it would be useful to discuss with EPA the specific

structure/options for analyzing the following:

--small refiner/Western Governor/regional fuel options

--use of additional bins for the auto standards

--assessment of the interim standards for autos

The Thursday meeting will give us an opportunity to talk about any alternatives or other options you believe should be evaluated in developing the final Tier 2 rule.

Please let us know if you have any questions. It would also be helpful if you would advise Eric Haxthausen (eric.haxthausen@omb.eop.gov) of OIRA as to whether you or a representative will be attending the meeting.

Attachment

Options for Analysis*

I. Sulfur in Fuel Options (2000 to 2030)

(1) EPA Proposal (30 ppm average/cap=80 ppm)

(2) More stringent option (e.g., 10 ppm average/cap=?)

II. Phase-in of 30 ppm Fuel Standards (2000 to 2010)

(1) EPA Proposal

(2) Revised EPA Option

(3) Revised DOE Option

(4) Regional/Western Governors/Small Refiners Options

III. Auto Standards (2000 to 2030)

(1) EPA Proposal

(2) Evaluation of the Use of One (or more) Additional Bins (e.g., a bin between .07 and .15)

(3) Assessment of the Interim Standards v. Alliance option(s)

(4) Evaluation of the ABT program for autos

IV. Phase-in of Vehicle Standards (2000 to 2010)

(1) EPA Proposal

(2) Delay LDV and LDT Standards One Year

(3) Delay LDV and LDT Standards for Four Years (with Alliance proposed interim standards)

V. Sensitivity Analysis: Interaction with Other Key Fuel/Refinery Issues
(2000 to 2010)

(1) EPA Rulemaking to Limit Sulfur in Diesel Fuel

(2) Phasedown of MTBE Use

(3) Potential EPA Action under Section 202(l)

* We have agreed that cost-effectiveness analysis -- that is, analysis of the costs and emission reductions achieved for each option -- is the best analytical tool available for much of the required analysis. EPA has also agreed to provide the information needed to carry out an incremental cost-effectiveness analysis. For options involving the phase-in of standards, some other form of analysis -- instead of cost-effectiveness analysis -- may be appropriate. Finally, we agreed that it may be sufficient to do a qualitative sensitivity analysis of MTBE phasedown and potential Section 202(l) action to address hazardous air pollution from mobile sources.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 12:03:15.00

SUBJECT:

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D22]ARMS24954301A.336 to ASCII,
The following is a HEX DUMP:

I. Overview

The United States looks to the future from a position of strength, due in no small part to its openness and flexibility. The United States is among the world's least protected economies, with tariffs on imports averaging only 2.8 percent. It is also the world's leading trader, accounting for about 14 percent of world exports and about 16 percent of imports. Americans benefit directly from open markets at home and abroad. U.S. producers benefit from exports of high-tech manufacturers, agriculture, services, among other products. U.S. workers enjoy higher paying jobs and U.S. consumers enjoy lower prices and more product variety.

For over half a century the multilateral trading system, consisting first of the General Agreement on Tariffs and Trade (GATT) and more recently the World Trade Organization (WTO), has played a key part in meeting U.S. trade policy objectives. It has reduced barriers to trade, strengthened the rule of law, and encouraged economic growth and development internationally. This led to half a century in which the global economy has become increasingly integrated, likely contributing to periods of exceptional economic growth for much of the world.

America Benefits from Market Liberalization

On the threshold of the 21st Century, two related features of the U.S. economy are particularly striking. First, it has never been more prosperous and, second, it has never been as integrated into the world economy. The U.S. economy provides its citizens with living standards that are higher than those in other major industrial economies – per capita income in the United States is 40 percent higher than the average for other high-income countries. At the same time, trade's share in U.S. GNP is almost 25 percent, the highest it has been at any point in the past hundred years. The U.S. economy is able to provide such high living standards, in part, because Americans engage extensively in international trade.

- On average, Americans export about 11 percent of all the goods and services they produce and import about 13 percent of all they consume.
- Many high-tech U.S. manufacturing industries, such as computers and electronics, export 25 percent or more of their total shipments; U.S. wheat and rice growers export over 40 percent of their total production.
- The United States is the world's leading services exporter, accounting for over 18 percent of all commercial service exports.
- Recent studies suggest that wages in U.S. export-related industries are 12.5 to 18 percent higher than elsewhere in the economy.

The WTO Promotes Rules-Based Market Opening

For over 50 years the multilateral trading system has played a key part in meeting U.S. trade policy objectives – it has reduced barriers to trade, strengthened the rule of law, and promoted growth internationally. To fully realize the benefits of trade requires more than just lower tariffs.

The trading system must be credible. For firms to undertake the necessary investments to service foreign markets, they need to believe that new barriers will not be raised and that old ones will not reassert themselves. To rely on foreign suppliers, buyers need to believe likewise that market access will not be disrupted. Traders need assurance that commitments will be binding and that markets will remain open in the event of changed circumstances. This requires an effective rule of law, including mechanisms to encourage adherence to the rules and to settle disputes, whenever they might arise. But, the trading system must also strike an appropriate balance between the needs of the institution and those of its individual members. The WTO has achieved this balance by allowing sovereign nations flexibility in meeting their commitments.

Trading system provides framework for liberalization. The system of binding commitments first established in the GATT has not only fostered an expansion of trade over the long run; it has also fostered stability during periods of turbulence. This has contributed to half a century in which the global economy has become increasingly integrated, likely contributing to periods of exceptional economic growth for much of the world.

- Consistent with U.S. goals for an open multilateral trading system, the GATT was founded on principles of consensus, reciprocity, and non-discrimination.
- In 1940, the average tariff on industrial products in developed countries was about 40 percent. Soon, it will be less than 4 percent.
- The GATT began with only 23 contracting parties. Today the WTO claims 134 members, soon to reach 135, and another 33 nations are seeking accession.

Recent Negotiations Further U.S. Policy Objectives. The Uruguay Round reduced tariffs on industrial products and extended agreements to previously neglected sectors, such as agriculture, textiles and clothing, and services. Substantial breakthroughs were achieved in new areas, such as trade-related aspects of intellectual property rights. Moreover, the creation of the WTO provides an improved institutional framework for resolving disputes and monitoring countries' performance in the trading system. To date, post-Uruguay Round negotiations under the 'built-in agenda' have yielded additional market access commitments in financial services, basic telecommunications services, and information technology, opening up new opportunities in areas in which the United States is highly competitive.

Countries Gain from Lower Barriers. Recent studies evaluate some of the potential gains of market opening in the Uruguay Round. However, at best, they capture only the effects of certain conceptually quantifiable features of the round, namely reducing tariffs and eliminating quotas on a subset of industrial products, textiles and clothing, and agricultural products. The studies do not capture gains from strengthened rules, such as those for dispute settlement and the new agreements on services and trade-related aspects of intellectual property rights.

- Using stylized economic representations, recent assessments estimate that annual global income could increase \$170 to \$220 billion, by 2002 (in 1992 dollars).

- For America, the gains could amount to \$13 to \$36 billion – at the high end, roughly equal to the gross state product of New Hampshire and more than the total GDP of Vietnam.

New Rules Convey Additional Benefits. Though the added benefits of new rules are difficult to estimate directly, experience and data suggest their importance.

- The rule of law has been strengthened by the new dispute settlement system, which has proved extremely useful to the United States, its most frequent user. The results of 47 complaints filed by the United States suggest that the dispute settlement process has been effective, with United States prevailing in 12 out of 14 rulings so far.
- Growth in private service exports points to potential gains from the services agreement. Since 1995, U.S. exports of insurance services have increased by 119 percent, U.S. exports of financial services have increased by 95 percent, and business, technical, and U.S. exports of professional services have increased by 52 percent.
- Intellectual property rights convey substantial value. Over a 13-year period from 1982 to 1995, the number of patents issued annually by the U.S. Patent and Trademark Office grew from under 60,000 to over 100,000, with more than half of the patents granted in each year going to U.S. inventors. In 1998, U.S. trade in royalties and license fees yielded a positive balance of about \$25.5 billion.

The WTO Extends Benefits of Trade and Encourages Growth

The United States has long advocated the use of the multilateral trading system to promote economic development internationally. It has also sought to establish strong democratic institutions and to spread the rule of law. The success of the system and its value in reinforcing market oriented development strategies has become increasingly appreciated over time. Originally heavily dominated by the developed countries, participation has grown as developing and transition economies have sought inclusion. Today, the WTO has 134 members and another 33 nations, including China, are seeking accession. This allure of the trading system supports the view that international trade is not a zero-sum game. Both the United States and its trading partners reap the benefits. In fact, the shared aspect of the gains from trade, between trading partners, is a core principle of economics. However, not all WTO members are currently well positioned to use the system effectively. Some of its least developed members lack the necessary institutions and infrastructure to reap the full benefits of trade – in those cases, capacity building and technical assistance, coupled with market opening, could help spread the benefits.

The U.S. Agenda Meets Challenges of the 21st Century

The prospect of another round of multilateral trade negotiations provides new opportunities to advance U.S. interests in opening foreign markets, establishing an effective rule of law, and promoting economic development internationally. Barriers remain high in some sectors in which we are highly competitive. Moreover, the system of commitments and rules, though much improved, still requires further strengthening. And, much work remains to be done to ensure that developing countries – including the least developed – obtain the market access and technical

assistance they need to realize the benefits that international trade can afford. The United States is committed to putting a "human face" on the global economy.

U.S. Objectives for Seattle and Beyond. The United States is proposing to launch a new round that includes a broad-based market access agenda, focusing on services, agriculture, and industrial tariffs, and lasting no more than three years. It is also seeking immediate tariff cuts in eight key areas, agreement on transparency in government procurement, extension of the prohibition on e-commerce duties, an agreement to make additional information technology products tariff free. The United States also sees the need to strengthen the WTO's relationships with other international organizations and for reforms to make the WTO itself more open and accessible. The United States has sought to create a trading system in which the benefits of trade are shared as widely as possible, both across and within countries, and do not come at the expense of basic human rights or the environment. To that end, the United States is:

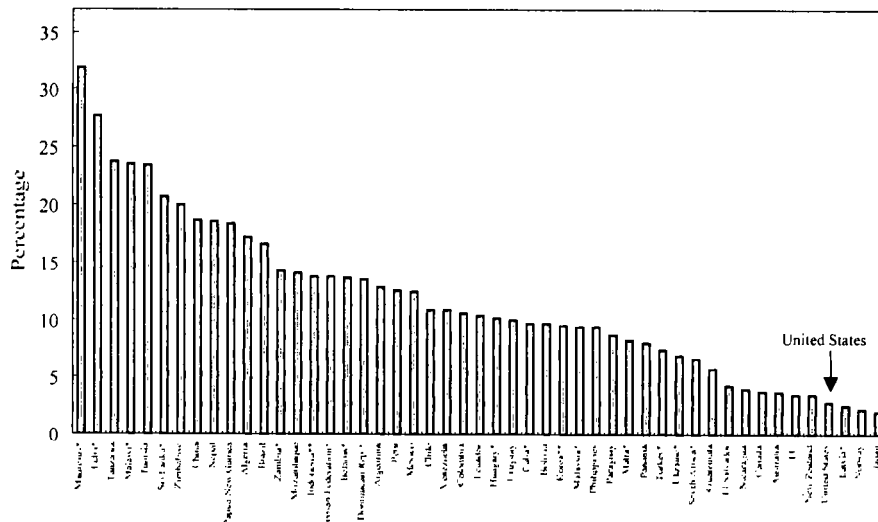
- Seeking to bring more nations into the trading system and ensure that developing countries fully benefit. The United State will work to give the least developed countries greater access to global markets. The United State is also proposing measures to provide technical assistance on implementing trade policy and strengthening institutions in developing countries responsible for trade, labor, environmental, and other policies that influence the gains to living standards from trade.
- Proposing to establish a WTO Working Group on Trade and Labor in Seattle and enhance the institutional links between the International Labor Organization and the WTO, by granting the ILO observer status at the WTO.
- Pursuing opportunities that can open markets and yield environmental benefits, such as eliminating fishery subsidies that contribute to over-fishing and eliminating tariffs on environmental goods; seeking to strengthen cooperation between the WTO and international organizations dealing with environmental matters like the UN Environmental Program.
- Committing to conduct a U.S. environmental review of the likely consequences of the Round and proposing that the WTO Trade and Environment Committee help identify environmental implications as the Round proceeds.

Observations on U.S. Trade Policies. While an open trading system is beneficial, it is not a panacea for all the challenges facing the United States or the international community. The WTO provides its members with some of the conditions that are necessary for successful economic performance, but the benefits it confers are not automatic. To fully realize the benefits of trade, it is necessary to adopt complementary domestic policies to ensure that the resources that are displaced by trade are successfully re-employed. This requires effective mechanisms to smooth transitions and adjustments. The Clinton Administration has made opening markets at home and abroad a major pillar of its economic strategy, but it has also adopted the complementary strategies of investing in people and fiscal prudence.

II. America Benefits from Market Liberalization

The United States approaches market liberalization from a position of strength in the global economy, partly because of its openness and flexibility. U.S. tariffs on imports are among the lowest in the world, only about 2.8 percent on average (Figure 1). And U.S. producers are among the most competitive in many industries, including high-tech manufactures, agriculture, and services. Today, the United States is more integrated into the global economy than ever before – it is also the world's largest exporter and importer. The United States accounts for about 14 percent of world exports and about 16 percent of imports. Because the U.S. market is already so open, it stands to reason that Americans would have much to gain and relatively little to lose from additional multilateral liberalization. To date, the multilateral trading system has provided an effective forum for working toward open markets.

Figure 1: Mean Tariff Rates Weighted by World Trade Volumes 1998



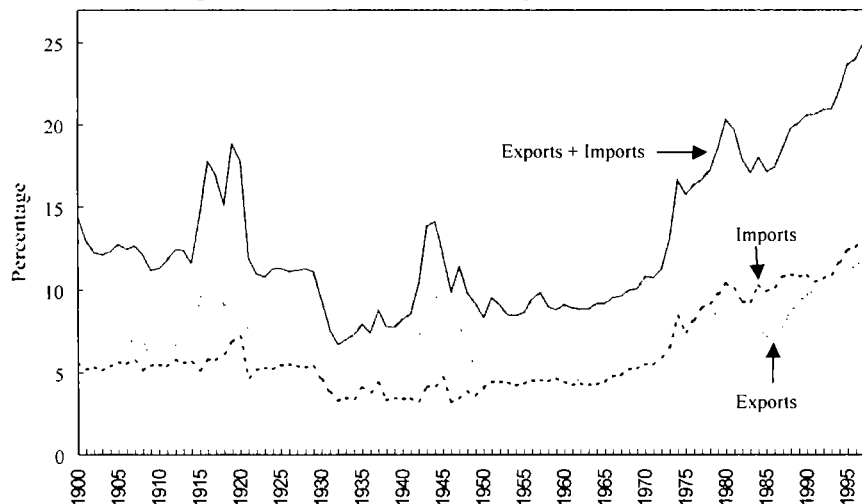
* Indicates data from 1997, ** indicates data from 1996.
Source: World Bank

U.S. businesses, farmers, workers, and consumers already benefit from U.S. policies that enable the free flow of goods and services at the U.S. border and from international agreements that provide access to foreign markets. U.S. businesses benefit directly from export opportunities – some industries, such as electronics and computer equipment, sell at least a quarter of their merchandise overseas. They also enjoy access to low cost inputs, which makes them more competitive domestically and internationally. Many U.S. farmers also ship large shares of their production abroad. U.S. workers enjoy higher paying jobs and U.S. consumers enjoy lower prices and more product variety.

A. Where America Stands

Trade's share in U.S. GNP is about 25 percent, the highest it has been at any point in this century (Figure 2). In 1998, U.S. goods and services exports and imports amounted to about 959 billion and 1,110 billion, respectively. On average, Americans exported 11 percent of the goods and services they produced and imported 13 percent of those they consumed. Capital goods accounted for the largest share of U.S. exports, about 32 percent, followed by services, then industrial supplies and materials (Figure 3a). Capital goods also accounted for the largest share of U.S. imports, about 24 percent, followed by consumer goods, then industrial supplies and materials (Figure 3b). The sectoral data suggest the importance of two-way trade within industries. The United States is competitive across a wide range of industries, in part, because U.S. firms have access to cheap imports, resulting in lower production costs.

Figure 2: U.S. Trade as a Percentage of GNP 1900-1998



Source: 1900-1970 from U.S. Department of Commerce, Bureau of the Census, 1971-1998 from U.S. Department of Commerce, Bureau of Economic Analysis

Figure 3a: U.S. Exports in 1998
Total=\$959 Billion

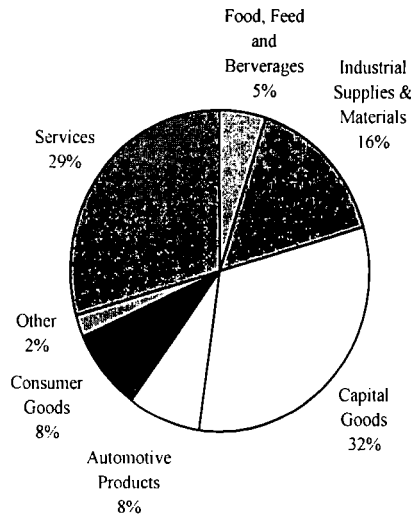
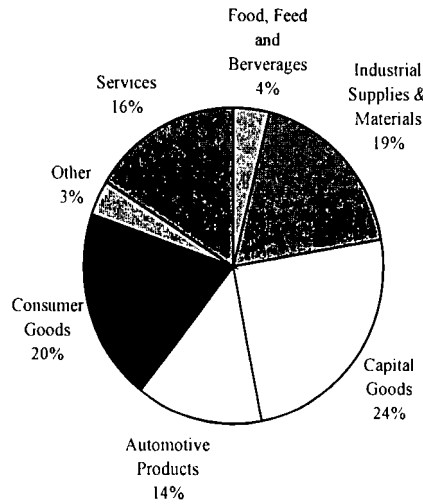


Figure 3b: U.S. Imports in 1998
Total=\$1,110 Billion



Source: U.S. Department of Commerce, Bureau of Economic Analysis

More detailed data on U.S. trade in manufacturing, agriculture and services provide even more compelling evidence of the extent of U.S. integration in the global economy and the value of open markets. For a variety of products – ranging from computers to wheat – access to global markets contributes substantially to U.S. production and consumption.

Manufacturing industries are highly integrated. A comparison of trade, production, and consumption data suggests substantial international integration in a number of industries, and an outward orientation in high-tech manufacturing. On average, exports account for about 15 percent of shipments in manufacturing and imports account for about 19 percent of consumption. Ranked on the basis of export shares, industrial and commercial machinery and computer equipment, electronic and other electrical equipment and components, and measuring, analyzing, and controlling instruments rate highest (Table 1). In each industry, exports account for roughly 25 percent or more of U.S. firms' total shipments. Ranked on the basis of import shares, leather products, apparel, and miscellaneous manufactures rate highest – imports account for at least 39 percent of domestic consumption in each industry. But, imports also account for a significant share of consumption in industrial and commercial machinery and computer equipment – roughly 34 percent. As above, the data on industrial and commercial machinery and computer equipment suggest the importance of two-way trade. A closer look at data on trade in computer equipment provides further evidence:

Table 1: U.S. Manufacturing Trade as a Percentage of Total Shipments and Consumption

SIC Code	Product Description	Exports as a Percentage of Shipments	Imports as a Percentage of Consumption
20	Food and Kindred Products*	6.82	6.14
21	Tobacco Products*	17.09	0.96
22	Textile Mill Products	10.00	11.42
23	Apparel & Other Finished Products Made From Fabrics	10.43	39.11
24	Lumber And Wood Products, Except Furniture	7.62	11.96
25	Furniture And Fixtures	5.63	15.05
26	Paper And Allied Products	9.02	9.37
27	Printing, Publishing, And Allied Industries	3.19	2.12
28	Chemicals and Allied Products	17.73	13.73
29	Petroleum Refining And Related Industries	3.98	9.80
30	Rubber And Miscellaneous Plastics Products	8.26	10.10
31	Leather And Leather Products	23.46	70.97
32	Stone, Clay, Glass, And Concrete Products	5.59	10.96
33	Primary Metal Industries	13.09	19.66
34	Fabricated Metal Products, Except Machinery And Transportation	7.72	8.76
35	Industrial And Commercial Machinery And Computer Equipment	32.14	33.92
36	Electronic & Other Electrical Equipment & Components	25.15	32.65
37	Transportation Equipment	21.45	27.30
38	Measuring, Analyzing, And Controlling Instruments	24.72	22.08
39	Miscellaneous Manufacturing Industries	16.31	47.25
	All Manufacturing	15.18	19.21

* Does not include primary products

Source: U.S. Department of Commerce, International Trade Administration

-
- In the computer industry, including computer hardware and peripherals, U.S. exports account for about 43 percent of domestic producers' total shipments and imports account for about 58 percent of final and intermediate domestic consumption.
 - According to the U.S. Department of Commerce, more than 60 percent of the hardware value of a typical U.S. personal computer system is made up of floppy and hard disc drives, video cards, multimedia kits, monitors, mother boards, mouse devices, power supplies, and random access memory imported from Asia.

Farmers export large shares of production. Here also, the data show that Americans benefit from opportunities to sell their products internationally. In 1998, U.S. agricultural exports totaled about \$54 billion, accounting for about 25 percent of all U.S. agricultural sales on average. However, for many bulk commodities, high-value products, and horticultural products, the share of production sold as exports was considerably higher. U.S. wheat and rice growers exported over 40 percent of their production, U.S. sunflower seed oil producers exported over 80 percent of their production, and U.S. almond growers exported over 70 percent.¹

Service exports have grown dramatically. Though typically “small” relative to total industry revenue, U.S. exports of tradable services have grown dramatically, providing further evidence of the increasing importance of global linkages. U.S. services exports have grown both as a share of domestic production and as a share of total exports (Figure 4):

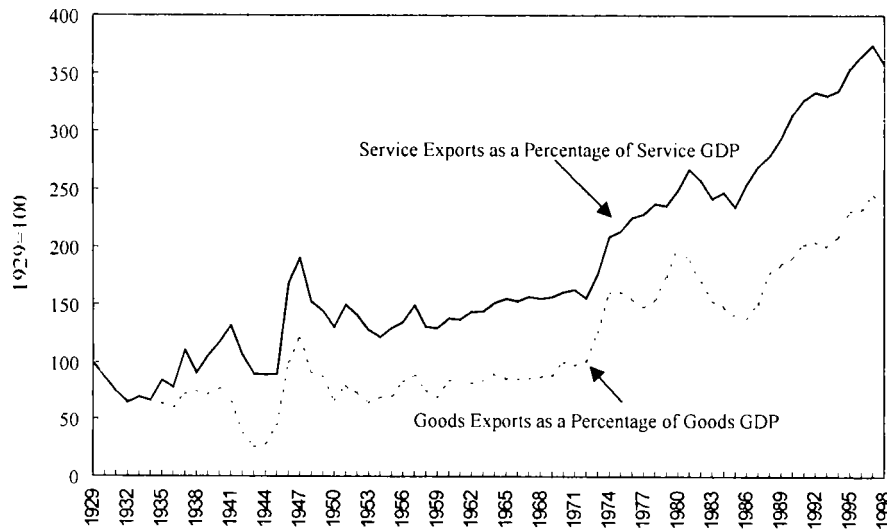
- U.S. service providers have almost tripled their share of export-related production over the past five decades. In 1950, only 2.2 percent of U.S.-produced services were exported; in 1998, that share was about 6 percent.
- U.S. service exports are growing more rapidly than merchandise exports, thus accounting for a larger share of the total. In 1950, services accounted for about 17 percent of all U.S. exports; in 1998, that share was about 29 percent.
- The United States is among the world’s leading exporters of commercial services, ranking first in 1998 and accounting for about 18 percent of total exports.² The top five categories of U.S. private service exports were travel services, transportation services, royalties and fees, business, professional and technical services, and financial services, accounting for about 78 percent of U.S. private services exports.³

¹ Exports measured as a percent of domestic production, using 1996-98 average volume.

² See World Trade Organization, <http://www.wto.org/wto/status/prerelease.htm> (Downloaded October 21, 1999.)

³ See U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, July 1999, p.102. The figure for royalties and license fees includes receipts that could be apportioned to specific industries, such as those related to books, records and tapes and broadcasting and recording of live events.

Figure 4: Goods and Services Produced for Export 1929-1998



Source: U.S. Department of Commerce, Bureau of Economic Analysis

America's trading partners are located around the world – in Europe, Asia, Latin America, and Africa – but they tend to be concentrated in developed or neighboring countries. Canada is America's top ranking partner, accounting for about 21 percent of merchandise trade (exports and imports combined). Measured on the same basis, the EU is a very close second, accounting for just over 20 percent of the total, followed by Japan, accounting for just over 11 percent, then Mexico, accounting for just under 11 percent.⁴ In aggregate, the developing countries, excluding Mexico, account for about 33 percent of America's trade, though the least developed countries account for a very small share – less than one half of one percent.⁵

Although the U.S. economy is "open," in the sense that its average tariffs are among the world's lowest, the United States – by virtue of its size and its distance from many major markets – is not as dependent on trade as many other nations. Total trade's share in U.S. income is about 25 percent – well below total trade's share in world income, about 47 percent.⁶ As a result, one might argue that the United States benefits from trade relations with countries in Europe, Asia, Latin America, and Africa, while remaining relatively buffered from adverse global events by

⁴ The Data are for 1998. See U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business* (July 1999), p. 94-96. Accounting separately for U.S. imports and exports, the ranks are nearly identical and the shares quite similar, the main differences being that Mexico ranks third as a destination for U.S. exports and Japan ranks fourth, with a somewhat lower share than in the other categories of trade.

⁵ The data are for 1998. See the U.S. International Trade Commission, <http://dataweb.usitc.gov/scripts/REPORT.asp> (1999).

⁶ Cite data source.

the strength of its domestic markets. Moreover, with U.S. import barriers already quite low, we are also relatively well positioned to adapt to freer trade – the elimination of very low tariffs does not pose the same challenges as the elimination of very high tariffs.

B. Why More Trade?

In his famous treatise, *The Wealth of Nations*, Adam Smith pointed out the economic benefits of specialization and the degree to which these benefits depend on a large market. The founding fathers of the United States revealed an innate appreciation of this insight when they enacted the Interstate Commerce Clause in the U.S. Constitution. This clause, which prohibits restrictions on trade among the states, is the shortest, and possibly the most effective free trade agreement in history. It established open trade among the states, creating a large internal market that has helped to make the United States one of the richest economies in the world. Because they can freely sell their products on this large market, Californians can produce more wine than if they could only to sell in their own state. Likewise, farmers in Kansas can grow more corn and factory workers in Michigan can build more automobiles. As a result of these activities, all Americans enjoy cheaper wines, corn, and automobiles.

Today, we take our open internal market for granted. Few would likely argue that the East or West of the United States would benefit if a barrier prevented trade between them. Yet the case for free international trade is fundamentally the same as the case for free domestic trade. Access to large, diverse markets permits specialization and specialization yields gains to producers and consumers. Open trade allows Americans to earn higher incomes than if they only sold at home. It also allows them to buy an array of products that is cheaper and more varied than if they could only purchase domestically. International competition also exposes U.S. industries to foreign technologies and stimulates them to become more inventive and productive.

However, it is important to remember that the internal market works, in part, because an effective rule of law governs domestic transactions. Each of the 50 states enjoys considerable latitude in setting its own local policies, but an overarching system of federal rules and guidelines assures consistency across the country. Much in the same way, the multilateral trading system requires transparent and predictable rules of conduct.

Countries gain from specialization. When a country produces and exports those goods and services that it can produce relatively cheaply, and imports those that are relatively cheap to produce abroad, that trade can improve standards of living on both sides of the transaction.⁷ For example, the United States, with an abundant supply of high-skilled labor and capital, can produce financial services at lower cost, relative to other products, than can most developing countries. Costa Rica, with an abundant supply of low-skilled labor and appropriate growing conditions can produce coffee at lower cost, relative to other products, than can the United States. In this example, the United States would benefit from producing and exporting financial

⁷ A country's relative strengths, i.e., its comparative advantage, derives in part from its "natural" endowment of resources, such as capital, labor, and land. But other factors – including a country's domestic policies – are also important. They can affect both the quantity and quality of its resources. The U.S. economy, for example, benefits from an abundant supply of high-skilled labor. However, such skills are not conferred by nature, rather they are conferred by education and training.

services and importing coffee; the reverse is true of Costa Rica. Through specialization, each country puts its resources to use where they can generate the most economic value. Thus, when countries open their borders to trade, or reduce existing barriers, they reallocate resources to the uses in which they will be most profitable.

Competition enhances productivity. Foreign competition gives domestic firms an incentive to raise their productivity.⁸ These gains are recurring. Although competition is only introduced once, it leads to a cycle of productivity improvements and quality enhancements that continue to benefit the economy indefinitely. Studies of both Japan and the United States find a positive relationship between productivity growth and import growth. Trade can also increase growth by improving the flow of knowledge and transfer of technology. With protection of intellectual property rights, foreign competition can promote research and development and lead to innovation – in both new products and new production processes.

Exports provide clear benefits. By selling overseas, firms can increase their sales and sometimes earn higher prices. In response, production expands and more Americans are drawn into jobs in the most productive and internationally competitive sectors of our economy. Today, one in five U.S. factory jobs is due to exports and one in three acres in agriculture serve foreign markets. Access to larger markets can also reduce costs and increase innovation.

- *The expansion of internationally competitive sectors boosts incomes.* A recent study finds that export-related jobs tend to pay wages about 12.5 to 18 percent higher than other jobs.⁹ As exporters typically employ relatively skilled workers, a part of this figure is due to differences in observable skills. But, even after accounting for skill differences, the premiums are significant. The adjusted wages of unskilled workers are approximately 7 percent higher, and those of skilled workers are approximately 5 percent higher in exported-oriented industries than in the rest of the economy. Accounting for differences in non-monetary compensation results in premiums that are even larger.
- *Large-scale production reduces and spreads costs.* The economies of scale achieved by selling on world markets lower the costs of production and increase the returns to innovation. For some goods, such as automobiles, the average cost of production falls as more of the good is produced – hence, the larger the market, the lower the cost. As a result, U.S. producers become even more competitive and U.S. consumers enjoy lower prices. Moreover, the ability to spread the fixed costs of research and development across a larger sales volume allows globally competitive firms to be more innovative than those confined to selling in small domestic markets.

⁸ Among the one-time gains, foreign competition can provide incentives for firms to reduce their prices in previously non-competitive markets. For example, foreign competition, including the threat of foreign competition, can help dilute domestic monopolies. See *Economic Report of the President*, February 1998, pp. 236-246.

⁹ This discussion appeared previously in the *Economic Report of the President*, February 1998, p. 241. The cited study is, J. David Richardson and Karin Rindal, "Why Exports Matter: More!" The Institute for International Economics and the Manufacturing Institute, Washington, DC, 1996. A separate study prepared by the U.S. Department of Commerce shows similar wage advantages. Lester A. Davis, "U.S. Jobs Supported by Goods and Services Exports, 1983-94," U.S. Department of Commerce, Economics and Statistics Administration, 1996.

Gains from trade also come from imports. As a result of imports, consumers enjoy lower prices, higher effective wages, and greater product selection. Imports may also lead to increased competition and faster productivity growth. Recently, our ability to import has also provided an anti-inflationary safety valve – meaning less inflation and possibly helping us to simultaneously maintain steady growth and obtain lower rates of unemployment.

- **Imports improve buying power.** The ability to buy cheaper foreign products is an important complement to faster productivity growth in raising living standards and boosting real wages. Today, a dollar buys 13 percent more imported goods and services than it did 1995. And, over the same period, nominal average hourly earnings have risen from \$11.43 to \$13.37. Taken together, these two facts imply that by working an hour, the typical production worker can now buy 32 percent more imported goods and services than in 1995. Moreover, foreign competition creates incentives for U.S. businesses to price their products more competitively.
- **Imports enhance consumer choice.** Imports increase the variety of products and allow consumers to buy products that are more precisely matched to their taste. Because markets are open, U.S. consumers can choose from seemingly countless models of 4-door sedans, 2-door hatchbacks, sport utility vehicles, and pick-up trucks; they can also purchase tropical fruit all year-round. Imports may also contribute to higher productivity by giving producers access to a wider array of inputs and equipment. The U.S. computer industry is among the world's most competitive, in part, because it can combine U.S. software and microprocessors with other components made in Asia and elsewhere.
- **Imports stave off inflation.** Recently, imports have provided an anti-inflationary safety valve. This may allow increased employment growth. Many economists ascribe some part of the recent quiescent performance of inflation to our ability to draw on global capacity. They believe that this allows the economy to achieve higher levels of employment without igniting inflation. This has allowed the Federal Reserve more leeway to keep interest rates low and reduce unemployment. In this way, imports may help boost employment.

Specialization requires adjustments. The gains from trade are not zero-sum, in that one country does not “win” at the expense of another. In fact, the shared aspect of the gains from trade across countries is a central tenet of economics. Nevertheless, by its very nature, specialization involves adjustments that may create winners and losers within countries. In the face of open markets and increased foreign competition, some industries within a country will expand and others contract. Adjustments for businesses and workers in shrinking industries can be costly and painful. Although economic studies consistently find that trade is a small factor in overall job loss, some workers may face short-term unemployment and others may even face permanent wage reductions if they are unable to find comparable jobs in expanding sectors.

Trade, therefore, presents domestic challenges. But the fact that trade produces additional income means that, in principle, resources are available to help those who are hurt either to adapt, by becoming more productive and competitive in what they were already doing, or to switch to new activities. One way to help in the transition is to develop programs that directly address the problems of dislocation. Another way may be to encourage trade, while limiting the pace at which change occurs. Such gradualism may be desirable under certain circumstances,

Comment [G1]: Numbers? Check GATT/NAFTA literature and the 1998 ERP fact check book for references

but attempting to prevent liberalization would be counterproductive. Permanent protection inevitably costs more, in foregone benefits, than it saves. The key lies in an economy that is sufficiently flexible and vibrant to meet the challenges of reaping those benefits.

- *Domestic programs help workers find jobs.* To address problems of worker dislocation – arising for any number of reasons – the Clinton Administration has developed new programs to assist in job search and training. Federal job and talent banks provide a new mechanism for helping millions of U.S. workers. America's Job Bank posted over 1.3 million jobs on a single day in October 1999; its talent bank held a total of 112,000 resumes in a single month last year. The Workforce Investment Act of 1998 provides Individual Training Accounts and lifelong earning tax credits. Other more longstanding federal programs, including Trade Adjustment Assistance, also provide short-term relief for displaced workers.
- *The WTO Agreements and U.S. trade laws provide cushions.* For example, key features of the Agreement on Agriculture and the Agreement on Textiles and Clothing phase-in gradually over periods of six to ten years. The WTO Agreements also allow countries to use certain forms of safeguards to protect temporarily against import surges that seriously injure or threaten to seriously injure a domestic industry. The United States has invoked its own safeguard provisions three times since the creation of the WTO, in cases involving corn brooms, wheat gluten, and lamb meat.

Comment [G2]: Do we have evidence on job attainment?

III. The WTO Promotes Rules-Based Market Opening

A comparison of patterns of trade and protection patterns, pre- and post-GATT, illustrates the importance of the multilateral trading system in opening foreign markets, establishing an effective rule of law, and promoting economic growth internationally. Before the GATT, trade was highly susceptible to changes in economic and political circumstance. Barriers appeared during WWI and worsened during the inter-war period. Since 1948, markets have become increasingly open and integrated. Through eight successive rounds of negotiations, major industrial nations' tariffs on manufactured goods have dropped by about 90 percent, most non-tariff barriers have been brought under GATT disciplines, more sectors have been covered more fully by trade rules, and participation has increased nearly six fold.

To what does the multilateral trading system owe its strength? Ultimately, it is in the belief of its members that their participation, including adherence to trading rules, is in their own self-interest. The WTO is like a voluntarily entered contract. Each country weighs the benefits and costs of its participation, choosing to join if it perceives net gains. If at some point it decides otherwise, it may choose not to comply with a certain provision, and risk losing a concession, or it may even withdraw. In this important regard, the WTO poses no threat to any nation's sovereignty. Moreover, the WTO has sought to strike an appropriate balance between the needs of the system and those of individual members. The rules, such as those for resolving disputes and setting standards, have become more transparent and predictable, but they are not wholly prescriptive. They leave considerable scope for national autonomy and diversity. The WTO Agreements do not and will not preclude the United States from establishing and maintaining its own laws; impair the effective enforcement of U.S. laws, including laws to combat unfair

imports; or limit the ability of the United States to set its environmental, labor, health, and safety standards at the levels we consider appropriate.

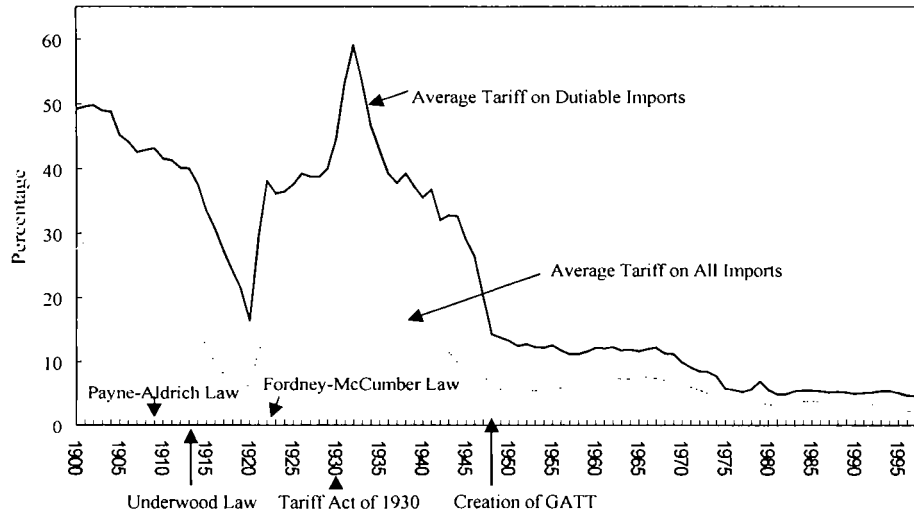
For all of the reasons discussed, the United States, including its businesses, farmers, workers, and consumers, benefits substantially from trade liberalization. Though it can be difficult to separate the effects of liberalization from those of other economic and political events, economic models can be used to assess some of the effects of reducing tariffs and eliminating quotas on countries' trade, production, and income. Such models typically capture the effects of specialization and resource reallocation, but are less adept at capturing the effects of changes in non-quantitative rules of conduct and improvements in product selection. On balance, they probably understate the long-term benefits of market liberalization.

A. Trading System Provides Framework for Liberalization

A comparison of trade and protection patterns, pre- and post-GATT, provides compelling evidence of the importance of the WTO in promoting market liberalization and an effective rule of law.¹⁰ During the first half of the 20th Century, tariffs rose and sometimes fell, depending on a number of factors (Figure 5). In the years preceding the GATT, markets were susceptible to political pressures and protectionist interests. Since the 1950s, trade has become increasingly open and the world economy increasingly integrated. The growth of world trade has consistently outpaced the growth of world output (Figure 6).

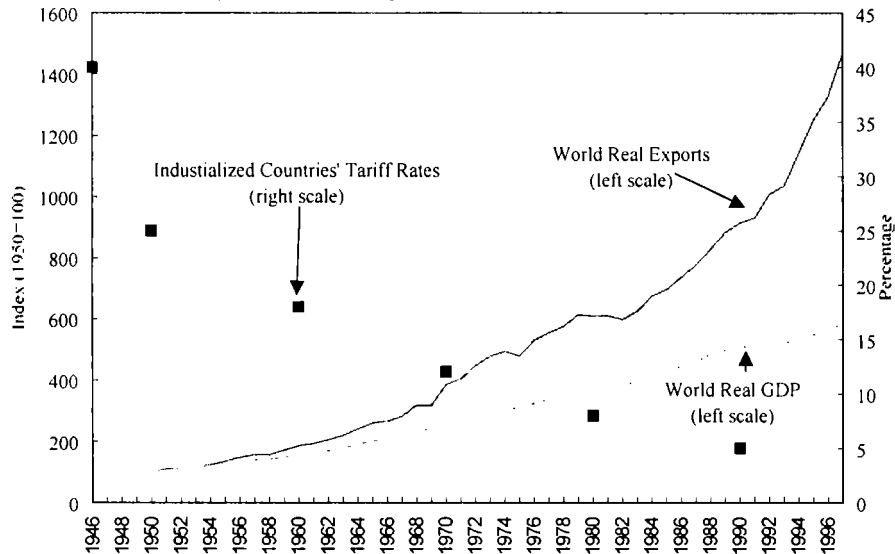
¹⁰ The discussion of the history of world trade in the first half of the 20th Century draws from Douglas A. Irwin, "The GATT in Historical Perspective," *American Economic Review*, May 1995, pp. 323-328 and Douglas A. Irwin, "The Smoot-Hawley Tariff: A Quantitative Assessment," *The Review of Economics and Statistics*, 1998, pp. 326-334. For more on the pe-WWI period, see Irwin (1995), p. 323-324.

Figure 5: Average U.S. Tariff Rates 1900-1998



Source: U.S. International Trade Commission

Figure 6: World Exports, GDP, and Tariffs Post-WWII



Source: Maddison (1995), extrapolated to 1997 with WTO data

Markets open at turn of century. At the turn of the 20th Century, international trade was “governed” by a loose network of bilateral treaties, subject to most-favored nation (MFN) clauses. Countries could alter their tariffs, at will. For the most part, countries made use of tariffs, rather than other forms of market protection. For some countries, including the United States, tariffs were an important source of public revenue – roughly speaking, customs receipts accounted for about half of U.S. government revenue from 1870 through 1910. Absent international conflict, this “arrangement” worked reasonably well. Data on trade and income through 1913, suggest that markets were relatively open – for a group of 11 major countries, accounting for about x percent of world trade and about y percent of world income, exports grew more rapidly than output.¹¹

Comment [G3]: Need to find data.

Trade barriers rise with onset of WWI. With the onset of WWI, some countries introduced higher tariffs, along with import quotas and other non-tariff trade impediments. The trend did not reverse itself after the war – countries’ border measures grew more onerous, not less. Owing partly to the rise of protectionism, world trade collapsed. In June 1930, the U.S. Congress legislated the Smoot-Hawley tariff to protect U.S. agriculture and other sectors. Other countries followed. According to a recent study of the effects of the Smoot-Hawley tariff on U.S. imports and economic well being, the legislation led to an increase in import duties of about 20 percent on average, resulting in a 5 to 6 percent increase in the price of imports.¹² Though it is difficult to separate the effects of trade policy from those of the Great Depression, the relationship between world trade and output is revealing. Of particular note, was trade’s failure to keep pace with output during the early stages of economic recovery – for the same group of 11 countries, the study found that output was about 15 percent higher in 1938 than in 1929, but exports were about 15 percent lower.¹³ The failure of international trade to join the recovery suggests the significance of the rise in trade barriers.

Multilateral trading system emerges after WWII. At the end of WWII, faced with the legacy of protectionism, the need for reconstruction, and the specter of Communism, the United States led the call for an open multilateral trading system, i.e., an International Trade Organization (ITO). The United States sought to secure the benefits of trade, for itself and any other country willing to ‘play by the rules,’ to promote economic development in Europe and Asia, and to enlarge the scope of the market system to include as many countries as possible. With somewhat narrower objectives, 23 countries gathered in Geneva in 1947 to reduce barriers to trade. Although the ITO never came to fruition, the GATT emerged from these deliberations. For nearly 50 years, the GATT served as an international agreement and agency. Through successive “rounds” of negotiations, the GATT succeeded in three important regards: first, it established a rules-based trading system; second, it greatly reduced the tariff rates on industrial products; third, it drew in new participants (Table 2).

¹¹ Irwin (1995), pp. 323-324. The 11 major countries are Australia, Belgium, Canada, France, Germany, Italy, Japan, Norway, Sweden, the United Kingdom, and the United States.

¹² Irwin (1998), p. 333.

¹³ Irwin (1998), p. 324.

Table 2: Eight Rounds of GATT Negotiations

Years	Place (Name)	Subjects Covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-61	Geneva (Dillon Round)	Tariffs	26
1964-67	Geneva (Kennedy Round)	Tariffs and anti-dumping measures	62
1973-79	Geneva (Tokyo Round)	Tariffs, non-tariff measures, and plurilateral "framework" agreements (also referred to as "codes")	102
1986-94	Geneva (Uruguay Round)	Tariffs, non-tariff measures, new rules for services, intellectual property rights, textiles and clothing, and agriculture; creation of the WTO and strengthening of the dispute settlement mechanism	123

Source: The World Trade Organization, "Roots: from Havana to Marrakesh,"
<http://www.wto.org/about/facts4.htm>, last updated January 14, 1998.

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- *Rules promote fair and open trade.* Consistent with U.S. goals for an open multilateral trading system, the GATT was founded on principles of consensus, reciprocity, and non-discrimination – all participants were granted MFN status and their products accorded national treatment. Any concession granted to one partner would be granted to all partners and, upon entry into a country, all products would be treated the same regardless of their origin. The same basic principles now apply generally to WTO members.
 - *Industrial tariffs decline dramatically.* In 1940, the average tariff on industrial products in developed countries was about 40 percent. The Geneva negotiations of 1947 involved 23 countries and resulted in 45,000 tariff concessions, affecting about one-fifth of the world's

trade.¹⁴ By the 1950s, industrial tariffs in developed countries averaged roughly 25 percent. Subsequent rounds in Annecy, Torquay, and Geneva led to further reductions. By the late 1960s, the average tariff on industrial products in developed countries fell to about 12 percent. Soon, the average tariff will be less than 4 percent.¹⁵

- *Participation increases nearly six-fold.* Overtime, the multilateral trading system has become increasingly attractive to widening range of participants. It has helped maintain stable trading relationships in the face of economic and political changes. The system has provided a forum to engage the EU and draw in developing, newly industrializing, and transition economies. In 1947 there were only 23 “contracting parties.” Despite fluctuation in earlier rounds, the Kennedy Round of the mid-1960s involved 62 countries, including the members of the newly formed European Economic Community. The Tokyo Round of the 1970s involved 102 participants and the Uruguay Round involved 123 participants, both rounds included many developing countries. More and more countries were able to reap the benefits of open markets. The Asian Newly Industrializing Economies (NIEs), for example, used export strategies to grow their economies. Today, the WTO claims 134 members and another 33 nations are seeking accession.

B. Recent Negotiations Further U.S. Policy Objectives

Through the 1960s, the GATT focused on reducing industrial tariffs. In this regard it was quite successful, but the 1970s gave way to new and additional protections, including quotas, voluntary export restraints, and other non-tariff measures. Moreover, some important sectors, such as agriculture, remained largely uncovered. Thus, the GATT began to turn its attention to non-tariff measures, sectoral expansion, and, to lesser extent, institutional reform. The Tokyo Round made less progress than hoped for, but laid the groundwork for more successful negotiations in the Uruguay Round. Although the Tokyo Round failed to bring agriculture into the GATT, it gave rise to plurilateral agreements or “codes” in some areas, including subsidies, standards, import licensing procedures, and government procurement. In many other regards, the GATT was also falling behind the times. Trade in services and the protection of intellectual property rights were becoming increasingly important in the global economy, but the GATT lacked adequate treatment of either issue. The Uruguay Round made significant gains in many of these areas, thus helping to usher in a new era in international trade.

Uruguay Round opens markets and strengthens rules. The Uruguay Round brought more sectors more fully into the multilateral trading system, strengthened the rules of international trade, and created the WTO – a new international agency (Appendix). The Uruguay Round brought agriculture and textiles and clothing more fully into the GATT and took ‘first steps’ toward liberalizing trade in those sectors.¹⁶ The Uruguay Round also created the WTO, with its separate agreements on services and intellectual property, a binding dispute settlement

¹⁴ See World Trade Organization, “Roots: from Havana to Marrakesh,” <http://www.wto.org/about/facts4.htm>, last updated January 14, 1998.

¹⁵ Andrew Stoeckel, David Pearce, and Gary Banks, “Western trade Blocks: Game, Set or Match for Asia-Pacific and the World Economy?” Centre for International Economics, Australia, 1990, pp. 7-8.

¹⁶ The WTO describes the agreement on agriculture as “a significant first step towards order, fair competition, and a less distorted sector.”

mechanism, and a "built-in" agenda to promote liberalization between formal rounds. As such, the GATT no longer acts as an international agency. Under the auspices of the WTO, it now stands next to the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Under the Dispute Settlement Understanding (DSU), a single dispute settlement procedure covers disputes among all WTO members pertaining to any of the WTO Agreements.

Comment [G4]: Check with USTR-GC. Is "single" accurate? What about ATC?

Not coincidentally, many key accomplishments of the Uruguay Round play directly to U.S. policy objectives and economic strengths. The United States has long recognized the importance of a credible rules-based system, both to open foreign markets and to spread the gains from trade as widely as possible. The Uruguay Round of negotiations moved much further toward creating such a system. The United States is also a leader in many areas, including high-tech manufacturing, agriculture, and services, which stand to benefit from the WTO Agreements and ongoing negotiations under the built-in agenda.

Post-Uruguay Round negotiations continue process. The built-in agenda called for further negotiations in agriculture and services and additional work in many areas. To date, post-Uruguay Round negotiations have yielded market access commitments in financial services, basic telecommunications services, and information technology, opening up new opportunities in areas in which the United States is highly competitive:¹⁷

- **Financial services.** On December 13, 1997, 70 WTO members concluded negotiations on financial services. They agreed to the broad liberalization of their banking, securities, insurance, and financial data services sectors. Based on recent estimates, the commitments apply to about \$18 trillion in global securities assets, \$38 trillion in global bank lending, and about \$2.2 trillion in worldwide insurance premiums. This brought to 102 the total number of WTO members with financial services commitments.
- **Basic telecommunications services.** On February 15, 1997, the United States and 69 other WTO members concluded negotiations on basic telecommunications services, such as telephone services. The agreement commits countries to provide market access and national treatment to service suppliers from other WTO members. Sixty-five countries also agreed to a set of specific pro-competitive regulatory principles. The agreement eliminates certain restrictive practices in countries that account for 95 percent of world telecommunications revenues, amounting to about \$600 billion in 1996.
- **Information technology.** On March 26, 1997, 40 countries agreed to eliminate import duties and other charges on information technology products, mostly by 2000. Since that time, the number of participants has risen to 46. The agreement covers global information technology products such as semiconductors, telecommunications equipment, computers and computer equipment, and software. Participants account for over 90 percent of trade in this sector.

¹⁷ Summary of results from the *Economic Report of the President* (1998) and the World Trade Organization. Discussions also continued on "the movement of natural persons," i.e., the entry and temporary stay of persons for the purpose of providing services. Those discussions were completed in July 1995, achieving "modest results."

C. Countries Gain from Lower Barriers

The Uruguay Round continued the focus of the GATT on tariff reductions, and extended agreements to previously neglected sectors, such as agriculture, textiles and clothing, and services. Substantial breakthroughs were achieved in new areas, such as trade-related aspects of intellectual property rights. Moreover, the creation of the WTO provides an improved institutional framework for resolving disputes and monitoring countries' performance in the trading system. While benefits are expected from each of these accomplishments, numerical assessments are limited to some conceptually quantifiable features of the round, namely reducing tariffs and eliminating quotas on goods, limited to a subset of industrial products, textiles and clothing, and agricultural products.¹⁸ The assessments do not capture the gains from strengthened rules, such as those found in the dispute settlement procedure and the new agreements on services and trade-related aspects of intellectual property rights. Nor do they capture short-term adjustment costs.¹⁹ Although somewhat narrow, these assessments provide estimates of a subset of the potential benefits of the Uruguay Round. They also provide insight as to the distribution of effects across countries and across industries within countries.

Partial Estimates of benefits are substantial. Recent studies, evaluating a narrow range of the potential gains from the Uruguay Round, estimate that annual global income could rise \$170 to \$220 billion, by 2002 in 1992 dollars.²⁰ The studies show most of the gains accruing to developed countries, perhaps not surprisingly, because many of their new commitments are more directly quantifiable. For the United States, the gains could amount to about \$13 to \$36 billion – at the high end, roughly equivalent to the gross state product of New Hampshire and the total GDP of Vietnam. Although most of the projected gains accrue to developed countries, the studies also show that some developing countries stand to gain significantly, especially relative to the size of their economies. While the projected gains for most OECD countries amount to less than one percent of their respective national incomes, the gains for several smaller countries, such as Thailand, Malaysia, and Philippines, could be over ten percent of their respective national incomes. At the same time, however, some least developed countries, in parts of Africa, Asia, and Latin America, could be affected adversely by higher world food prices. Such negative impacts could be offset partially if these countries were to undertake additional

¹⁸ Even in this regard the assessments suffer considerable limitations. None fully depicts all sectors of the U.S. or global economies. In particular, they provide highly stylized representations of some of the manufacturing sectors in which the United States is highly competitive, thus, possibly understating U.S. benefits.

¹⁹ A 1994 study done by Alan Deardorff [needs citation] estimates that about 0.2 percent of U.S. work force could change jobs as a result of changes in patterns of trade. This compares with annual job changes for other reasons of 10 percent or more for the work force.

²⁰ The quoted estimates draw from the most recent revisions of four published models. These revisions, based on the actual commitments made by the countries in the negotiations, tend to project slightly lower gains than previously expected. See Francois, McDonald, and Nordstrom, "The Uruguay Round: a Numerically Based Quantitative Assessment"; Harrison, Rutherford, and Tarr, "Quantifying the Uruguay Round"; Hertel, Martin, Yanagishima, and Dimaranan, "Liberalizing Manufacturing Trade in a Changing World Economy"; and Goldin and van der Mensbrugghe, "Assessing Agricultural Tariffication under the Uruguay Round." The quoted estimates are based on dynamic representations of the U.S. and global economy. With simpler, static specifications, the liberalization of trade in goods is estimated to induce an annual global income gain in the range of \$68 to \$200 billions by the early 2000's, measured in terms of 1992 U.S. dollars. While the dynamic representation may be more realistic, they include features that are also more difficult to characterize accurately.

liberalization, by further reducing their own trade barriers. Additional liberalization could also bring more rapid growth and enhance technology transfers. Sectoral estimates vary widely:

- The annual benefits of the Agreement on Agriculture could amount to \$5 to \$70 billion. Benefits would accrue to OECD countries and to some upper-income developing countries. Though a significant 'first-step,' the major achievement in the Agreement on Agriculture is more in bringing the sector into the GATT framework, than in actual liberalization.
- The annual benefits of the Agreement on Textiles and Clothing (ATC), obtained through abolishing the multi-fiber arrangement (MFA), could amount to \$20 to \$118 billion. The United States and EU would derive substantial gains from eliminating the MFA quota restrictions, mainly because their consumers and firms using imported products as inputs see significantly lower prices. The effects on other countries are mixed.
- The annual benefits of further liberalization of industrial products, excluding textiles and clothing, could amount to \$70 to \$90 billion. The benefits of liberalization in this sector are more evenly distributed among developed and developing countries, than in the cases of the Agreement on Agriculture or the ATC.

Estimates of costs of protection provide indications of potential gains. Taking a slightly different approach, estimates of the benefits of liberalization can also be derived from analyses of the costs of protection. A recent study of the costs of protection in the United States, for example, suggests potential consumer gains of approximately \$70 billion in 1990, amounting to about 1.3 percent of GDP, from the measurable effects of removing existing barriers.²¹ Returning to the earlier discussion of the Smoot-Hawley tariff, partial and general equilibrium models suggest that the Smoot-Hawley tariff accounted for about 7 percent of the 40 percent decline in imports in the two years after the legislation took effect.²² However, less is known about the associated loss of economic welfare. Estimates of the effects of the Smoot-Hawley tariff on U.S. income range from \$5 million in a 'partial equilibrium' economic model, i.e., a model that does not capture various ripple effects, to \$60 to \$460 million in a more elaborate model, all measured in terms of 1929 dollars and amounting to less than 1 percent of GNP.²³

D. New Rules Convey Additional Benefits

Among its most significant accomplishments, the Uruguay Round greatly strengthened the rules of international trade. Good governance, i.e., an effective rule of law, is essential. The promise of market liberalization for U.S. businesses, farmers, workers, and consumers, hinges crucially on transparency and predictability. For example, if U.S. businesses lack certainty that their products will be treated fairly in foreign markets, they may weigh the risks and opt against them, choosing to forgo opportunities for expansion. If intellectual property rights are ambiguous, U.S. businesses may hesitate to trade in products that are "knowledge-based." In effect, they may not choose to specialize in the things they do best. Or, they may limit their sales to domestic markets and affiliates. As a result, the U.S. economy may not reap the full benefits of trade. In these

²¹ *Economic Report of the President* (1998), p. 238.

²² Irwin (1998), p. 333.

²³ Irwin (1998), p. 331.

ways, the multilateral trading system is more than “just” a trading system – it is a system of rules that positively impacts on business decisions and standards of living.

More specifically, the Uruguay Round introduced new rules for agriculture, textiles and clothing, services, intellectual property, and dispute settlement, and other areas. Some of the rules were quantitative, such as those requiring reductions in tariffs on certain agricultural products. They were discussed previously. Others were not, such those pertaining to national treatment for services and protection for intellectual property rights. As note above, economic models often have difficulty capturing the direct economic benefits of non-quantitative changes, but careful observation provides evidence of their importance. The discussion below highlights three such areas, dispute settlement, and services, and intellectual property.

Dispute settlement process improves. The DSU improves on GATT dispute settlement proceedings by expediting decision making and instituting an appeals process.²⁴ It also establishes procedures to ensure the implementation of dispute panel rulings. One is the acceptance of cross-sector suspension of concessions for countries that choose not to abide by the ruling. Note here, that the procedure presents each member with a choice. A WTO dispute settlement panel cannot force the United States, or any other member, to change its laws. Only the United States determines exactly how it will respond to the recommendations of a WTO panel, if at all. If a U.S. measure is ever found to be in violation of a WTO provision, the United States may decide on its own to change the law; compensate a foreign country by lowering trade barriers of equivalent amount in another sector; or do nothing and possibly undergo retaliation by the affected country in the form of increased barriers to U.S. exports. The United States retains full sovereignty in its decisions as do all other WTO members.

At times, however, the results may be disappointing, as in the recent case of the EU banana import regime. The WTO panel found favorably for the United States, concluding that the import regime was not WTO-consistent, but the recommendation did not bring about a change in EU policy. In this instance, the WTO arbitrators found that the United States was being harmed in the amount of \$191.4 million annually and accordingly could suspend trade concessions equivalent to that amount. The United States did so by imposing 100 percent ad valorem duties on a range of products, including bath preparations, handbags, and bed linens. Nevertheless, in the nearly five years since its institution, many countries have made efficient use of the new mechanism, largely to their satisfaction.

The introduction of a strengthened multilateral dispute settlement system in the WTO, together with the Agreement on Agriculture, the GATS, and the TRIPS Agreement, has brought about a significant shift in U.S. tactics for resolving disputes. In the 1980s, the United States frequently resorted to the bilateral negotiations and unilateral sanctions authorized in Section 301 of U.S. trade law to resolve differences with other countries. This approach was used in particular in the areas of intellectual property, services, and agriculture, which the GATT covered barely or not at all. Beginning in 1995, however, the DSU and the new WTO rules have permitted the United States to use multilateral dispute settlement procedures to address the majority of issues that have

²⁴ This discussion was updated from the Economic Report of the President 1998, pp 223-224. It has been modified to include new data and text from the Office of the U.S. Trade Representative.

been the subject of Section 301 investigations. For example, trade in agriculture has featured prominently on the U.S. roster under the DSU.

The results of 47 complaints filed by the United States suggest that the dispute settlement process has proved effective, with United States prevailing in 12 out of 14 rulings so far. Only two of which, relating to the EU banana and beef import regimes, required retaliatory measures. The United States has also reached bilateral settlements prior to formal rulings in 10 cases. Twenty-three petitions are still pending.²⁵ Furthermore, Section 301 investigations can now more often make use of multilateral dispute settlement, at least for disputes with WTO members in areas subject to WTO commitments. Of the 17 Section 301 investigations initiated between 1996 and the present day, 12 have involved resort to the WTO dispute settlement procedures. The United States has used the DSU process to address conflicts with a variety of countries, the majority of which are major trading partners. Of the 47 complaints filed by the United States, 18 involved the EU and affiliates, 5 involved Japan, 5 involved Korea, 3 involved Canada, 3 involved India, 2 involved Australia, and the remainder involved others.

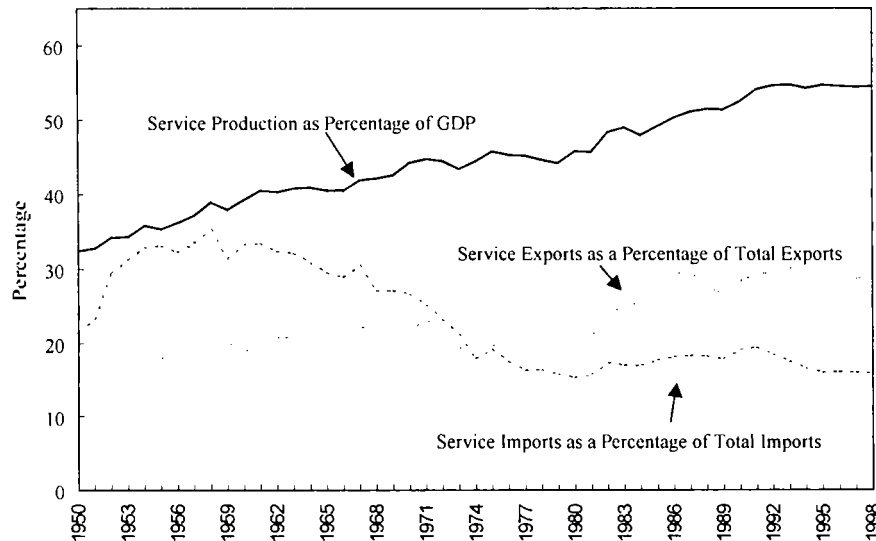
Services agreements provide first steps toward potential gains. The U.S. services sector has grown substantially, in terms of both U.S. income and exports. Private and public services, including travel, transportation, retailing, advertising, insurance, accounting, engineering, and education, accounted for 55 percent of U.S. GDP in 1998, compared with 32 percent in 1950 (Figure 7). The share of services in total U.S. exports has also increased. Private and public services accounted for about 29 percent of U.S. exports in 1998, compared with about 17 percent in 1950. (During the same period, however, the share of services in U.S. imports was mostly declining or flat.) In 1998, the United States accounted for 18 percent of all commercial service exports, ranking first in the world.²⁶ Roughly speaking, the data are consistent with the view that the service sector is one in which the United States enjoys a comparative advantage.²⁷ Taken together, the data suggest U.S. services exporters, and possibly some importers, stand to benefit from continued market liberalization.

²⁵ Of the 33 complaint brought against the United States, 10 were settled "out of court," 5 were lost in litigation, 7 are in panel or appellate phase, and 11 are still in consultations or otherwise inactive.

²⁶ World Trade Organization, <http://www.wto.org/wto/strat/prerelease.htm>.

²⁷ Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?*, Institute for International Economics, Washington, DC, September 1999.

Figure 7: Services as a Percentage of U.S. Trade and Production 1950-1998



Source: U.S. Department of Commerce, Bureau of Economic Analysis

It is doubtful that there has been enough time for the 'first-step' provisions of the GATS to take hold, but recent data on trade in private services provide evidence of potential areas of gain. Over a four-year period beginning in 1995, total U.S. exports of private services rose by about 22 percent in nominal terms, from about \$202 billion to about \$246 billion. Among those exports, U.S. exports of insurance services increased by 119 percent, financial services increased by 95 percent, and business, technical, and professional services increased by 52 percent.²⁸ U.S. exports of royalties and license fees and educational services also increased substantially. During this same period, U.S. private service imports increased even faster, but from a smaller base – from about \$129 billion to about \$165 billion. On the import side, the top three increases, in percentage terms, were in royalties and license fees, which increased by 63 percent, business, technical, and professional services, which increased by 59 percent, and financial services, which increased by 53 percent.²⁹

²⁸ The percentage increases in nominal U.S. exports of financial services and business, technical, and professional services in the four years following the completion of the Uruguay Round exceeded the percentage increases in the four years preceeding its completion. For insurance, however, the percentage increase was much smaller in the post-Uruguay Round period, but the pre-Uruguay increase was from a very small base. In aggregate, the percentage increase in U.S. exports of all private services was slightly lower in the post-Uruguay Round period, 22 percent from 1995-1998, compared with 23 percent from 1991-1994. However, U.S. exports of goods increased by only about 16 percent in the post-Uruguay Round period, with an actual decline in exports in 1998, compared with an increase of almost 21 in the pre-Uruguay Round period.

²⁹ In each case, the percentage increases in nominal U.S. imports in the four years following the completion of the Uruguay Round exceeded the increases (decrease in the case of financial services) in the four years preceeding the

Intellectual property rights convey substantial value. The WTO describes intellectual property rights as “the rights given to persons over the creations of their minds.” Such creations feature prominently in the success of the U.S. economy. A recent study conducted by the OECD reports that knowledge-based industries and services, including community social and personal services, finance, insurance, and other business services, communications services, high-technology manufactures, and medium-high-technology manufactures, accounted for over 50 percent of the value added in the U.S. business sector in 1996.³⁰ The United States ranked second only to Germany in this regard. Most patents issued to U.S. firms are for developments in new medical and surgical devices, electronics, telecommunications, advanced materials, and biotechnology. These are also knowledge-based industries – industries where knowledge is an essential input, like labor, land, and capital. Strong intellectual property protection – and enforcement – helps spur innovation, by providing assurances that U.S. businesses and inventors will reap the benefits of their research and development.

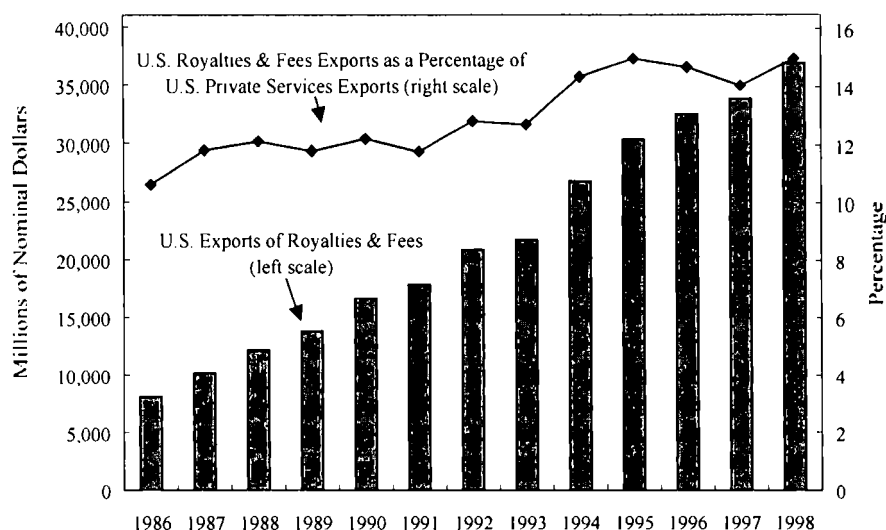
Though only one indicator among many, data on U.S. trade in royalties and fees help illustrate the importance to U.S. businesses of protecting intellectual property rights. In 1998, U.S. exports of royalties and license fees, deriving from industrial processes, books, records, tapes, broadcasting and recording of live events, franchise fees, trademarks, and other sources, amounted to about \$36.8 billion, accounting for about 15 percent of all U.S. private service exports (Figure 8).³¹ This share has increased over the past decade – U.S. exports of royalties and fees have more than tripled in nominal terms, significantly outpacing the growth in private service exports overall. Moreover, despite strong growth in imports, the United States has established a significant and growing trade surplus in this area. In 1998, U.S. exports of royalties and license fees were over three times as large as U.S. imports, yielding a balance of about \$25.5 billion. In 1988, that balance was only \$9.5 billion.

its completion. In aggregate, the percentage increase in U.S. imports for all private services was considerably higher in the post-Uruguay Round period, 28 percent from 1995-1998 compared with 19 percent from 1991-1994

³⁰ Citation from study on knowledge-based industries, OECD.

³¹ Roughly three quarters of U.S. exports of royalties and fees involve U.S. firms' foreign affiliates, possibly suggesting their “growing internationalization” and their “desire to retain a high level of control” over intellectual property when it leaves the United States. See the National Science Board, *Science and Engineering Indicators – 1998*, Arlington, VA, National Science Foundation, 1998 (NSB 98-1), p. 6-15.

Figure 8: U.S. Exports of Royalties and Fees 1986-1998



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Patent data, which provide a rough indicator of national 'inventiveness,' also help illustrate the importance of intellectual property rights protections. Not surprisingly, the number of patents awarded to U.S. firms and individuals is also increasing. Over a 13-year period, from 1982 to 1995, the number of patents issued annually by the U.S. Patent and Trademark Office grew from under 60,000 to over 100,000, with more than half of the patents granted in each year going to U.S. inventors. Moreover, U.S. inventors have also been active in neighboring and some faraway markets. U.S. inventors received more patents in Mexico than did other non-Mexican inventors and they received more patents in Canada than did other non-Canadian inventors. They also out-paced other foreign inventors in some more distant markets, such as Japan, Brazil, Hong Kong, India, Malaysia, and Thailand.³²

IV. The WTO Extends Benefits of Trade and Encourages Growth

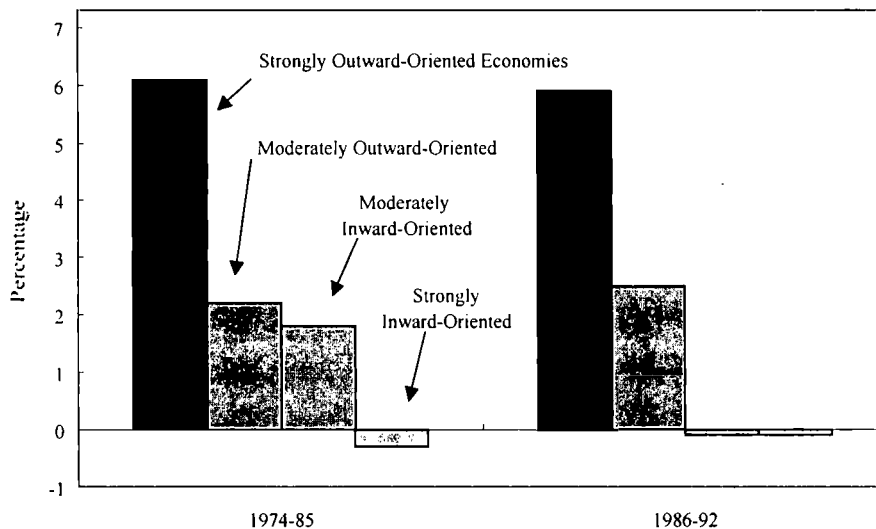
It has long been an objective of U.S. trade policy to use the multilateral trading system to help promote economic development internationally. Trade is often described as an "engine of growth." The weight of the evidence, including both historical insight and statistical indicators, tends to support this view. For example, simple measures of the correlation between outward orientation and growth suggest a mutually supportive relationship (Figure 9). Moreover, it can

³² See the National Science Board, *Science and Engineering Indicators - 1998*, Arlington, VA, National Science Foundation, 1998 (NSB 98-1), pp. 6-22 and 6-23.

be said that a rules-based system that creates incentives for countries to adopt transparent policies and procedures can also help further the process.

Small and emerging economies may find it especially desirable to engage in such a system because it provides them a voice in the global economy. In this regard, the WTO offers its members two distinct benefits. First, because it is a consensus-based organization, each member has an equal vote regardless of its size or wealth. Second, because countries negotiate over a wide range of issues, there may be potential for deal making across sectors and interests.

Figure 9: Annual Growth of Real GDP per Capita



Source: International Monetary Fund, World Economic Outlook (May 1993)

Perhaps in evidence of its appeal, the multilateral trading system has grown substantially since its founding. Today, the WTO claims 134 members, including over 100 developing countries, compared with only 23 contracting parties in 1948. Since 1995, seven new members have joined the WTO – Bulgaria, Ecuador, Kyrgyzstan, Latvia, Mongolia, Panama and Slovenia – and another 33 nations are seeking accession. Estonia will become the 135th WTO member as of November 13, 1999. However, not all WTO members are well positioned to make use of these opportunities. Many, especially the least developed among them, lack the necessary institutions and infrastructure to reap the full benefits of the multilateral system.

The United States has a strong interest in promoting economic development internationally for a combination of humanitarian, political, and economic reasons. Among these reasons is our own self-interest. Growth abroad creates demand for our exports and yields new sources of inputs for U.S. manufactures. In doing so, it promotes growth in the United States. Thus, we have a direct interest in seeing our trading partners prosper. This means that a multilateral system that

promotes trade is beneficial, not only because it enhances their development, as history seems to suggest, but also because it is good for us. Consistent with this view, the United States has long sought to extend the benefits of trade as widely as possible.

A. Multilateral Trading System Provides Opportunities for Growth

Historical insight supports the view that the multilateral trading system facilitates trade, thereby providing an engine of economic growth. The experience of the United States, parts of Europe, and Japan after WWII and the emergence of the NIEs in the 1970s provide evidence. Moreover, the multilateral trading system can also help further the process of development by creating incentives for members to adopt more transparent policies and procedures.

Trade fuels post-WWII reconstruction and growth. The period following WWII was an extremely prosperous period for much of the world, including the United States, Japan, and parts of Europe. It was a period in which Japan and the developed countries of Europe were able to approach America's rising productivity levels. There are many possible reasons for this prosperity, but commonly cited among them is the creation of a more open trading system. This trading system allowed outward-oriented Japan and parts of Europe to enjoy the kind of scale economies that previously only the United States could enjoy, with the strength of its domestic market. But their development did not come at the expense of the United States; the United States also benefited from trade liberalization.

Trade also contributes to NIE development. In the early 1970s, growth slowed substantially in the United States and much of the world. However, growth remained strong in the Asian NIEs and other outward-oriented Asian economies. Although there is some debate as to the source of their growth, many have argued that their outward orientation played a major role. Now, some of these economies are among our major trading partners. In 1998, Korea, Singapore, Hong Kong, and Taiwan accounted for a combined total of about 9 percent of U.S. merchandise exports and imports. Moreover, economic evidence shows that as these economies grew, their workers shared in the gains. Empirical studies find significant and generally steady improvements in working conditions, measured in terms of unemployment, the composition of employment, real earnings, and absolute poverty.³³

The multilateral trading system promotes good governance. As the history of the GATT demonstrates, the United States has long advocated the use of the multilateral trading system to promote economic development internationally. It has also sought to establish strong democratic institutions and to spread the "rule of law," not just in the trading system *per se* but, more generally, throughout the world. The new dispute settlement system has advanced the rule of law, by allowing the WTO to enforce trading rules more effectively. But other aspects of the

³³ See U.S. Congressional Budget Office, "Promoting Worker Rights in Developing Countries: U.S. Policies and Their Rationale" (April 1997), p. 16, citing Gary Fields, "Labor Standards, Economic Development and International Trade," in Steven Hertenberg and Jorge F. Perez Lopez, eds., *Labor Standards and Development in the Global Economy*, Department of Labor, Bureau of International Labor Affairs (1990), pp. 23-25; Fields, "Employment, Income Distribution and Economic Growth in Seven Small Open Economies," *Economic Journal*, vol. 94 (1984), pp. 74-83; Fields, "Changing Labor Market Conditions and Economic Development in Hong Kong, the Republic of Korea, Singapore, and Taiwan, China," *World Bank Economic Review*, vol. 8, no. 3 (1994), pp. 395-414; and Fields, *Trade and Labor Standards: A Review of the Issues* (Paris: OECD, 1995), p. 18.

WTO can help further this objective. By requiring transparency in its procedures and establishing new rules for transparency in government procurement, the WTO can help promote good governance worldwide. For these reasons, the United States has aspired to extend the benefits of trade as widely as possible, both across and within countries, by opening WTO membership to any country willing to 'play by the rules.'

B. Full Realization of Benefits Requires Further Integration

Today, developing countries account for over three-quarters of the WTO's membership. Their role in the WTO process changed significantly in the Uruguay Round. Many were active in negotiations, helping to bring agriculture more fully into the GATT and to reach agreement on phasing out the MFA. As discussed previously, trade can enhance countries' growth prospects, as evidenced by Japan and parts of Europe in the post-WWII period and, more recently, the Asian NIEs. Currently, the developing countries stand to gain from further liberalization of trade in agriculture, services, and industrial products. Trade in high-tech manufactures and services, along with associated knowledge transfers, offers potential for developing countries, including the least developed, to enter the global economy more rapidly and effectively. The developing countries would gain not only from more trade with industrialized countries, but also from increased trade among themselves. An important next step in next round should be to ensure that more members of the global community are able to benefit more fully from participation in the multilateral trading system and from adoption of outward-oriented trade regimes.

Active participants move ahead. Developing countries that have actively participated in the multilateral trading system, primarily through WTO membership, account for an increasing share of world trade. Others have been left behind. The exports of developing countries increased at an annual compounded rate of 9.5 percent between 1989 and 1997, while world merchandise exports increased at a rate of 7.6 percent.³⁴ On the import side, the annual compounded growth rate of world imports was 7.5 percent, with merchandise imports of developing countries increasing at a much faster rate of 10.4 percent. Developing countries who were members of WTO during this period accounted for most of the growth, with their exports increasing by 9.5 percent annually, and their imports increasing by 11.5 percent annually. This contrasts sharply with the experience of 48 least-developed countries, of which many were not WTO members, where exports grew at only 5.5 percent annually and imports grew at only 5.3 percent annually – indicating a decline in their share of world merchandise trade. In terms of engagement, some of the least developed countries, including those that are members of the WTO, have also had the most difficulty participating fully in the trading system – often for lack of adequate domestic institutions and infrastructure.

Capacity building and technical assistance could help spread benefits. The international community, including all WTO members, can do more to help spread the benefits of participation in the global economy. Efforts should address the specific needs of developing countries, especially the least developed, but there are overall principles that can offer substantial assistance to most. First, many of the poorest countries lack capacity to implement effectively their WTO obligations in a number of areas. Through the WTO, the international community can focus on offering capacity building and technical assistance to those countries, as well as on

³⁴ Provide data citation.

making more progress in further liberalization in priority areas, such as agriculture and services. In addition, the developing countries can take their own actions. They would benefit from continued unilateral and bilateral liberalization, as significant gains can be derived from increased South-South trade, in addition to North-South trade.

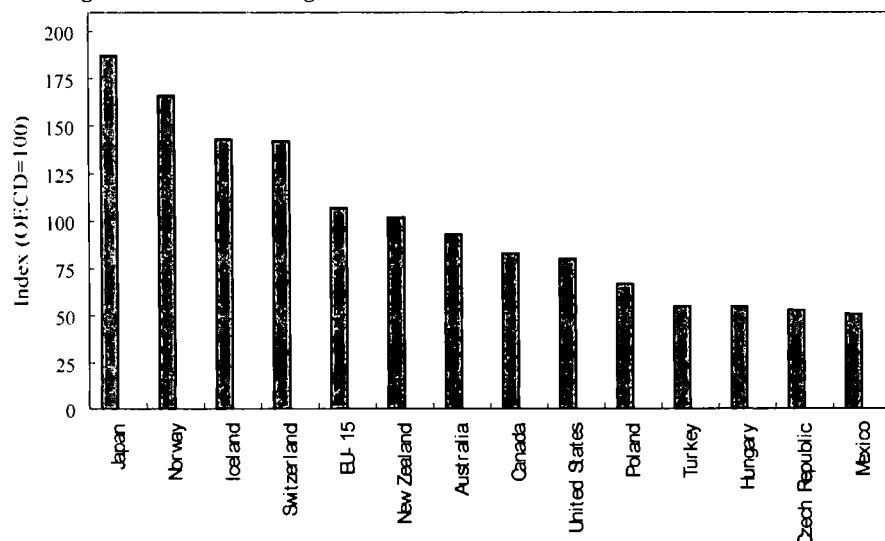
V. The U.S. Agenda Meets Challenges of the 21st Century

The United States is able to look to the future – and a new round of multilateral trade negotiations – from a position of economic strength. The U.S. economy is enjoying an unprecedented period of expansion and performance. It is experiencing revolutions in information technology and biotechnology. It is highly competitive over a wide range of activities in agriculture, services, and industry. U.S. farmers have long been among the world's most productive. U.S. manufacturers have restored much of the competitiveness that had, in some cases, eroded in the 1980s in both basic and high-tech industries. U.S. firms continue to lead in business, financial, and other private services. To reach its fullest potential, however, the United States continues to have an interest in improving its access to foreign markets, strengthening the operation of the WTO system of rules, and promoting the growth and development of foreign economies.

Much remains to be done. Many foreign governments continue to allow or impose high tariffs and burdensome rules on imports; many also maintain trade-distorting domestic subsidies. Agriculture provides a stark example. Bound tariff rates on agricultural products average about 50 percent worldwide and below 10 percent in the United States. Moreover, even after the Uruguay Round commitments are implemented fully, the EU will be able to provide \$80 billion of trade-distorting domestic support to its farmers each year. Japan will be limited to \$40 billion annually and, by comparison, the United States will be limited to \$19 billion. Consumers in the EU and Japan suffer under the burden of this protection. On average, food prices are 34 percent higher in the EU and 134 percent higher in Japan than they are in the United States (Figure 10).³⁵ Similarly, in the services sector, U.S. firms continue to be denied access and equal treatment in many markets around the world.

³⁵ Source "PPPs 1996 results", OECD 1999 (not yet published).

Figure 10: Food, Beverage, and Tobacco Prices in Selected OECD Economies 1996



Source: PPP's 1996 Results, OECD 1999 (not published)

In addition, the rules of the WTO and the manner in which they are enforced have room for improvement. Many commitments negotiated in the Uruguay Round have yet to be implemented, in part because some members lack the technical capacity to do so. In some instances, the system's operation remains hidden from public scrutiny to a degree to which impedes public confidence and support. The dispute settlement process, in particular, while much improved in the Uruguay Round, remains opaque and sometimes slow to deliver effective resolution. For a credible system it is not sufficient for justice to be done, it must also be seen to be done. The system should also be seen to enhance the benefits it brings by supporting core labor standards and environmental objectives, in so doing it would broaden support among some who remain skeptical about open trade.

The Uruguay Round negotiations were protracted – lasting from 1986 to 1994, and even after their conclusion, much of the agenda was not completed. The next round should be designed to produce results much faster, both to provide new and additional benefits sooner and to keep pace with change. For this reason, the United States has proposed a three-year deadline for completing the next round.

Probably the greatest challenge is to ensure that the least developed economies emerge and the emerging economies are integrated into a global system that promotes economic growth. Although the United States still tends to trade most often with other developed or neighboring economies, its trade with developing countries is important already and holds great promise for the future – non-OECD countries account for about 32 percent of U.S. imports and about 27

percent of U.S. exports. This U.S. interest in sustained economic development abroad has been underscored by the financial crisis that has plagued much of the developing world over the past two years. The slump in growth associated with the crisis has stifled U.S. exports and caused considerable disruption in imports. While the source of these problems has been macroeconomic and financial, the resolution has required trade. In addition, the need for transparent systems enhanced role for markets rather than connections to government officials highlight the role the trading rules can play in integrating economies in transition into the system.

A. U.S. Objective for Seattle and Beyond

The United States is committed to expanding the circle nations that benefit from trade and putting a "human face" on the global economy. As such, U.S. proposals reflect key interests in opening foreign markets, strengthening the rule of law, and promoting economic development. The United States is proposing to launch a new round that includes a broad-based market access agenda, focusing on services, agriculture, and industrial tariffs, and lasting no more than three years. The WTO's built-in agenda calls for further negotiations on agriculture and services, beginning no later than December 31, 1999 and January 1, 2000, respectively. In agriculture, for example, the United States is seeking to eliminate export subsidies, reduce tariffs and trade-distorting domestic supports, and ensure market access for biotechnology.

The United States is also seeking immediate tariff cuts in eight key areas, agreement on transparency in government procurement, extension of the prohibition on e-commerce duties, and an agreement to make additional information technology products tariff free. The United States sees need to strengthen the WTO's relationships with other international organizations and for reforms to make the WTO itself more open and accessible.

- The United States is seeking accelerated tariff liberalization in eight key areas, forest products, fish and fish products, toys, gems and jewelry, chemicals, medical and scientific equipment, environmental goods and energy equipment. These eight areas account for \$198 billion of U.S. exports.
- The United States, together with South Korea and Hungary, has proposed a worldwide agreement on transparency in government procurement to promote good government practices. Such practices reduce the potential for bribery, corruption, and other insider deals. Adoption of this proposal would provide all nations with more opportunity to sell their goods and services in the \$3.1 trillion government procurement market.
- In 1998, WTO Ministers agreed to a temporary prohibition on duties on electronic commerce. The United States is seeking an extension of the prohibition to ensure the continued growth of the high-technology sector, to ensure that no WTO members take actions to inhibit the growth of e-commerce, and ensure that developing countries benefit from the expansion of e-commerce.
- The United States has highlighted the need to make the WTO more open and more accessible. To achieve this goal, the United States has proposed opening the dispute settlement procedures to the public, allowing non-governmental organizations (NGOs) to file

amicus curiae briefs in cases involving the environment, and creating institutional structures to increase consultations with NGOs. The United States also sees the need to strengthen the WTO's institutional relationships with other international organizations, beyond the Bretton Woods institutions, to include the International Labor Organization (ILO) and UN Environmental Program (UNEP) for example.

The United States has sought to create a trading system in which the benefits of trade are shared as widely as possible, both across and within countries, and do not come at the expense of basic human rights or the environment. To that end, the United States is:

- Seeking to bring more nations into the open trading system and ensure that developing countries fully benefit from the system. The United State will work to give the least developed countries greater access to global markets. The United State is also proposing measures to provide technical assistance on implementing trade policy and strengthening institutions in developing countries responsible for trade, labor, environmental, and other policies that influence the gains to living standards from trade.
- Proposing to establish a WTO Working Group on Trade and Labor in Seattle, strengthen the ILO, and enhance the institutional links between the ILO and the WTO, by granting the ILO observer status at the WTO, similar to that enjoyed by the World Bank and others.
- Pursuing opportunities that can open markets and yield environmental benefits, such as eliminating fishery subsidies that contribute to over-fishing and eliminating tariffs on environmental goods; and seeking to strengthen cooperation between the WTO and international organizations dealing with environmental issues like UNEP.
- Committing to conduct a U.S. environmental review of the likely consequences of the Round and proposing that the WTO Trade and Environment Committee help identify environmental implications as the Round proceeds.

B. Observations on U.S. Trade Policies

Much of the debate about trade today has been carried out in extreme and sterile terms. Trade liberalization is sometimes promoted by those who see no costs and opposed by those who see no benefits. The truth is that trade can provide benefits, on balance, but it can also impose costs. A key challenge for policy is to implement the complementary policies that help compensate and aid those who are hurt. Likewise, membership in the WTO is sometimes advocated as if it imposes no constraints and it is sometimes challenged as an unwarranted invasion of our sovereignty. The truth is, however, that we do agree to constrain our behavior by agreeing to adhere to the rules of the trading system. The WTO is best thought of as a voluntarily entered contract among its members. As with any contract, it is advantageous not because it entails no obligations, but because the benefits of joining outweigh the costs. Finally there are some who believe that trade agreements should only deal with trade barriers, while there are others who would have them almost mimic a global government. The truth is that for trade to be free it must command popular support, and to do so it must be perceived as fair. This requires rules that do

more than simply reduce barriers; it also requires rules that leave considerable scope for national autonomy and diversity.

Some suggest that while the GATT helped advance U.S. geopolitical interests during the Cold War, the United States no longer needs the organization now that the Cold War is over. However, the U.S. economy is more open now than ever before and international trade is vital to U.S. economic interests. Our participation in the WTO is the centerpiece of our trade policy. But, while freer trade brings benefits it is important to recognize it is not a panacea. It is crucial to ensure that the benefits of trade are shared widely and the rule of law that governs it be fair. Trade policy also needs to part of broader economic strategy and it needs to be supplemented by policies that facilitate change and promote equity. The Clinton Administration has made opening markets at home and abroad one of the three pillars of its economic policies but it has also recognized the importance of macroeconomic policies to achieve fiscal discipline and microeconomic policies to invest in people and technology.

Appendix: Key Achievements of the Uruguay Round Negotiations³⁶

For nearly 50 years, the General Agreement on Tariffs and Trade (GATT) served as both an international agreement and agency. It dealt primarily with international trade in manufactured goods, for the most part, excluding agriculture and textiles and clothing. The GATT did not cover trade in services, such as transportation, tourism, banking, and telecommunications, or trade-related aspects of intellectual property rights. The Uruguay Round further reduced tariffs on industrial products, brought more sectors more fully into the multilateral fold, strengthened the rules of conduct for international trade, and created a new institution – the World Trade Organization. As a result, the multilateral trading system now covers agriculture, textiles and clothing, services, and intellectual property rights.

The number of 'bound' product lines, i.e., product lines subject to ceilings on tariff rates, increased substantially. In some cases, however, WTO members agreed to tariff reductions from bound rates that exceeded their applied rates, so that actual, or realized, reductions in tariffs would be modest. Nevertheless, the act of tariff binding, provides traders with more certainty in their transactions, by explicitly guaranteeing that tariffs will not rise above agreed rates. The value of this increased certainty is difficult to estimate.

Perhaps most importantly, the Uruguay Round created the World Trade Organization (WTO), and its binding dispute settlement mechanism. The GATT still serves as an international agreement, but it no longer functions as an agency. The WTO has taken its place. Moreover, it now stands next to two other WTO Agreements, the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Disputes between WTO members about the respect of obligations under any of the WTO Agreements are now subject to the same dispute settlement procedures under the Understanding on Rules and Procedures Governing the Settlement of Disputes or "Dispute Settlement Understanding." In many instances, some noted below, the WTO Agreements provide special and differential treatment for developing countries

Industrial Products. In most cases, reductions in developed countries' tariffs on imports of industrial products, excluding textiles and clothing, are being phased in over 5 years, beginning January 1, 1995. By the end of the phase in, these tariffs will be cut by about 40 percent, from an average of 6.3 percent to an average of 3.8 percent. The value of imported industrial products that receives duty-free treatment in developed countries will increase from 20 percent to 44 percent. More products will be bound. Before the Uruguay Round, 78 percent of the developed countries' product lines were bound; after the Uruguay Round, 99 percent will be bound. Bindings in developing countries will increase from 21 percent to 73 percent. Economies in transition agreed to increase their bindings from 73 percent to 98 percent. Because countries commit not to increase their tariffs above bound rates, they reduce uncertainty in the market.

Agricultural Products. The Uruguay Round succeeded in bringing agriculture more fully into the multilateral trading system. The Agreement on Agriculture binds tariffs on all agricultural

³⁶ This appendix draws heavily from the World Trade Organization, <http://www.wto.org/about> and the GATT Secretariat, "The Results of the Uruguay Round of Multilateral Trade Negotiations, Market Access for Goods and Services: Overview of the Results," November 1994.

products and converts non-tariff barriers to tariffs, through "tariffication." Industrial countries agreed to cut their tariffs by 36 percent on average over six years; developing countries agreed to cut their tariffs by 24 percent on average over ten years. Under the Agreement, all WTO members agreed to bind 100 percent of all agricultural product lines. For products subject to tariffication, the Agreement permits special safeguards to protect against surges in import. The Agreement also limits and reduces countries' use of export subsidies and trade-distorting domestic supports. Agriculture is part of the WTO's built-in agenda, with talks scheduled to begin by December 31, 1999.

Textiles and Clothing. From 1974 until the end of the Uruguay Round, trade was governed by the multi-fiber arrangement (MFA). The MFA was a framework for bilateral agreements and unilateral actions, based on quantitative restriction on imports. In 1995, the WTO's Agreement on Textiles and Clothing (ATC) replaced the MFA. The ATC will bring products into the GATT rules, by eliminating quota restrictions gradually over a ten-year period. Like the Agreement on Agriculture, the ATC also allows special safeguards to protect against import surges. By 2005, the sector will be fully integrated into the GATT's rules – all import quotas and discrimination will end. At that time, the ATC will terminate. The Uruguay Round also established a Textiles Monitoring Body to supervise the ATC's implementation.

Services. The GATS provides multilaterally agreed and legally enforceable rules, covering all internationally traded services (except most air transport services). It extends MFN treatment to all WTO members, with limited exceptions, and extends national treatment and market access obligations in areas where a country has made a specific commitment. The GATS provides rules for regulatory transparency, other aspects of regulation, recognition of other countries' qualifications, and international payments and transfers. Individual countries' commitments to open markets in specific sectors were the outcome of negotiations. A set of "schedules" lists the sectors being opened, the extent of market access being given in those sectors, and any limitations on national treatment. Analogous to the rules of the GATT, the specific commitments are bound. Although some commitments are bound in ways that do not depart from status quo arrangements, the GATS still accomplishes the objectives of bringing services into the multilateral trading system and reducing uncertainty. As in the case of agriculture, the service sector is included in the WTO's "built-in" agenda, with a full new round of negotiations scheduled to begin no later than January 1, 2000.

Responding to the diversity of the services sector, a series of annexes addresses particular concerns of different industries, including the movement of natural persons, financial services, telecommunications, and air-transport services. Negotiations on specific commitments in financial services and telecommunications continued after the Uruguay Round as part of the built-in agenda, and resulted in new liberalization packages. Talks on the movement of natural persons also continued and achieved "modest" results. Further talks on maritime services were scheduled, but suspended.

Intellectual Property. The TRIPS Agreement address standards, enforcement, and dispute settlement. Subject to limited exceptions, it adheres to basic principles of non-discrimination, i.e., MFN and national treatment. The Agreement covers copyrighted and related rights, including for computer programs, data bases, sound recordings and films; trademarks and service

marks; geographical indications, including appellations of origin; patents, including the protection of new varieties of plants; industrial designs; layout designs of integrated circuits; and undisclosed information, including trade secrets and test data. Substantive provisions of the main international agreements of the World Intellectual Property Organization provide the basis for protection, with additions and modifications. For example, the Berne Convention for the Protection of Literary and Artistic Works now applies to computer programs. Moreover, patent protection must be available for a minimum of 20 years for all inventions, whether products or processes, in almost all fields of technology.

WTO members are required to provide procedures and remedies under their domestic law to ensure that foreign right holders can effectively enforce intellectual property rights. Under some circumstances, member countries may adopt measures to prevent or control practices in the licensing of intellectual property rights that are abusive or anti-competitive. When the WTO Agreements took effect on January 1, 1995, developed countries were given one year to bring their laws and practices into conformance with the TRIPS Agreement. Developing countries and some economies in transition were given longer. Disputes between WTO members about the respect of TRIPS obligations are subject to the WTO's dispute settlement procedures.

Other WTO Agreements. The Round led to agreements in several other areas, including anti-dumping actions, subsidies and countervailing duties, safeguards, and technical barriers.

- *Anti-Dumping Actions.* The Anti-Dumping Agreement, more formally the Agreement on the Implementation of Article VI of the GATT 1994, allows WTO members to act against dumping if three specific conditions apply. A country must be able to (1) show that dumping is taking place; (2) calculate the extent or "margin" of dumping; and (3) provide evidence of material injury to the competing domestic industry. If a country prefers, it can also make use of the WTO's dispute settlement procedure.
- *Subsidies and Countervailing Measures.* The Agreement on Subsidies and Countervailing Duties provides rules for the use of domestic subsidies and the actions that countries can take to counter them. Under the Agreement, a country may seek the withdrawal of a subsidy or the removal of its adverse effects. As above, a country may act independently or through the WTO's dispute settlement system. The Agreement applies to industrial products and agriculture. In the case of agriculture, however, certain kinds of trade-distorting domestic supports are permitted within limits. Other exceptions pertain to developing countries.
- *Emergency Protection from Imports.* The Agreement on Safeguards allows countries to temporarily restrict imports of a product if an absolute or relative import surge is causing or threatening to cause serious injury to a domestic industry. (The Agreement prohibits the use of formerly allowed "gray area" measures, including voluntary export restraints and orderly marketing arrangements.) Exporters can seek compensation through consultations or, if unsuccessful, possibly through retaliation. Additional safeguards are available for some agricultural products and textiles and clothing and special rules apply to safeguards against developing country products.

- *Technical Barriers to Trade.* The Agreement on Technical Barriers to Trade (TBT) tries to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade. The Agreement on TBT does not prohibit countries from adopting standards, rather it sets out a 'code of good practice' for the preparation, adoption, and application of standards by central government bodies and others.
- *Health Regulations for Farm Products.* Complementary to the Agreement on TBT and the Agreement on Agriculture, the Agreement on Sanitary and Phytosanitary Measures establishes rules for standards to protect human, animal, and plant health. The Agreement urges countries to adopt internationally agreed standards to the extent possible, but it does not prohibit countries from setting their own, possibly higher, standards. However, it does require that all standards be based on science and non-discriminatory.
- *Miscellaneous.* Other new agreements include the Agreement on Import Licensing Procedures; the Agreement on Implementation of Article VII of the GATT 1994 and related ministerial decisions on customs valuation; the Agreement on Pre-Shipment Inspection; the Agreement on Rules of Origin; and the Agreement on Trade-Related Investment Measures.

Plurilateral Agreements. Unlike the other WTO Agreements, the Agreements on Trade in Civil Aircraft and on Government Procurement, which were originally negotiated during the Tokyo Round, are only partially subscribed. Nevertheless, the Uruguay Round made substantial progress in further liberalizing government procurement practices, by expanding coverage to more entities and to services. The agreement also reinforces rules guaranteeing fair and non-discriminatory conditions of international competition.

Dispute Settlement. The DSU improves upon previous rules and procedures. It creates a single system for addressing disputes under each of the aforementioned WTO Agreements; introduces an expedited process with clearly defined stages; prevents individual countries from blocking the adoption of rulings; and authorizes countermeasures if an adopted ruling is not implemented. Ordinarily, a case should not take more than a year – or 15 months if it is appealed. (If either side requests, members of an Appellate Body will hear appeals of panel rulings.) Moreover, in a reversal of the GATT procedure, all dispute settlement rulings – including those of the Appellate Body – are adopted automatically, unless there is consensus to reject a ruling.

After a ruling is adopted, a country faces three possible outcomes: it can adhere to the recommendations of the panel; it can compensate the claimant; or the claimant can suspend previously agreed concessions of like amount. The general principle is that the suspension should occur in the same sector of trade (for example, a violation in the goods sector should be met with suspended concessions in the goods sector). If this is not practicable or effective, the suspension can occur in other sectors.

Trade Policy Review Mechanism. The TPRM provides a regular forum for monitoring each country's performance in the WTO system. The objectives of the review are to increase the transparency and understanding of countries' trade policies and practices through regular monitoring; improve the quality of public and intergovernmental debate on the issues; and enable a multilateral assessment of the effects of policies on the world trading system.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 10:57:20.00

SUBJECT: Your 11/2 Mtg w/Dr. Reinhard Pfender CANCELLED

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

The German Embassy called to say that Dr. Pfender's visit to the U.S. has been cancelled.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: John Spotila (CN=John Spotila/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 1-NOV-1999 12:35:30.00

SUBJECT: meeting on EPA analysis supporting Tier II

TO: Henry C. Kelly (CN=Henry C. Kelly/OU=OSTP/O=EOP@EOP [OSTP])

READ:UNKNOWN

TO: Rosina M. Bierbaum (CN=Rosina M. Bierbaum/OU=OSTP/O=EOP@EOP [OSTP])

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TO: Roger S. Ballentine (CN=Roger S. Ballentine/OU=WHO/O=EOP@EOP [WHO])

READ:UNKNOWN

TO: Morley A. Winograd (CN=Morley A. Winograd/O=OVP@OVP [UNKNOWN])

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TO: Ronald Minsk (CN=Ronald Minsk/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TO: George T. Frampton (CN=George T. Frampton/OU=CEQ/O=EOP@EOP [CEQ])

READ:UNKNOWN

TO: David W. Beier (CN=David W. Beier/O=OVP@OVP [UNKNOWN])

READ:UNKNOWN

CC: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])

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CC: Linda Lance (CN=Linda Lance/OU=CEQ/O=EOP@EOP [CEQ])

READ:UNKNOWN

CC: Kevin F. Neyland (CN=Kevin F. Neyland/OU=OMB/O=EOP@EOP [OMB])

READ:UNKNOWN

CC: Eric M. Haxthausen (CN=Eric M. Haxthausen/OU=OMB/O=EOP@EOP [OMB])

READ:UNKNOWN

CC: Arthur G. Fraas (CN=Arthur G. Fraas/OU=OMB/O=EOP@EOP [OMB])

READ:UNKNOWN

CC: Donald R. Arbuckle (CN=Donald R. Arbuckle/OU=OMB/O=EOP@EOP [OMB])

READ:UNKNOWN

CC: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP@EOP [OMB])

READ:UNKNOWN

CC: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Jennifer R. Muller (CN=Jennifer R. Muller/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

CC: Robert S. Fairweather (CN=Robert S. Fairweather/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Richard P. Theroux (CN=Richard P. Theroux/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Amy Squires (CN=Amy Squires/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Elwood Holstein (CN=Elwood Holstein/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Sally Katzen (CN=Sally Katzen/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TEXT:
MEMORANDUM

FROM: John T. Spotila

SUBJECT: EPA analysis supporting the Tier II/low sulfur gasoline rule

At Tuesday,s meeting with Carol Browner, we agreed to convene a technical level meeting to review the options EPA will be evaluating in its analysis of the final Tier 2 rule. (See the attached list) We are scheduling that meeting for next Thursday (November 4) at 12:30 p.m. in NEOB Room 10103 and would invite you to attend or send a representative. EPA staff report that they will begin delivering pieces of their analysis next week, perhaps as early as Monday.

EPA does not currently see a need to do an analysis of either a gasoline sulfur limit of 40 ppm or the phase-in approach outlined in DOE,s comments on EPA,s proposed rule. It will discuss its views in this regard on Thursday.

We also think it would be useful to discuss with EPA the specific structure/options for analyzing the following:

- small refiner/Western Governor/regional fuel options
- use of additional bins for the auto standards
- assessment of the interim standards for autos

The Thursday meeting will give us an opportunity to talk about any alternatives or other options you believe should be evaluated in

developing the final Tier 2 rule.

Please let us know if you have any questions. It would also be helpful if you would advise Eric Haxthausen (eric.haxthausen@omb.eop.gov) of OIRA as to whether you or a representative will be attending the meeting.

Attachment

Options for Analysis*

I. Sulfur in Fuel Options (2000 to 2030)

- (1) EPA Proposal (30 ppm average/cap=80 ppm)
- (2) More stringent option (e.g., 10 ppm average/cap=?)

II. Phase-in of 30 ppm Fuel Standards (2000 to 2010)

- (1) EPA Proposal
- (2) Revised EPA Option
- (3) Revised DOE Option
- (4) Regional/Western Governors/Small Refiners Options

III. Auto Standards (2000 to 2030)

- (1) EPA Proposal
- (2) Evaluation of the Use of One (or more) Additional Bins (e.g., a bin between .07 and .15)
- (3) Assessment of the Interim Standards v. Alliance option(s)
- (4) Evaluation of the ABT program for autos

IV. Phase-in of Vehicle Standards (2000 to 2010)

- (1) EPA Proposal
- (2) Delay LDV and LDT Standards One Year
- (3) Delay LDV and LDT Standards for Four Years (with Alliance proposed interim standards)

V. Sensitivity Analysis: Interaction with Other Key Fuel/Refinery Issues (2000 to 2010)

(1) EPA Rulemaking to Limit Sulfur in Diesel Fuel

(2) Phasedown of MTBE Use

(3) Potential EPA Action under Section 202(l)

* We have agreed that cost-effectiveness analysis -- that is, analysis of the costs and emission reductions achieved for each option -- is the best analytical tool available for much of the required analysis. EPA has also agreed to provide the information needed to carry out an incremental cost-effectiveness analysis. For options involving the phase-in of standards, some other form of analysis -- instead of cost-effectiveness analysis -- may be appropriate. Finally, we agreed that it may be sufficient to do a qualitative sensitivity analysis of MTBE phasedown and potential Section 202(l) action to address hazardous air pollution from mobile sources.

**Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]**

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

Collection: 2013-0306-F

Bucket: CEA

Creation Date: 1999-11-01

Subject: Background information on unions, trade, etc.

Creator: Robert Z. Lawrence

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 14:23:19.00

SUBJECT: New WTO Overview

TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D18]ARMS277106015.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

I. Overview

The United States looks to the future from a position of strength, due in no small part to its openness and flexibility. US tariffs are among the world's lowest, averaging only 2.8 percent. The U.S. is also the world's leading trader, accounting for about 14 percent of world exports and about 16 percent of imports. Americans benefit directly from open markets at home and abroad. U.S. producers benefit from exports of high-tech manufacturers, agriculture, services, among other products. U.S. workers enjoy higher paying jobs and U.S. consumers enjoy lower prices and more product variety.

For over half a century the multilateral trading system, consisting first of the General Agreement on Tariffs and Trade (GATT) and more recently the World Trade Organization (WTO), has played a key part in meeting U.S. trade policy objectives. It has reduced barriers to trade, strengthened the rule of law, and encouraged economic growth and development internationally. The postwar period has seen exceptional growth for much of the world as the global economy has become increasingly integrated.

While its achievements have been considerable, the trading system remains a work in progress. A new round offers opportunities to enhance market access, improve the functioning of the WTO and ensure that the benefits of globalization are more widely shared.

America benefits from market liberalization

On the threshold of the 21st Century, two related features of the U.S. economy are particularly striking. First, it has never been more prosperous and, second, it has never been as integrated into the world economy. The U.S. economy provides its citizens with living standards that are higher than those in other major industrial economies – per capita income in the United States is 40 percent higher than the average for other high-income countries. The U.S. economy is able to provide such high living standards, in part, because Americans engage extensively in international trade. Trade's share in U.S. GNP is almost 25 percent, the highest it has been at any point in the past hundred years.

- On average, Americans export about 11 percent of all the goods and services they produce and import about 13 percent of all they consume.
- Many high-tech U.S. manufacturing industries, such as computers and electronics, export 25 percent or more of their total shipments; U.S. wheat and rice growers export over 40 percent of their total production.
- The United States is the world's leading services exporter, accounting for over 18 percent of all commercial service exports.
- Recent studies suggest that wages in U.S. export-related industries are 12.5 to 18 percent higher than elsewhere in the economy.

The WTO promotes Liberalization

America gains most when other nations lower their trade barriers as we reduce ours. Indeed, as one of the world's most open economies, we have a particular interest in promoting liberalization abroad. The system of binding commitments first established in the GATT and now advanced by the WTO has provided a framework for liberalization. Consistent with U.S. goals for an open multilateral trading system, the GATT was founded on principles of consensus, reciprocity, and non-discrimination. It has been extremely successful. In 1940, the average tariff on industrial products in developed countries was about 40 percent. Soon, it will be less than 4 percent.

The Uruguay Round, concluded in 1993, extended liberalization agreements to previously neglected sectors, such as agriculture, textiles and clothing, and services and achieved breakthroughs in new areas, such as trade-related aspects of intellectual property rights and investment. Recent studies evaluate estimates that market opening in the Uruguay Round could increase annual US incomes by between \$13 to \$36 billion and global income by \$170 to \$220 billion, by 2002. (in 1992 dollars). Moreover these estimates are conservative since studies do not take account the additional benefits derived by the US from measures such as intellectual property. In 1998, for example, U.S. trade in royalties and license fees yielded a positive balance of about \$25.5 billion.

Post-Uruguay Round negotiations under the 'built-in agenda' yielded additional market access commitments in financial services, basic telecommunications services, and information technology, opening up new opportunities in areas in which the United States is highly competitive. Growth in private service exports points to potential gains from the services agreement. Since 1995, U.S. exports of insurance services have increased by 119 percent, U.S. exports of financial services have increased by 95 percent, and business, technical, and U.S. exports of professional services have increased by 52 percent.

The WTO promotes the Rule of Law.

To fully realize the benefits of trade, however, requires more than agreement that barriers will be reduced. Sustaining support for the trading system also depends on rules that are equitable and credible. The rules should ensure that governments play fair. That they avoid policies which nullify their market-opening commitments; that they not seek to gain advantage by unfairly subsidizing their producers or passing regulations which unnecessarily distort international trade. Fair trade also requires that the gains from trade are widely shared and that these gains do not come at the expense of basic human rights or the environment. The trading system must also be credible. For firms to undertake the necessary investments to service foreign markets, they need to believe that new barriers will not be raised and that old ones will not reassert themselves. To rely on foreign suppliers, buyers need to believe likewise that market access will not be disrupted. Traders need assurance that commitments will be binding and that markets will remain open in the event of changed circumstances.

The WTO has done much to achieve these goals. The members of the WTO have agreed on the rules defining fair trade and safeguards. The US has been able to invoke these rules to combat

unfair foreign practices and to provide domestic industries such as lamb, with temporary safeguard protection. The WTO has also provided an improved institutional framework for resolving disputes and monitoring countries' performance in the trading system. The rule of law has been strengthened by the new dispute settlement system, which has proved extremely useful to the United States, its most frequent user. The results of 47 complaints filed by the United States suggest that the dispute settlement process has been effective, with United States prevailing in 12 out of 14 rulings so far.

WTO members have adhered to their commitments. The sustained trend towards liberalization over the postwar period, and the maintenance of commitments not to raise barriers even in the face of financial crises, stand in sharp contrast to the trade policy experience during the inter-war period.

The WTO Extends Benefits of Trade and Encourages Growth

The United States has long advocated the use of the multilateral trading system to promote economic development internationally. The success of the trading system and its value in reinforcing market oriented development strategies has become increasingly appreciated over time. Between 1989 and 1997, developing countries increased their share of world trade. Originally heavily dominated by the developed countries, participation has grown as developing and transition economies have sought inclusion. Today, the WTO has 134 members and another 33 nations, including China, are seeking accession. This allure of the trading system supports the view that international trade is not a zero-sum game. Both the United States and its trading partners reap the benefits. In fact, the shared aspect of the gains from trade, between trading partners, is a core principle of economics. However, not all WTO members are currently well positioned to use the system effectively. Some of its least developed members lack the necessary institutions and infrastructure to reap the full benefits of trade – in those cases, capacity building and technical assistance, coupled with market opening, could help spread the benefits.

The U.S. Agenda Meets Challenges of the 21st Century

The prospect of another round of multilateral trade negotiations provides new opportunities to advance U.S. interests in opening foreign markets, establishing an effective rule of law, and promoting economic development internationally. Barriers remain high in sectors such as services and agriculture in which we are highly competitive. In agriculture for example, bound tariff rates average about 50 percent worldwide and food prices in the EU and Japan are 34 and 134 percent higher than they are in the United States. Moreover, the system of commitments and rules, though much improved, still requires further strengthening. And, much work remains to be done to ensure that developing countries – including the least developed – obtain the market access and technical assistance they need to realize the benefits that international trade can afford. The United States is also committed to putting a “human face” on the global economy.

U.S. Objectives for Seattle and Beyond. The United States is proposing to launch a new round that includes a broad-based market access agenda, focusing on services, agriculture, and industrial tariffs, and lasting no more than three years. It is also seeking immediate tariff cuts in eight key areas, agreement on transparency in government procurement, extension of the

prohibition on e-commerce duties, an agreement to make additional information technology products tariff free. The United States also sees the need to strengthen the WTO's relationships with other international organizations and for reforms to make the WTO itself more open and accessible. The United States has sought to create a trading system in which the benefits of trade are shared as widely as possible, both across and within countries, and do not come at the expense of basic human rights or the environment. To that end, the United States is:

- Seeking to bring more nations into the trading system and ensure that developing countries fully benefit. The United State will work to give the least developed countries greater access to global markets. The United State is also proposing measures to provide technical assistance on implementing trade policy and strengthening institutions in developing countries responsible for trade, labor, environmental, and other policies that influence the gains to living standards from trade.
- Proposing to establish a WTO Working Group on Trade and Labor in Seattle and enhance the institutional links between the International Labor Organization and the WTO, by granting the ILO observer status at the WTO.
- Pursuing opportunities that can open markets and yield environmental benefits, such as eliminating fishery subsidies that contribute to over-fishing and eliminating tariffs on environmental goods; seeking to strengthen cooperation between the WTO and international organizations dealing with environmental matters like the UN Environmental Program.
- Committing to conduct a U.S. environmental review of the likely consequences of the Round and proposing that the WTO Trade and Environment Committee help identify environmental implications as the Round proceeds.

Supplementing Trade Policies. While an open trading system is beneficial, it is not a panacea for all the challenges facing the United States or the international community. The WTO provides its members with some of the conditions that are necessary for successful economic performance, but the benefits it confers are not automatic. To fully realize the benefits of trade, it is necessary to adopt complementary domestic policies to ensure that the resources that are displaced by trade are successfully re-employed. This requires effective mechanisms which help workers, farmers and firms adjust to change. The Clinton Administration has made opening markets at home and abroad a major pillar of its economic strategy, but it has also adopted the complementary strategies of investing in people and fiscal prudence.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 08:06:17.00

SUBJECT: REQUEST FOR DOCUMENTS

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Susan P. Clements (CN=Susan P. Clements/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Stephen F. Lin (CN=Stephen F. Lin/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Sarah M. Anderson (CN=Sarah M. Anderson/OU=CEA/O=EOP [CEA])
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TO: Sarah L. Rosen (CN=Sarah L. Rosen/OU=CEA/O=EOP [CEA])
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TO: Sandra F. Daigle (CN=Sandra F. Daigle/OU=CEA/O=EOP [CEA])
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TO: Rosalind V. Rasin (CN=Rosalind V. Rasin/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Robin L. Lumsdaine (CN=Robin L. Lumsdaine/OU=CEA/O=EOP [CEA])
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TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
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TO: Noah Y. Weisberger (CN=Noah Y. Weisberger/OU=CEA/O=EOP [CEA])
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TO: Michael S. Kosoff (CN=Michael S. Kosoff/OU=CEA/O=EOP [CEA])
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TO: Michael J. Brien (CN=Michael J. Brien/OU=CEA/O=EOP [CEA])
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TO: Mary Fibich (CN=Mary Fibich/OU=CEA/O=EOP [CEA])
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TO: Mary E. Jones (CN=Mary E. Jones/OU=CEA/O=EOP [CEA])
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TO: Mary A. Thomas (CN=Mary A. Thomas/OU=CEA/O=EOP [CEA])
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TO: Martin N. Baily (CN=Martin N. Baily/OU=CEA/O=EOP [CEA])
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TO: John C. Williams (CN=John C. Williams/OU=CEA/O=EOP [CEA])
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TO: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Douglas V. Almond (CN=Douglas V. Almond/OU=CEA/O=EOP [CEA])
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TO: Christel M. Sice (CN=Christel M. Sice/OU=CEA/O=EOP [CEA])
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TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP [CEA])
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TO: Catherine H. Furlong (CN=Catherine H. Furlong/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Carol L. Capece (CN=Carol L. Capece/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Brian A. Amorosi (CN=Brian A. Amorosi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Audrey Choi (CN=Audrey Choi/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

yet another request from counsel's office.... as always, please read the request below, search files accordingly, and if you have any responsive documents please bring them to me. otherwise, please send an email to Francine Obermiller that you have searched all your files and do not have any responsive documents... thanks for your cooperation. ac

----- Forwarded by Audrey Choi/CEA/EOP on 11/01/99 08:05 AM -----

PostMaster 10/29/99 06:38:56 PM

Record Type: Record

To: All EOP Users, All USTR Users

cc:

Subject: REQUEST FOR DOCUMENTS

MEMO TO: All EOP Staff

FROM: Beth Nolan Counsel to the President

SUBJECT: REQUEST FOR DOCUMENTS

On August 6, 1999, we circulated a directive asking for all files identified as pertaining to Congressman Bob Barr. We have since received a document request that is broader in nature and asks for all documents relating or referring to Congressman Barr. Accordingly, please conduct a thorough and complete search of all your records -- whether in hard copy, computer form, or any other form -- for any of the following material:

(1) Any and all documents relating or referring to Congressman Bob Barr.

(2) A copy of the file jacket for any document provided. To the extent that any document was not contained in a file, please attach a note describing how the document was maintained.

If you already provided the material in response to the August 6 directive

you do not need to provide another copy. However, it is imperative that you provide any additional documents you have that relate in any way to Congressman Barr. You do not need to provide publicly available materials such as newsclips or transcripts of hearings, etc., unless they are annotated. If you have large volumes of legislative materials that may be responsive but which would be particularly burdensome to search or copy, please call Shelli Peterson at 456-7804 and we will assist you in determining what, if anything, must be produced.

Every employee is responsible for searching his or her own files and records to ensure a comprehensive search. Each office head or Assistant to the President must certify that his or her staff has done a complete and thorough search. If you believe that files from your office that have been sent to the Office of Records Management may contain responsive information, please advise us so that we may ensure that all responsive documents have been located.

All materials must be provided to Shelli Peterson (OEOB Room 482) by noon on Wednesday, November 10, 1999. If you have any questions or concerns, Shelli can be reached at 456-7804.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 10:24:44.00

SUBJECT: Another version of levy

TO: Alice H. Williams (CN=Alice H. Williams/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

This should work===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D28]ARMS23820101U.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Clinton Presidential Records Automated Records Management System [EMAIL]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_i0875689_cea_html_1.msoff

Attachment Number: [ATTACH.D95]ARMS20965780J.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joe Aldy <jaldy99@yahoo.com> (Joe Aldy <jaldy99@yahoo.com> [UNKNOWN])

CREATION DATE/TIME: 1-NOV-1999 19:59:50.00

SUBJECT: Fwd: ozone and UV-B screening -Reply

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

CC: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

CC: Eric M. Haxthausen (CN=Eric M. Haxthausen/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TEXT:

Robert,

For your information. As you recall, we sent a memo to EPA 2 weeks ago this past Friday illustrating how the agency could monetize the public health risks associated with decreased UV-B screening by tropospheric ozone as a result of air quality regulations. We were under the impression that EPA would draft a response that indicated how it would undertake the analysis or provide the scientific rationale on why it could not do the analysis. The response took 2 weeks, and the attached is the brief response. The bottom line is EPA will neither do the analysis, nor explain to us the rationale. (In addition, Eric Haxthausen of OMB noted in a follow-up email that EPA does not make claims on the science in its petitions before the appeals court as alleged in the response below.)

This response could have been sent the day after I emailed them. Instead it appears to be a deliberate effort to be non-responsive because we have deadlines on the 812 Report (prospective benefit-cost analysis of the clean air act) and the Tier 2 rule. I have pushed back hard (Leigh, please forward Robert the email I sent -- I do not have access to that message in my yahoo account), and plan on following up with a phone call tomorrow. If we continue to pursue this issue, and I firmly believe that we should, it will likely be elevated.

In the retrospective 812 report, the economic agencies did not sign off on the report, and this was reflected in the preamble to the report. I understand that Treasury (Doug E.) has already submitted comments

indicating that Treasury will not sign off on this document. Unless we can get satisfaction on this issue, and several others, I will make the same recommendation.

I will be getting back into DC on Wednesday evening -- I am staying an extra day for Argentina and China high level meetings. We should talk once I am back in the office.

Joe

PS: I am tired of bratwursts.

--- RON EVANS <EVANS.RON@epamail.epa.gov> wrote:

> Date: Mon, 01 Nov 1999 10:07:10 -0500
> From: RON EVANS <EVANS.RON@epamail.epa.gov>
> Subject: ozone and UV-B screening -Reply
> To: jaldy99@yahoo.com
> CC: leigh_l_linden@cea.eop.gov,
> ANDERSON.JOHNF@epamail.epa.gov,
> BACHMANN.JOHN.D@epamail.epa.gov,
> BRENNER.ROB@epamail.epa.gov,
> CONNER.LISA@epamail.epa.gov,
> DEMOCKER.JIM@epamail.epa.gov,
> HARNETT.BILL@epamail.epa.gov,
> HUBBELL.BRYAN@epamail.epa.gov,
> SEITZ.JOHN@epamail.epa.gov,
> SIMON.KARL@epamail.epa.gov,
> WEGMAN.LYDIA@epamail.epa.gov,
> arthur_g_fraas@omb.eop.gov,
> eric_m_haxthausen@omb.eop.gov
>
> Joe, I have had a few conversations with my
> management and they have confirmed my
> previous position. Our position is outlined below.
>
> UV-b related risk estimation issue
>
> The Administration has gone to great lengths in its
> recent submissions to the courts to
> say that there is insufficient scientific evidence
> to reliably estimate the UV-b related risks
> related to increased UV-b exposure from reductions
> in tropospheric ozone. There are too
> many scientific uncertainties to allow any credible
> measurement of these risks. No new
> scientific evidence has been presented by OMB/CEA in
> their summary to lead EPA/OAR to
> believe that these risks can be quantified at this
> time.
> In an effort to further clarify EPA/OAR's position
> on this issue, EPA/OAR will develop
> a specific discussion laying out its understanding

> of the current state of the science. No effort
> will be made to quantify the postulated UV-b related
> risks from reductions in tropospheric
> ozone.
>
>
> >>> Joe Aldy <jaldy99@yahoo.com> 10/28/99 >>>
> Ron,
>
> I am writing in regards to the tropospheric ozone
> UV-B
> screening issue we raised in a memo on Friday 10/15.
>
> Based on our conversation, I understood that you
> would
> have a response ready by the middle part of this
> week.
> Since I am in Bonn, Germany now for the climate
> change negotiations, I would appreciate it if you
> could provide me with your comments via this email
> address or by fax to 49-228-9814-373. In case you
> do
> not have paper yet on this issue, I have asked Leigh
> Linden to follow up with you for some feedback. It
> would be useful to narrow the issues of contention
> on
> this and to better understand your concerns about
> quantifying and monetizing this effect in light of
> the
> scientific literature. Thanks,
>
> Joe
>
>
> =====
>
>
> _____
> Do You Yahoo!?
> Bid and sell for free at <http://auctions.yahoo.com>
>
>

=====

Do You Yahoo!?
Bid and sell for free at <http://auctions.yahoo.com>

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 17:06:12.00

SUBJECT: USEC meeting

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Robert,

Here's the short version of the meeting today on USEC. First, the company is looking for a large (\$200 million) subsidy to cover the costs to them from the fixed price contract they have to process Russian highly enriched uranium into low enriched uranium, suitable for fueling nuclear reactors. The \$200 million covers Jan 2000 - Dec 2001, the last two years of the current fixed price contract with Russia. DOE believes USEC's "cost" justification for such a large subsidy is poor, and that USEC would settle for less and stay on as the US government's exclusive agent.

Relative to spot prices, USEC is losing money on the contract, but then USEC made money on earlier years of the contract when spot prices were higher. USEC is contractually obligated to remain as the USG's agent for this contract up until January 1, 2001, but could walk away from the contract in its last year (Jan - Dec. 2001), which would leave the US looking for a new agent. No one at the meeting is particularly sympathetic with USEC, particularly in light of their financial dealings as reported in Saturday's Post (see attachment). DOE is very concerned with the political fallout from USEC walking away or from the US naming a new agent and USEC. Either scenerio could result in plant closures, and that is politically bad.

I tried to make two related points. (1) USEC is not the only likely privatized company that the US government has or will have in the future, and there is some good long run reasons to avoid giving privatized companies handouts. (2) USEC is obligated contractually for the next year regardless, and I said CEA would be opposed to any subsidy releasing them from that obligation. Our position should be that they are stuck with the contract's benefits and obligations for at least the next year.

Various people suggested DOE begin looking at the possibility of an alternative USG agent should USEC walk away from the last year of the contract (2001), which they can do at any time in the next month. Personally, I think the USG should appoint another agent if USEC walks, and absorb the cost of doing so directly rather than buckle under a threat of such an action, and pay whatever private negotiation between USEC and USG (really DOE) determines. I really don't think the USG will be worse off, and if USEC is bluffing, the USG might well be better off. Others appear sympathetic but are uncertain about the viability/effectiveness of such action, despite the fact that when USEC was privatized, apparently

some of those in favor said we could always do this if needed.

{ What a mess. Apparently the reason that USEC is the exclusive agent is that someone decided the USG would make more money with a privatized monopoly provider, rather than allowing some competition in the market, and now we are paying for that decision. }

Given the short deadline, there may be another meeting, possibly at the end of the week on this topic. It may be a principals meeting, and if so, you might want to attend to get a feeling for what is happening, and see if you can make more impact. I am rather worried that when push comes to shove, the taxpayers are going to end up footing more of a bill than they should have to in this case.

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D59]ARMS258231115.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Uranium Company Seeks Federal Aid Privatized USEC Warns of Losses

By Martha M. Hamilton
Washington Post Staff Writer
Saturday, October 30, 1999; Page E01

Last year, the federal government sold off to investors a company it had created to process uranium on the theory that the new firm, Bethesda-based USEC Inc., would thrive in the competitive marketplace. But now USEC, its stock price under assault, is making the rounds of Washington with its hand out, seeking as much as \$200 million in relief from the Clinton administration and Congress.

Already, USEC has spent about \$100 million this year buying back shares in a battle to prop up its stock price. It also pays a relatively high dividend to its investors--about \$100 million a year, or more than its profit.

But according to sources who have heard the pitch, USEC--which is a key player in reducing the number of stockpiled nuclear weapons in Russia--is warning that it could lose \$200 million to \$300 million over the next two years because of a deal that requires the company to buy processed uranium from Russia.

Sources said the company has proposed several forms of relief, including tax credits for utility companies that buy the Russian uranium, relief from potential environmental liability, help in renegotiating the last two years of the contract with the Russians or even flat-out appropriations.

So far, according to Secretary of Energy Bill Richardson and Capitol Hill sources close to the discussions, the company hasn't won key backing in either the Clinton administration or Congress. But neither has aid for USEC been ruled out.

Richardson said the administration wants to protect the agreement with the Russians that DOE negotiated, but he first wants to see "justification for the \$200 million." Richardson said that no decision has been made, but that--in addition to more data and justification of the request--the DOE needs "to be convinced that [USEC] will continue to operate" the company's two U.S. plants "without disruptions or layoffs."

USEC officials declined to comment.

The company, once under the umbrella of the Department of Energy, went public on July 28, 1998, at \$14.50 a share, bringing in a total of \$1.9 billion to the federal government. Since then the stock price has declined, closing at \$9.25 a share yesterday.

USEC investors collect a dividend that is high even by the standards of the utility industry, which historically has paid higher dividends than other industries. Based on the current stock price, USEC investors receive a yield of more than 12 percent, compared with an average for the utility industry of 4.9 percent.

Both the dividends and increases in management compensation since the privatization have provoked questions by the union that represents USEC workers, and others, about why the company needs federal relief.

"These guys are trying to jam the administration, and it's not going to happen," said one high-level Clinton administration official who asked not to be identified by name.

When it was privatized, USEC inherited a deal with Russia that was part of a historic agreement to help rid the world of nuclear weapons. So far, USEC has converted the equivalent of more than 3,000 Russian nuclear warheads into fuel under the program.

Under the Russian agreement, USEC is the federal government's executive agent responsible for carrying out a 1993 accord between the Russian and U.S. governments to convert highly enriched uranium (HEU) from dismantled Soviet nuclear warheads into low-enriched uranium to be used as fuel in nuclear power plants.

"Congress required the administration to proceed with the USEC privatization in a manner that preserved national security, kept both uranium enrichment plants open and maintained a reliable enrichment supply," said Rep. Thomas J. Bliley Jr. (R-Va.), chairman of the House Commerce Committee, which is investigating the USEC privatization.

"But it appears the administration didn't do its homework," Bliley said. "Just 15 months after the Clinton administration proceeded with the USEC privatization, the historic U.S.-Russian HEU agreement may be in jeopardy, and now the livelihood of thousands of USEC employees is on the line."

During the first years of the agreement, USEC made money under its terms, but since then the market price for low-enriched uranium has fallen. In addition, according to USEC, the price it pays the Russians is

"substantially" higher than the cost of processing uranium in its two U.S. plants. (One of the two plants is in Paducah, Ky., where a Washington Post investigation found that thousands of uranium workers were exposed to radioactive materials without their knowledge. However, USEC is exempt from liability on claims arising from when the plants were government-owned.)

USEC says it is under increasing pressure because long-term contracts with utilities to provide them with uranium are expiring and being replaced with shorter contracts at lower prices.

"The average price of separative work units [the measure of the processing] in our backlog of contracts exceeds the price we pay under the Russian Contract," the company said in an August filing with the Securities and Exchange Commission. But "the current trend is for such average price to decline as our contract backlog becomes more heavily weighted with newer, lower-priced contracts."

The company also noted that it has operated its own plants less because of the Russian contracts, thereby spreading fixed costs over less output. In talks with members of Congress and others, the company has raised the prospect that it might have to either walk away from its role as executive agent or close one of its plants, sources said. Those arguments have considerable sway with some members of Congress.

The company has taken several steps to reduce costs since privatization, including reducing its costs for electric power, one of its major expenditures, and taking over direct operation of its production plants from Lockheed Martin Corp. USEC also scuttled plans to develop a new uranium enrichment technology, saying that it didn't appear to be commercially viable.

Despite those steps, Standard & Poor's downgraded USEC's corporate-credit, senior-unsecured and bank-loan ratings in August from triple-B-plus to triple B with a negative outlook. Last week, USEC reported earnings for the three months ended Sept. 30 of \$16.1 million (16 cents per share), compared with net income (minus a special tax benefit) of \$8.6 million (9 cents) the previous year.

While this year's earnings represent an improvement, the company isn't earning as much per share on a quarterly basis as it is paying out in dividends, said Richard Miller, a policy analyst with the Paper, Allied-Industrial Chemical & Energy Workers International Union, which represents USEC workers. The union has been critical of the privatization of USEC because of its concerns that it might result in the shutdown of one of the company's two plants.

"I think they are probably looking for ways the government can step in and bail them out of a bad situation," said Rep. Ted Strickland (D-Ohio), whose district includes USEC's Portsmouth plant. As USEC was being privatized, Strickland raised questions about the tension between the company's national security role and its imperative as a private company to maximize returns. "If I was a less gracious person, I would say I told you so," he said. Strickland said that his goal is to ensure that there is a domestic benefit--such as additional assurances about the continuing operation of the plants--if USEC receives federal aid.

"People do sign contracts with prices in them and sometimes it turns out later they may not have been as smart as they thought they were, and that's too bad," said Thomas L. Neff, a senior member of the Center for International Studies at the Massachusetts Institute of Technology. Neff was one of the architects of the original deal with Russia.

"The question is, does it create an impossible situation for the performance of the Russian deal?" he said. "Given that they paid dividends, bought back stock and have made other expenditures, what evidence is there of a financial crisis?"

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-NOV-1999 12:07:18.00

SUBJECT: USEC MEETING TODAY

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: John G. Fernald (CN=John G. Fernald/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:

Josh Gotbaum and Elgie Holstein ask that you attend a mtg today on
USEC-Admin position, to be held at 3pm, in Rm. 246. It's Prins + 1.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 15:57:53.00

SUBJECT: Nov 3-biotech principals mtg + 1

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

This meeting is a "plus one." Do you want to take someone with you?

yes _____ no _____

If yes, who? _____

----- Forwarded by Lisa D. Branch/CEA/EOP on 11/02/99
03:57 PM -----

Alice H. Williams
11/02/99 03:41:06 PM
Record Type: Record

To: Lisa D. Branch/CEA/EOP@EOP
cc:
Subject: biotech principals mtg

----- Forwarded by Alice H. Williams/CEA/EOP on 11/02/99
03:41 PM -----

Juliana C. Chen
11/02/99 03:33:31 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: biotech principals mtg

Confirming that we're on for 5-6 tomorrow in OEOB Room 180. It's a principals plus one, but plus one only. If anyone needs to be cleared into the building, please send me their info.

Thanks,

Juliana

Message Sent

To:

Carolyn T. Wu/WHO/EOP@EOP
Nancy Marlow/CEQ/EOP@EOP
Andrew F. Schneider/OVP@OVP
Marilyn L. Scott-Perez/NSC/EOP@EOP
Sandra L. Via/OMB/EOP@EOP
mariah.hatta@do.treas.gov @ inet
esther.watkins@do.treas.gov @ inet
Brooke B. Livingston/WHO/EOP@EOP
dsobelma@os.dhhs.gov @ inet
tmagarik@doc.gov @ inet
Alice H. Williams/CEA/EOP@EOP
dephillips@ustr.gov @ inet
carolyn.keene@do.treas.gov @ inet
caron.spector@usda.gov @ inet

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 15:41:42.00

SUBJECT: Re: peaks have disappeared (so far)

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

That will be easy to get at the very end, once I've downloaded the data for every industry.

The software is a bit stupid and would not let me download too many products at a time.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 17:41:19.00

SUBJECT: CEA White Paper.

TO: Karen Tramontano (CN=Karen Tramontano/OU=WHO/O=EOP@EOP [WHO])

READ:UNKNOWN

CC: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Here is draft of our white paper which weve circulated for inter-agency review. We hope to get back comments by late Thursday.

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D6]ARMS27227431L.336 to ASCII,
The following is a HEX DUMP:

I. Overview

The U.S. economy looks to the future from a position of strength, due in no small part to its openness and flexibility. U.S. tariffs are among the world's lowest, averaging only 2.8 percent. The United States is also the world's leading trader, accounting for about 14 percent of world exports and about 16 percent of imports. Americans benefit directly from open markets at home and abroad. U.S. producers benefit from exports of high-tech manufactures, agriculture, and services, among other products. U.S. workers enjoy higher paying jobs and U.S. consumers enjoy lower prices and more product variety.

For over half a century the multilateral trading system, consisting first of the General Agreement on Tariffs and Trade (GATT) and more recently the World Trade Organization (WTO), has played a key part in meeting U.S. trade policy objectives. It has reduced barriers to trade, strengthened the rule of law, and encouraged economic growth and development internationally. The post-WWII period has seen exceptional growth in much of the world as the global economy has become increasingly integrated.

While its achievements have been considerable, the trading system remains a work in progress. A new round offers opportunities to enhance market access, improve the functioning of the WTO, and ensure that the benefits of globalization are shared more widely.

America Benefits from Market Liberalization

On the threshold of the 21st Century, two related features of the U.S. economy are particularly striking. First, it has never been more prosperous and, second, it has never been as integrated into the world economy. The U.S. economy provides its citizens with living standards that are higher than those in other major industrial economies – per capita income in the United States is 40 percent higher than the average for other high-income countries. The U.S. economy is able to provide such high living standards, in part, because Americans engage extensively in international trade. Trade's share in U.S. GNP is almost 25 percent, the highest it has been at any point in the past hundred years.

- On average, Americans export about 11 percent of all the goods and services they produce and import about 13 percent of all they consume.
- Many high-tech U.S. manufacturing industries, such as computers and electronics, export 25 percent or more of their total shipments; U.S. wheat and rice growers export over 40 percent of their total production.
- The United States is the world's leading services exporter, accounting for over 18 percent of all commercial service exports.
- Recent studies suggest that wages in U.S. export-related industries are 12.5 to 18 percent higher than elsewhere in the economy.

The WTO Promotes Market Opening

America gains most when other nations lower their trade barriers as we reduce ours. Indeed, as one of the world's most open economies, we have a particular interest in promoting liberalization abroad. The system of binding commitments first established in the GATT and now advanced by the WTO has provided a framework for liberalization. Consistent with U.S. goals for an open multilateral trading system, the GATT was founded in 1948 on principles of reciprocity and non-discrimination. On this basis, it has been extremely successful in opening markets.

- In 1940, the average tariff on industrial products in developed countries was about 40 percent. Soon, it will be less than 4 percent.

The Uruguay Round, concluded in 1994, reduced tariffs on industrial products and extended agreements to previously neglected sectors, such as agriculture, textiles and clothing, and services. Recent studies evaluate some of the potential gains of market opening in the Uruguay Round. However, they capture only the effects of certain conceptually quantifiable features of the round, namely reducing tariffs and eliminating quotas on some industrial and agricultural products and on textiles and clothing. The studies do not capture gains from less quantifiable features, such as those affecting services, dispute settlement, and intellectual property.

- Recent studies of some potential Uruguay Round benefits estimate that annual global income could rise \$170 to \$220 billion, by 2002 (in 1992 dollars); for the United States alone, the gains could amount to \$13 to \$36 billion each year.

Post-Uruguay Round negotiations yielded additional market access commitments in financial services, basic telecommunications services, and information technology, opening up new opportunities in areas in which the United States is highly competitive. Growth in U.S. exports of private services point to potential gains from market opening.

- Since 1995, U.S. exports of insurance services have increased by 119 percent, U.S. exports of financial services have increased by 95 percent, and U.S. exports of business, technical, and professional services have increased by 52 percent.

The WTO Promotes the Rule of Law

To fully realize the benefits of trade, however, requires more than agreement to reduce barriers. Sustaining support for the trading system also requires rules that are credible and equitable. For firms to undertake the necessary investments to service foreign markets, they need to believe that new barriers will not be raised and that old ones will not reassert themselves. To rely on foreign suppliers, buyers need to believe likewise that market access will not be disrupted. Traders need assurance that commitments will be binding and that markets will remain open in the event of changed circumstances. Moreover, the rules should ensure that governments play fair – that they not seek advantage for favored interests by subsidizing their producers or passing regulations that unnecessarily distort international trade. Fairness also requires that the gains from trade are shared widely and do not come at the expense of basic human rights or the environment. In so doing, the trading system must strike an appropriate balance between the needs of the institution

and those of sovereign nations. The WTO Agreements do not preclude the United States from establishing and maintaining its own laws; impair the effective enforcement of U.S. laws; or limit the ability of the United States to set its environmental, labor, health, and safety standards. Through consensus, the WTO has done much to achieve both credibility and fairness.

- The WTO provides rules for anti-dumping actions, subsidies and countervailing measures, and emergency protection against imports. The United States has been able to invoke these rules to combat unfair foreign practices and to provide domestic producers of corn brooms, wheat gluten, and lamb meat, with temporary safeguard protection.
- The WTO provides an improved institutional framework for resolving disputes. The rule of law has been strengthened by the new dispute settlement system, which has proved extremely useful to the United States, its most frequent user. As a complainant, the United States has prevailed in 12 out of 14 rulings.
- The WTO provides rules for protecting intellectual property rights. For the United States, such rights convey substantial value. In 1998, for example, U.S. trade in royalties and license fees yielded a positive balance of about \$25.5 billion.

By and large, WTO members have adhered to their commitments. The sustained trend towards market liberalization over the postwar period and the maintenance of commitments not to raise barriers even in the face of international financial crises, stand in sharp contrast to the trade policy experience during the inter-war period.

The WTO Extends the Benefits of Trade and Encourages Growth

The United States has long advocated the use of the multilateral trading system to promote economic development internationally. The success of the trading system and its value in reinforcing market oriented development strategies has become increasingly appreciated over time. Between 1989 and 1997, developing countries increased their share of world trade. Originally dominated by the developed countries, WTO participation has grown as developing and transition economies have sought inclusion. Today, the WTO has 134 members and another 33 nations, including China, are seeking accession. This allure of the trading system supports the view that international trade is not a zero-sum game. Both the United States and its trading partners reap the benefits. In fact, the shared aspect of the gains from trade, between trading partners, is a core principle of economics. However, not all WTO members are currently well positioned to use the system effectively. Some of its least developed members lack the necessary institutions and infrastructure to reap the full benefits of trade – in those cases, capacity building and technical assistance, coupled with market opening, could help spread the benefits.

The U.S. Agenda Meets the Challenges of the 21st Century

The prospect of another round of multilateral trade negotiations provides new opportunities to advance U.S. interests in opening foreign markets, establishing an effective rule of law, and promoting economic development internationally. Barriers remain high in agriculture and services, sectors in which we are highly competitive. In agriculture, for example, bound tariff

rates average about 50 percent worldwide compared with less than 10 percent in the United States. Partly reflecting these policies, food prices in the EU and Japan are 34 and 134 percent higher than in the United States. Moreover, the system of commitments and rules, though much improved, still requires further strengthening. And, much work remains to be done to ensure that developing countries – including the least developed – obtain the market access and technical assistance they need to realize the benefits that international trade can afford. The United States is committed to putting a “human face” on the global economy.

For these reasons, the United States is proposing to launch a new round, lasting no more than three years, that includes a broad-based market access agenda, focusing on services, agriculture, and industrial tariffs. It is also seeking immediate tariff cuts in eight key areas, agreement on transparency in government procurement, extension of the prohibition on e-commerce duties, and an agreement to make additional information technology products tariff free. The United States also sees the need to strengthen the WTO’s relationships with other international organizations and to make the WTO more open and accessible. The United States has sought to create a trading system in which the benefits of trade are shared as widely as possible, both across and within countries, and do not come at the expense of basic human rights or the environment. To that end, the United States is:

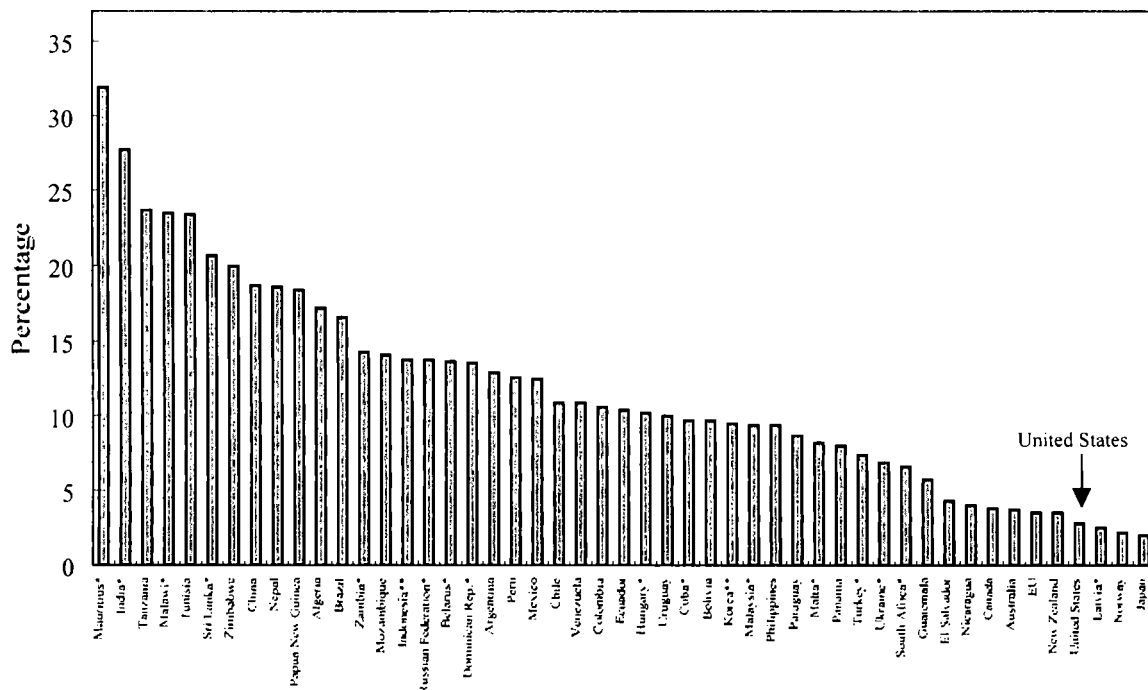
- Seeking to bring more nations into the trading system and ensure that developing countries fully benefit. The United States will work to give the least developed countries greater access to global markets. The United States is also proposing measures to provide technical assistance on implementing trade policy and strengthening institutions in developing countries responsible for trade, labor, environmental, and other policies that influence the gains to living standards from trade.
- Proposing to establish a WTO Working Group on Trade and Labor in Seattle and enhance the institutional links between the International Labor Organization (ILO) and the WTO, by granting the ILO observer status at the WTO.
- Pursuing opportunities that can open markets and yield environmental benefits, such as eliminating fishery subsidies that contribute to over-fishing and eliminating tariffs on environmental goods; seeking to strengthen cooperation between the WTO and international organizations dealing with environmental matters like the UN Environmental Program.
- Committing to conduct a U.S. environmental review of the likely consequences of the Round and proposing that the WTO Trade and Environment Committee help identify environmental implications as the Round proceeds.

The WTO provides its members with some of the conditions that are necessary for successful economic performance, but the benefits it confers are not automatic. To fully realize the benefits of trade, it is necessary to adopt complementary domestic policies to ensure that the resources that are displaced by trade are successfully re-employed. This requires effective mechanisms that help workers, farmers and firms adjust to change. The Clinton Administration has made opening markets at home and abroad a major pillar of its economic strategy, but it has also adopted the complementary strategies of investing in people and fiscal prudence.

II. America Benefits from Market Liberalization

The United States approaches market liberalization from a position of strength in the global economy, partly because of its openness and flexibility. U.S. tariffs on imports are among the lowest in the world, only about 2.8 percent on average (Figure 1). And U.S. producers are among the most competitive in many industries, including high-tech manufactures, agriculture, and services. Today, the United States is more integrated into the global economy than ever before – it is also the world's largest exporter and importer. The United States accounts for about 14 percent of world exports and about 16 percent of imports. Because the U.S. market is already so open, it stands to reason that Americans would have much to gain and relatively little to lose from additional multilateral liberalization. To date, the multilateral trading system has provided an effective forum for working toward open markets.

Figure 1: Mean Tariff Rates Weighted by World Trade Volumes 1998



* Indicates data from 1997; ** indicates data from 1996.

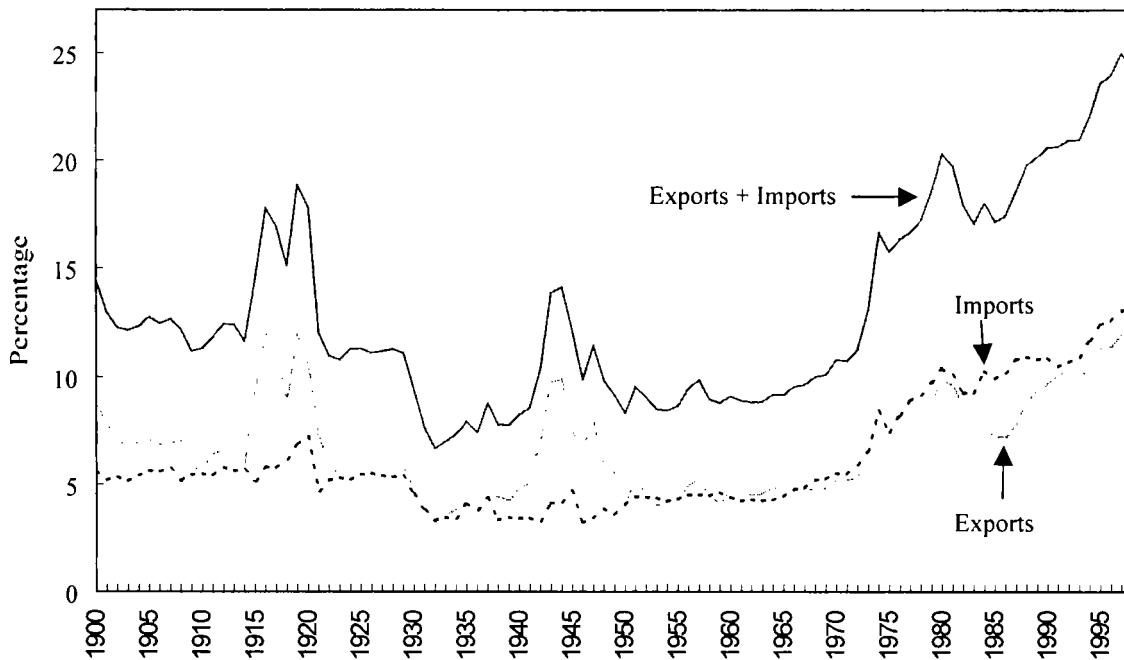
Source: World Bank

U.S. businesses, farmers, workers, and consumers already benefit from U.S. policies that enable the free flow of goods and services at the U.S. border and from international agreements that provide access to foreign markets. U.S. businesses benefit directly from export opportunities – some industries, such as electronics and computer equipment, sell at least a quarter of their merchandise overseas. They also enjoy access to low cost inputs, which makes them more competitive domestically and internationally. Many U.S. farmers also ship large shares of their production abroad. U.S. workers enjoy higher paying jobs and U.S. consumers enjoy lower prices and more product variety.

America in the Global Economy

Trade's share in U.S. GNP is almost 25 percent, the highest it has been at any point in this century (Figure 2). In 1998, U.S. goods and services exports and imports amounted to about \$959 billion and \$1,110 billion, respectively. On average, Americans exported 11 percent of the goods and services they produced and imported 13 percent of those they consumed. Capital goods accounted for the largest share of U.S. exports, about 32 percent, followed by services, then industrial supplies and materials (Figure 3a). Capital goods also accounted for the largest share of U.S. imports, about 24 percent, followed by consumer goods, then industrial supplies and materials (Figure 3b). The sectoral data suggest the importance of two-way trade within industries. The United States is competitive across a wide range of industries, in part, because U.S. firms have access to low cost components, resulting in lower production costs.

Figure 2: U.S. Trade as a Percentage of GNP 1900-1998



Source: 1900-1970 from U.S. Department of Commerce, Bureau of the Census; 1971-1998 from U.S. Department of Commerce, Bureau of Economic Analysis

Figure 3a: U.S. Exports in 1998

Total=\$959 Billion

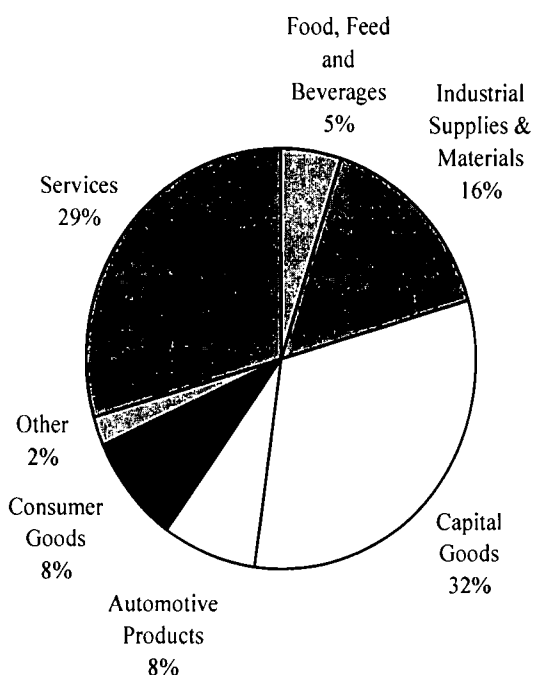
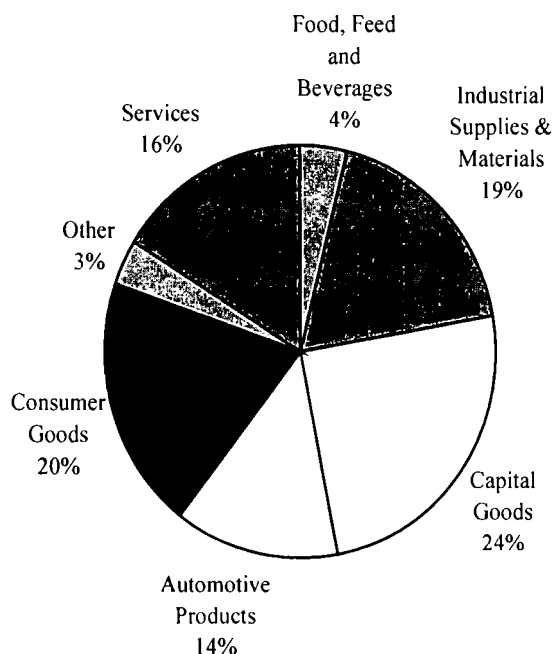


Figure 3b: U.S. Imports in 1998

Total=\$1,110 Billion



Source: U.S. Department of Commerce, Bureau of Economic Analysis

More detailed data on U.S. trade in manufacturing, agriculture and services provide even more compelling evidence of the extent of U.S. integration in the global economy and the value of open markets. For a variety of products – ranging from computers to wheat – access to global markets contributes substantially to U.S. production and consumption.

Manufacturing industries are highly integrated. A comparison of trade, production, and consumption data suggests substantial international integration in a number of industries, and an outward orientation in high-tech manufacturing. On average, exports account for about 15 percent of shipments in manufacturing and imports account for about 19 percent of consumption. Ranked on the basis of export shares, industrial and commercial machinery and computer equipment, electronic and other electrical equipment and components, and measuring, analyzing, and controlling instruments rate highest (Table 1). In each industry, exports account for roughly 25 percent or more of U.S. firms' total shipments. Ranked on the basis of import shares, leather products, apparel, and miscellaneous manufactures rate highest – imports account for at least 39 percent of domestic consumption in each industry. But, imports also account for a significant share of consumption in electronic and other electrical equipment and components and in industrial and commercial machinery and computer equipment – roughly 33 percent and 34 percent, respectively. As above, the data on industrial and commercial machinery and computer equipment suggest the importance of two-way trade. A closer look at data on trade in computer equipment provides further evidence:

Table 1: U.S. Manufacturing Trade as a Percentage of Total Shipments and Consumption

SIC Code	Product Description	Exports as a Percentage of Shipments	Imports as a Percentage of Consumption
20	Food and Kindred Products*	6.82	6.14
21	Tobacco Products*	17.09	0.96
22	Textile Mill Products	10.00	11.42
23	Apparel and Other Finished Products Made From Fabrics	10.43	39.11
24	Lumber and Wood Products, Except Furniture	7.62	11.96
25	Furniture and Fixtures	5.63	15.05
26	Paper and Allied Products	9.02	9.37
27	Printing, Publishing, and Allied Industries	3.19	2.12
28	Chemicals and Allied Products	17.73	13.73
29	Petroleum Refining and Related Industries	3.98	9.80
30	Rubber and Miscellaneous Plastics Products	8.26	10.10
31	Leather and Leather Products	23.46	70.97
32	Stone, Clay, Glass, and Concrete Products	5.59	10.96
33	Primary Metal Industries	13.09	19.66
34	Fabricated Metal Products, Except Machinery and Transportation	7.72	8.76
35	Industrial and Commercial Machinery and Computer Equipment	32.14	33.92
36	Electronic and Other Electrical Equipment and Components	25.15	32.65
37	Transportation Equipment	21.45	27.30
38	Measuring, Analyzing, and Controlling Instruments	24.72	22.08
39	Miscellaneous Manufacturing Industries	16.31	47.25
	All Manufacturing	15.18	19.21

* Does not include primary products

Source: U.S. Department of Commerce, International Trade Administration

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- In the computer industry, including computer hardware and peripherals, U.S. exports account for about 43 percent of domestic producers' total shipments and imports account for about 58 percent of final and intermediate domestic consumption.
 - According to the U.S. Department of Commerce, more than 60 percent of the hardware value of a typical U.S. personal computer system is made up of floppy and hard disc drives, video cards, multimedia kits, monitors, mother boards, mouse devices, power supplies, and random access memory imported from Asia.¹

¹ U.S. Department of Commerce, International Trade Administration, *U.S. Industry and Trade Outlook '99*, p.27-1.

Farmers export large shares of production. Here also, the data show that Americans benefit from opportunities to sell their products internationally. In 1998, U.S. agricultural exports totaled about \$54 billion, accounting for about 25 percent of all U.S. agricultural sales on average. However, for many bulk commodities, high-value products, and horticultural products, the share of production sold as exports was considerably higher. U.S. wheat and rice growers exported over 40 percent of their production, U.S. sunflower seed oil producers exported over 80 percent of their production, and U.S. almond growers exported over 70 percent.²

Service exports have grown dramatically. Though typically “small” relative to total industry revenue, U.S. exports of tradable services have grown dramatically, providing further evidence of the increasing importance of global linkages. U.S. services exports have grown both as a share of domestic production and as a share of total exports (Figure 4):

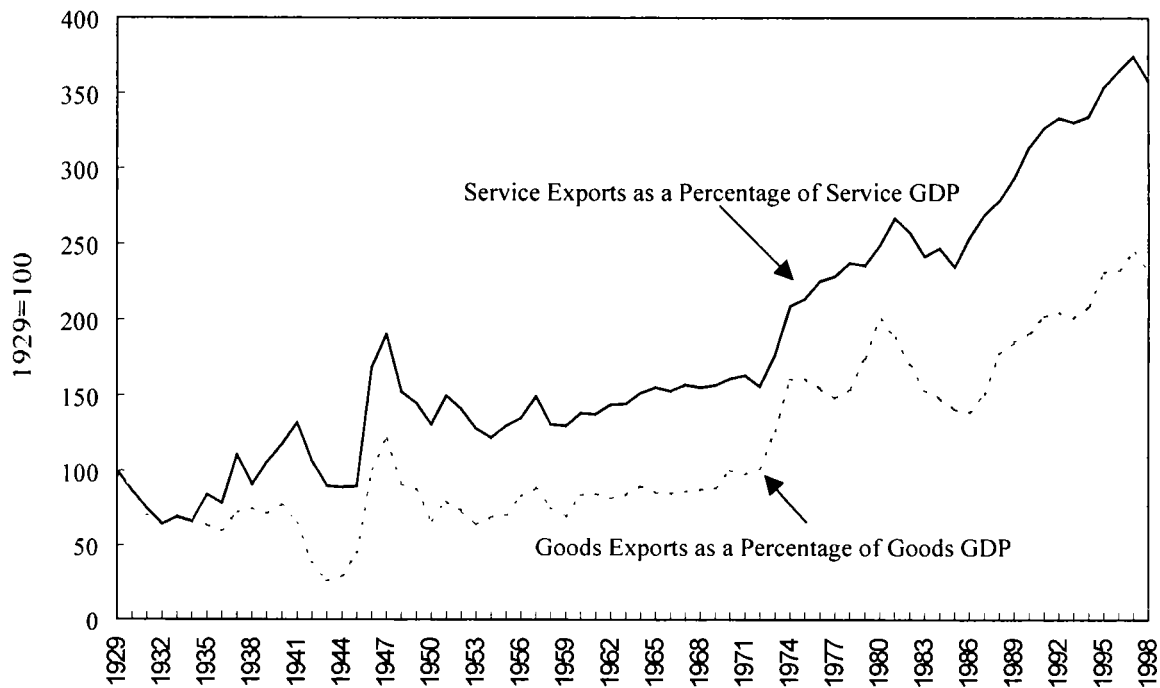
- U.S. service providers have almost tripled their share of export-related production over the past five decades. In 1950, only 2.2 percent of U.S.-produced services were exported; in 1998, that share was about 6 percent.
- U.S. service exports are growing more rapidly than merchandise exports, thus accounting for a larger share of the total. In 1950, services accounted for about 17 percent of all U.S. exports; in 1998, that share was about 29 percent.
- The United States is the world’s leading services exporter, accounting for over 18 percent of all commercial service exports in 1998.³ The top five categories of U.S. private service exports were travel services, transportation services, royalties and fees, business, professional and technical services, and financial services, together accounting for about 78 percent of all U.S. private services exports.⁴

² Exports measured as a percent of domestic production, using 1996-98 average volume.

³ See World Trade Organization, <http://www.wto.org/wto/statis/prerelease.htm>. (Downloaded October 21, 1999.)

⁴ See U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, July 1999, p.102. The figure for royalties and license fees includes receipts that could be apportioned to specific industries, such as those related to books, records and tapes and broadcasting and recording of live events.

Figure 4: Goods and Services Produced for Export 1929-1998



Source: U.S. Department of Commerce, Bureau of Economic Analysis

America's trading partners are located around the world – in Europe, Asia, Latin America, and Africa – but they tend to be concentrated in developed or neighboring countries. Canada is America's top ranking partner, accounting for about 21 percent of merchandise trade (exports and imports combined). Measured on the same basis, the EU is a very close second, accounting for just over 20 percent of the total, followed by Japan, accounting for just over 11 percent, then Mexico, accounting for just under 11 percent.⁵ In aggregate, non-OECD countries account for roughly 30 percent [check] of U.S. trade, though the least developed countries account for a very small share – less than one half of one percent.⁶

Although the U.S. economy is "open," in the sense that its average tariffs are among the world's lowest, the United States – by virtue of its size and its distance from many major markets – is not as dependent on trade as many other nations. Total trade's share in U.S. income is about 25 percent – well below total trade's share in world income, about 47 percent. As a result, one might argue that the United States benefits from trade relations with countries in Europe, Asia, Latin America, and Africa, while remaining relatively buffered from adverse global events by the strength of its domestic markets. We see evidence of our resilience in the recent financial crisis, wherein poor economic conditions in Asia and elsewhere led to a temporary reduction in

⁵ Based on 1998 data, U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business* (July 1999), pp. 94-96. Accounting separately for U.S. imports and exports, the ranks are nearly identical and the shares quite similar, the main differences being that Mexico ranks third as a destination for U.S. exports and Japan ranks fourth, with a somewhat lower share than in the other categories of trade.

⁶ Based on 1998 data, U.S. International Trade Commission, <http://dataweb.usitc.gov/scripts/REPORT.asp> (1999).

demand for U.S. exports and contributed to a rise in our current account deficit. Although some sensitive sectors of the U.S. economy, including parts of manufacturing and agriculture, have been adversely affected by this international slowdown, our overall economy has been able to sustain robust growth and maintain full employment.

Trade Raises Living Standards

We have seen that America has low trade barriers and is heavily involved in the global economy, but the question remains as to how we benefit. International trade raises U.S. living standards by improving the efficiency with which we allocate resources and enhancing our productivity. Through exports, the expansion of internationally competitive sectors boosts incomes and large-scale production reduces costs. At the same time, imports increase buying power, improve consumer choice, and help stave off inflation.

In his famous treatise, *The Wealth of Nations*, Adam Smith pointed out the economic benefits of specialization and the degree to which these benefits depend on a large market. The founding fathers of the United States revealed an innate appreciation of this insight when they enacted the Interstate Commerce Clause in the U.S. Constitution. This clause, which prohibits restrictions on trade among the states, is the shortest, and possibly the most effective free trade agreement in history. It established open trade among the states, creating a large internal market that has helped to make the United States one of the richest economies in the world. Because they can freely sell their products on this large market, Californians can produce more wine than if they could only to sell in their own state. Likewise, farmers in Kansas can grow more corn and factory workers in Michigan can build more automobiles. As a result of these activities, all Americans enjoy less expensive wines, corn, and automobiles.

Today, we take our open internal market for granted. Few would likely argue that the East or West of the United States would benefit if a barrier prevented trade between them. Yet the case for free international trade is fundamentally the same as the case for free domestic trade. Access to large, diverse markets permits specialization and specialization yields gains to producers and consumers. Open trade allows Americans to earn higher incomes than if they only sold at home. It also allows them to buy an array of products that is less expensive and more varied than if they could only purchase domestically. International competition also exposes U.S. industries to foreign technologies and stimulates them to become more inventive and productive.

However, it is important to remember that the internal market works, in part, because an effective rule of law governs domestic transactions. Each of the 50 states enjoys considerable latitude in setting its own local policies, but an overarching system of federal rules and guidelines assures consistency across the country. Much in the same way, the multilateral trading system requires transparent and predictable rules of conduct.

Countries gain from specialization. When a country produces and exports those goods and services that it can produce relatively inexpensively, and imports those that are relatively inexpensive to produce abroad, that trade can improve standards of living on both sides of the

transaction.⁷ For example, the United States, with an abundant supply of high-skilled labor and capital, can produce financial services at lower cost, relative to other products, than can most developing countries. Costa Rica, with an abundant supply of low-skilled labor and appropriate growing conditions can produce coffee at lower cost, relative to other products, than can the United States. In this example, the United States would benefit from producing and exporting financial services and importing coffee; the reverse is true of Costa Rica. Through specialization, each country puts its resources to use where they can generate the most economic value. Thus, when countries open their borders to trade, or reduce existing barriers, they reallocate resources to the uses in which they will be most profitable.

Competition enhances productivity. Foreign competition gives domestic firms an incentive to raise their productivity. Unlike other one-time gains, these gains are recurring.⁸ Competition is only introduced once, but it leads to a cycle of productivity improvements and quality enhancements that continue to benefit the economy indefinitely. Studies of the United States and Japan find a positive relationship between productivity growth and import growth. Trade can also increase growth by improving the flow of knowledge and transfer of technology. With protection of intellectual property rights, foreign competition can promote research and development and lead to innovation – in both new products and new production processes.

Exports provide clear benefits. By selling overseas, firms can increase their sales and sometimes earn higher prices. In response, production expands and more Americans are drawn into jobs in the most productive and internationally competitive sectors of our economy. Today, one in five U.S. factory jobs is due to exports and one in three acres in agriculture serve foreign markets. Access to larger markets can also reduce costs and increase innovation.

- ***The expansion of internationally competitive sectors boosts incomes.*** A recent study finds that export-related jobs tend to pay wages about 12.5 to 18 percent higher than other jobs.⁹ As exporters typically employ relatively skilled workers, a part of this figure is due to differences in observable skills. But, even after accounting for skill differences, the premiums are significant. The adjusted wages of unskilled workers are approximately 7 percent higher, and those of skilled workers are approximately 5 percent higher in export-oriented industries than in the rest of the economy. Accounting for differences in non-monetary compensation results in premiums that are even larger.

⁷ A country's relative strengths, i.e., its comparative advantage, derives in part from its "natural" endowment of resources, such as capital, labor, and land. But other factors – including a country's domestic policies – are also important. They can affect both the quantity and quality of its resources. The U.S. economy, for example, benefits from an abundant supply of high-skilled labor. However, such skills are not conferred by nature, rather they are conferred by education and training.

⁸ Among the one-time gains, foreign competition can provide incentives for firms to reduce their prices in previously non-competitive markets. For example, foreign competition, including the threat of foreign competition, can help dilute domestic monopolies. See *Economic Report of the President* (1998), pp. 236-246.

⁹ This discussion appeared previously in the *Economic Report of the President* (1998), p. 241. The cited study is J. David Richardson and Karin Rindal, "Why Exports Matter: More!" The Institute for International Economics and the Manufacturing Institute (Washington, DC: 1996). A separate study prepared by the U.S. Department of Commerce shows similar wage advantages. Lester A. Davis, "U.S. Jobs Supported by Goods and Services Exports, 1983-94," U.S. Department of Commerce, Economics and Statistics Administration, 1996.

- *Large-scale production reduces and spreads costs.* The economies of scale achieved by selling on world markets lower the costs of production and increase the returns to innovation. For some goods, such as automobiles, the average cost of production falls as more of the good is produced – hence, the larger the market, the lower the cost. As a result, U.S. producers become even more competitive and U.S. consumers enjoy lower prices. Moreover, the ability to spread the fixed costs of research and development across a larger sales volume allows globally competitive firms to be more innovative than those confined to selling in small domestic markets.

Gains from trade also come from imports. As a result of imports, consumers enjoy lower prices, higher effective wages, and greater product selection. Imports may also lead to increased competition and faster productivity growth. Recently, our ability to import has also provided an anti-inflationary safety valve – meaning less inflation and possibly helping us to simultaneously maintain steady growth and obtain lower rates of unemployment.

- *Imports increase buying power.* The ability to buy less expensive foreign products is an important complement to faster productivity growth in raising living standards and boosting real wages. Today, a dollar buys 13 percent more imported goods and services than it did 1995. And, over the same period, nominal average hourly earnings have risen from \$11.43 to \$13.37. Taken together, these two facts imply that by working an hour, the typical production worker can now buy 32 percent more imported goods and services than in 1995. Moreover, foreign competition creates incentives for U.S. businesses to price their products more competitively.
- *Imports improve consumer choice.* Imports increase the variety of products and allow consumers to buy products that are more precisely matched to their taste. Because markets are open, U.S. consumers can choose from seemingly countless models of 4-door sedans, 2-door hatchbacks, sport utility vehicles, and pick-up trucks; they can also purchase tropical fruit all year-round. Imports may also contribute to higher productivity by giving producers access to a wider array of inputs and equipment. The U.S. computer industry is among the world's most competitive, in part, because it can combine U.S. software and microprocessors with other components made in Asia and elsewhere.
- *Imports stave off inflation.* Recently, imports have provided an anti-inflationary safety valve. This may allow increased employment growth. Many economists ascribe some part of the recent quiescent performance of inflation to our ability to draw on global capacity. They believe that this allows the economy to achieve higher levels of employment without igniting inflation. This has allowed the Federal Reserve more leeway to keep interest rates low and reduce unemployment. In this way, imports may help boost employment.

Specialization requires adjustments. The gains from trade are not zero-sum, in that one country does not “win” at the expense of another. In fact, the shared aspect of the gains from trade across countries is a central tenet of economics. Nevertheless, by its very nature, specialization involves adjustments that may create winners and losers within countries. In the face of open markets and increased foreign competition, some industries within a country will expand and others contract. Adjustments for businesses and workers in shrinking industries can be costly

and painful. Although economic studies typically find that trade is a small factor in overall job loss, some workers may face short-term unemployment and others may even face permanent wage reductions if they are unable to find comparable jobs in expanding sectors.¹⁰

Trade, therefore, presents domestic challenges. But the fact that trade produces additional income means that, in principle, resources are available to help those who are hurt either to adapt, by becoming more productive and competitive in what they were already doing, or to switch to new activities. One way to help in the transition is to develop programs that directly address the problems of dislocation. Another way may be to encourage trade, while limiting the pace at which change occurs. Such gradualism may be desirable under certain circumstances, but attempting to prevent liberalization would be counterproductive. Permanent protection inevitably costs more, in foregone benefits, than it saves. The key lies in an economy that is sufficiently flexible and vibrant to meet the challenges of reaping those benefits.

- *Domestic programs help workers find jobs.* To address problems of worker dislocation – arising for any number of reasons – the Clinton Administration has developed new programs to assist in job search and training. Federal job and talent banks provide a new mechanism for helping millions of U.S. workers. America’s Job Bank posted over 1.3 million jobs on a single day in October 1999; its talent bank held a total of 112,000 resumes in a single month last year. The Workforce Investment Act of 1998 provides Individual Training Accounts and lifelong earning tax credits. Other more longstanding federal programs, including Trade Adjustment Assistance, also provide short-term relief for displaced workers.
- *The WTO Agreements and U.S. trade laws provide cushions.* For example, key features of the Agreement on Agriculture and the Agreement on Textiles and Clothing phase-in gradually over periods of six to ten years. The WTO Agreements also allow countries to use certain forms of safeguards to protect temporarily against import surges that seriously injure or threaten to seriously injure a domestic industry. The United States has invoked its own safeguard provisions three times since the creation of the WTO, in cases involving corn brooms, wheat gluten, and lamb meat.

¹⁰ Data from the 1980s show that trade contributed at most 10 percent of the observed displacements from manufacturing in the worst year of that decade. See *Economic Report of the President* (1998), pp. 244-245. A 1994 study of potential Uruguay Round effects estimated that about 0.2 percent of U.S. work force could change jobs as a result of changes in patterns of trade. This compares with annual job changes for other reasons of 10 percent or more for the work force. See Susan M. Collins and Barry P. Bosworth, editors, *The New GATT, Implications for the United States* (The Brookings Institution, Washington, DC: 1994), pp. 2. A CBO evaluation of NAFTA concluded, “Even though NAFTA would increase total employment in the United States, some U.S. workers would lose their jobs. The total number of jobs lost would be well under half a million, spread over at least a decade. Viewed as part of a much larger, dynamic labor market in which nearly 20 million workers were displaced during the 1980s, the effects of NAFTA appear relatively small.” See Congressional Budget Office, *A Budgetary and Economic Analysis of the North American Free Trade Agreement* (1993), p. xv.

III. The WTO Promotes Rules-Based Market Opening

A comparison of trade and protection patterns, pre- and post-GATT, illustrates the importance of the multilateral trading system in opening foreign markets, establishing an effective rule of law, and promoting economic growth internationally. Before the GATT, trade was highly susceptible to changes in economic and political circumstance. Barriers appeared during WWI and worsened during the inter-war period. Since 1948, markets have become increasingly open and integrated. Through eight successive rounds of negotiations, major industrial nations' tariffs on manufactured goods have dropped by about 90 percent, most non-tariff barriers have been brought under GATT disciplines, more sectors have been covered more fully by trade rules, and participation has increased nearly six fold.

To what does the multilateral trading system owe its strength? Ultimately, it is in the belief of its members that their participation, including adherence to trading rules, is in their own self-interest. The WTO is like a voluntarily entered contract. Each country weighs the benefits and costs of its participation, choosing to join if it perceives the benefits outweigh the costs. If at some point it decides otherwise, it may choose not to comply with a certain provision, and risk losing a concession, or it may even withdraw. In this important regard, the WTO poses no threat to any nation's sovereignty.

Moreover, the WTO has sought to strike an appropriate balance between the needs of the system and those of individual members. The rules, such as those for resolving disputes and setting standards, have become more transparent and predictable, but they are not wholly prescriptive. They leave considerable scope for national autonomy and diversity. The WTO Agreements do not and will not preclude the United States from establishing and maintaining its own laws; impair the effective enforcement of U.S. laws, including laws to combat unfair imports; or limit the ability of the United States to set its environmental, labor, health, and safety standards at the levels we consider appropriate.

For all of the reasons discussed, the United States, including its businesses, farmers, workers, and consumers, benefits substantially from trade liberalization. Though it can be difficult to separate the effects of liberalization from those of other economic and political events, economic models can be used to assess some of the effects of reducing tariffs and eliminating quotas on countries' trade, production, and income. Such models typically capture the effects of specialization and resource reallocation, but are less adept at capturing the effects of changes in non-quantitative rules of conduct and improvements in product selection. On balance, they probably understate the long-term benefits of market liberalization.

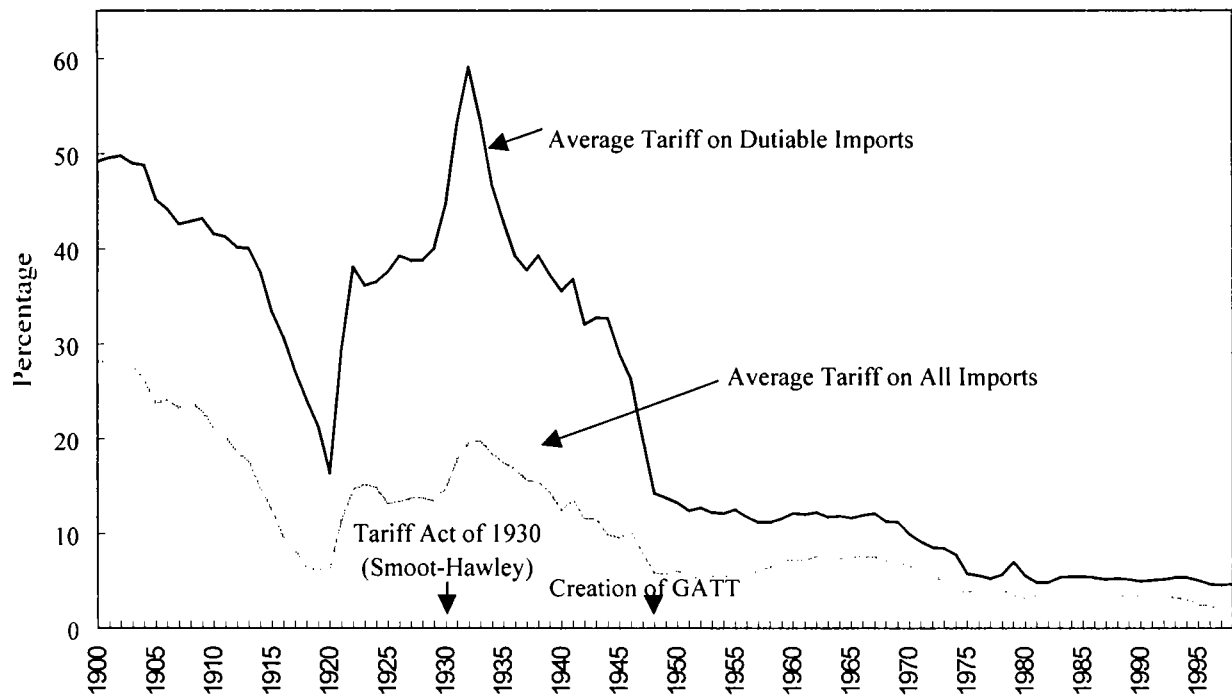
The Trading System Provides a Framework for Liberalization

A comparison of trade and protection patterns, pre- and post-GATT, provides compelling evidence of the importance of the WTO in promoting market liberalization and an effective rule of law.¹¹ During the first half of the 20th Century, tariffs rose and sometimes fell, depending on a

¹¹ The discussion of the history of world trade in the first half of the 20th Century draws heavily from Douglas A. Irwin, "The GATT in Historical Perspective," *American Economic Review*, May 1995, pp. 323-328 and Douglas A.

number of factors (Figure 5). In the years preceding the GATT, markets were susceptible to political pressures and protectionist interests. Since the 1950s, trade has become increasingly open and the world economy increasingly integrated. The growth of world trade has consistently outpaced the growth of world output (Figure 6).

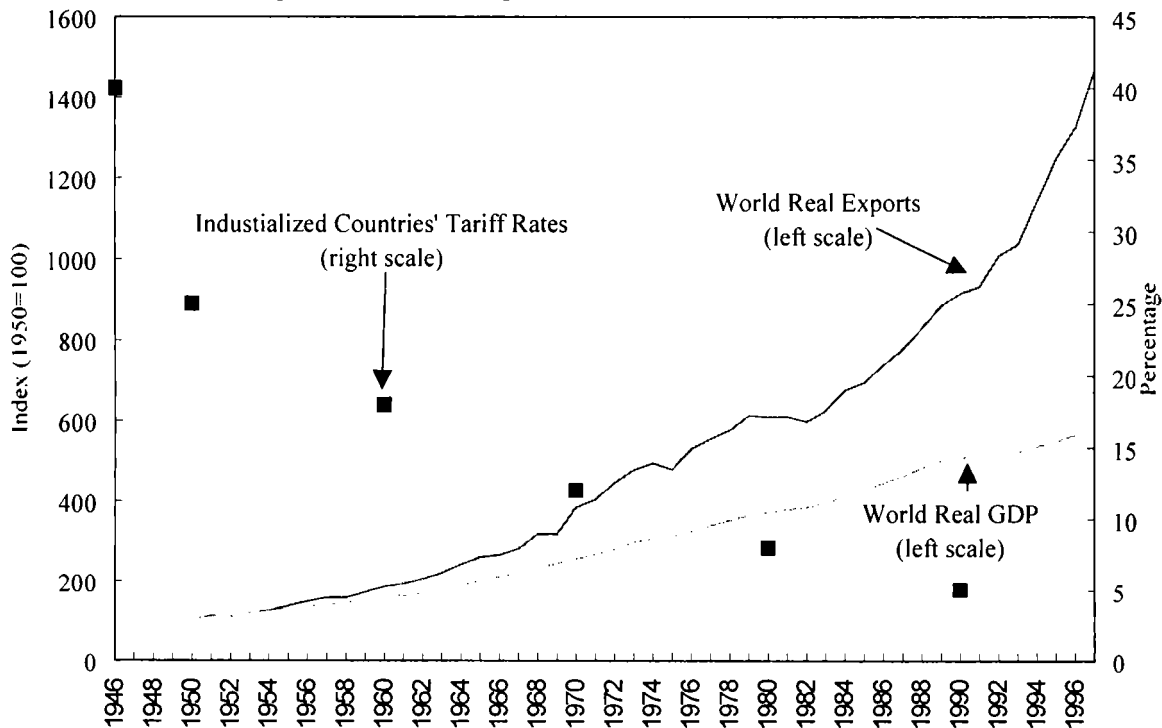
Figure 5: Average U.S. Tariff Rates 1900-1998



Source: U.S. International Trade Commission

Irwin, "The Smoot-Hawley Tariff: A Quantitative Assessment," *The Review of Economics and Statistics*, 1998, pp. 326-334. For more on the pre-WWI period, see Irwin (1995), pp. 323-324.

Figure 6: World Exports, GDP, and Tariffs Post-WWII



Source: Maddison (1995), extrapolated to 1997 with WTO data

Markets open at turn of century. At the turn of the 20th Century, international trade was “governed” by a loose network of bilateral treaties, subject to most-favored nation (MFN) clauses. Countries could alter their tariffs, at will. For the most part, countries made use of tariffs, rather than other forms of market protection. For some countries, including the United States, tariffs were an important source of public revenue – roughly speaking, customs receipts accounted for about half of U.S. government revenue from 1870 through 1910. Absent international conflict, this “arrangement” worked reasonably well. Data on trade and income through 1913, suggest that markets were relatively open – for a group of 11 major countries, accounting for about x percent of world trade and about y percent of world income [check], exports grew more rapidly than output.¹²

Trade barriers rise with onset of WWI. With the onset of WWI, some countries introduced higher tariffs, along with import quotas and other non-tariff trade impediments. The trend did not reverse itself after the war – countries’ border measures grew more onerous, not less. Owing partly to the rise of protectionism, world trade collapsed. In June 1930, the U.S. Congress legislated the Smoot-Hawley tariff to protect U.S. agriculture and other sectors. Other countries followed. According to a recent study of the effects of the Smoot-Hawley tariff on U.S. imports and economic well being, the legislation led to an increase in import duties of about 20 percent on average, resulting in a 5 to 6 percent increase in the price of imports.¹³ Though it is difficult

¹² Irwin (1995), pp. 323-324. The 11 major countries are Australia, Belgium, Canada, France, Germany, Italy, Japan, Norway, Sweden, the United Kingdom, and the United States.

¹³ Irwin (1998), p. 333.

to separate the effects of trade policy from those of the Great Depression, the relationship between world trade and output is revealing. Of particular note, was trade's failure to keep pace with output during the early stages of economic recovery – for the same group of 11 countries, the study found that output was about 15 percent higher in 1938 than in 1929, but exports were about 15 percent lower.¹⁴ The failure of international trade to join the recovery suggests the significance of the rise in trade barriers.

Multilateral trading system emerges after WWII. At the end of WWII, faced with the legacy of protectionism, the need for reconstruction, and the specter of Communism, the United States led the call for an open multilateral trading system, i.e., an International Trade Organization (ITO). The United States sought to secure the benefits of trade, for itself and any other country willing to 'play by the rules,' to promote economic development in Europe and Asia, and to enlarge the scope of the market system to include as many countries as possible. With somewhat narrower objectives, 23 countries gathered in Geneva in 1947 to reduce barriers to trade. Although the ITO never came to fruition, the GATT emerged from these deliberations. For nearly 50 years, the GATT served as an international agreement and agency. Through successive "rounds" of negotiations, the GATT succeeded in three important regards: first, it established a rules-based trading system; second, it greatly reduced the tariff rates on industrial products; third, it drew in new participants (Table 2).

¹⁴ Irwin (1998), p. 324.

Table 2: Eight Rounds of GATT Negotiations

Years	Place (Name)	Subjects Covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-61	Geneva (Dillon Round)	Tariffs	26
1964-67	Geneva (Kennedy Round)	Tariffs and anti-dumping measures	62
1973-79	Geneva (Tokyo Round)	Tariffs, non-tariff measures, and plurilateral “framework” agreements (also referred to as “codes”)	102
1986-94	Geneva (Uruguay Round)	Tariffs, non-tariff measures, new rules for services, intellectual property rights, textiles and clothing, and agriculture; creation of the WTO and strengthening of the dispute settlement mechanism	123

Source: The World Trade Organization, “Roots: from Havana to Marrakesh,”
<http://www.wto.org/about/facts4.htm>, last updated January 14, 1998.

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- *Rules promote fair and open trade.* Consistent with U.S. goals for an open multilateral trading system, the GATT was founded on principles of consensus, reciprocity, and non-discrimination – all participants were granted MFN status and their products accorded national treatment. Any concession granted to one partner would be granted to all partners and, upon entry into a country, all products would be treated the same regardless of their origin. The same basic principles now apply generally to WTO members.
 - *Industrial tariffs decline dramatically.* In 1940, the average tariff on industrial products in developed countries was about 40 percent. The Geneva negotiations of 1947 involved 23 countries and resulted in 45,000 tariff concessions, affecting about one-fifth of the world’s

trade.¹⁵ By the 1950s, industrial tariffs in developed countries averaged roughly 25 percent.¹⁶ Subsequent rounds in Annecy, Torquay, and Geneva led to further reductions. By the late 1960s, the average tariff on industrial products in developed countries fell to about 12 percent. Soon, the average tariff will be less than 4 percent.

- *Participation increases nearly six-fold.* Overtime, the multilateral trading system has become increasingly attractive to widening range of participants. It has helped maintain stable trading relationships in the face of economic and political changes. The system has provided a forum to engage the EU and draw in developing, newly industrializing, and transition economies. In 1947 there were only 23 “contracting parties.” Despite fluctuation in earlier rounds, the Kennedy Round of the mid-1960s involved 62 countries, including the members of the newly formed European Economic Community. The Tokyo Round of the 1970s involved 102 participants and the Uruguay Round involved 123 participants, both rounds included many developing countries. More and more countries were able to reap the benefits of open markets. The Asian Newly Industrializing Economies (NIEs), for example, used export strategies to grow their economies. Today, the WTO claims 134 members and another 33 nations are seeking accession.

Recent Negotiations Further U.S. Policy Objectives

Through the 1960s, the GATT focused on reducing industrial tariffs. In this regard it was quite successful, but the 1970s gave way to new and additional protections, including quotas, voluntary export restraints, and other non-tariff measures. Moreover, some important sectors, such as agriculture, remained largely uncovered. Thus, the GATT began to turn its attention to non-tariff measures, sectoral expansion, and, to lesser extent, institutional reform. The Tokyo Round made less progress than hoped for, but laid the groundwork for more successful negotiations in the Uruguay Round. Although the Tokyo Round failed to bring agriculture into the GATT, it gave rise to plurilateral agreements or “codes” in some areas, including subsidies, standards, import licensing procedures, and government procurement. In many other regards, the GATT was also falling behind the times. Trade in services and the protection of intellectual property rights were becoming increasingly important in the global economy, but the GATT lacked adequate treatment of either issue. The Uruguay Round made significant gains in many of these areas, thus helping to usher in a new era in international trade.

Uruguay Round opens markets and strengthens rules. The Uruguay Round brought more sectors more fully into the multilateral trading system, strengthened the rules of international trade, and created the WTO – a new international agency (Appendix). The Uruguay Round brought agriculture and textiles and clothing more fully into the GATT and took ‘first steps’ toward liberalizing trade in those sectors.¹⁷ The Uruguay Round also created the WTO, with its separate agreements on services and intellectual property, a binding dispute settlement

¹⁵ See World Trade Organization, “Roots: from Havana to Marrakesh,” <http://www.wto.org/about/facts4.htm>, last updated January 14, 1998.

¹⁶ Andrew Stoeckel, David Pearce, and Gary Banks, “Western trade Blocks: Game, Set or Match for Asia-Pacific and the World Economy?” Centre for International Economics, Australia, 1990, pp. 7-8.

¹⁷ The WTO describes the agreement on agriculture as “a significant first step towards order, fair competition, and a less distorted sector.”

mechanism, and a “built-in” agenda to promote liberalization between formal rounds. As such, the GATT no longer acts as an international agency. Under the auspices of the WTO, it now stands next to the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Under the Dispute Settlement Understanding (DSU), a single dispute settlement procedure covers disputes among all WTO members pertaining to any of the WTO Agreements.

Not coincidentally, many key accomplishments of the Uruguay Round play directly to U.S. policy objectives and economic strengths. The United States has long recognized the importance of a credible rules-based system, both to open foreign markets and to spread the gains from trade as widely as possible. The Uruguay Round of negotiations moved much further toward creating such a system. The United States is also a leader in many areas, including high-tech manufacturing, agriculture, and services, which stand to benefit from the WTO Agreements and ongoing negotiations under the built-in agenda.

Post-Uruguay Round negotiations continue process. The built-in agenda called for further negotiations in agriculture and services and additional work in many areas. To date, post-Uruguay Round negotiations have yielded market access commitments in financial services, basic telecommunications services, and information technology, opening up new opportunities in areas in which the United States is highly competitive:¹⁸

- *Financial services.* On December 13, 1997, 70 WTO members concluded negotiations on financial services. They agreed to the broad liberalization of their banking, securities, insurance, and financial data services sectors. Based on recent estimates, the commitments apply to about \$18 trillion in global securities assets, \$38 trillion in global bank lending, and about \$2.2 trillion in worldwide insurance premiums. This brought to 102 the total number of WTO members with financial services commitments.
- *Basic telecommunications services.* On February 15, 1997, the United States and 69 other WTO members concluded negotiations on basic telecommunications services, such as telephone services. The agreement commits countries to provide market access and national treatment to service suppliers from other WTO members. Sixty-five countries also agreed to a set of specific pro-competitive regulatory principles. The agreement eliminates certain restrictive practices in countries that account for 95 percent of world telecommunications revenues, amounting to about \$600 billion in 1996.
- *Information technology.* On March 26, 1997, 40 countries agreed to eliminate import duties and other charges on information technology products, mostly by 2000. Since that time, the number of participants has risen to 46. The agreement covers global information technology products such as semiconductors, telecommunications equipment, computers and computer equipment, and software. Participants account for over 90 percent of trade in this sector.

¹⁸ Summary of results from the *Economic Report of the President* (1998) and the World Trade Organization. Discussions also continued on “the movement of natural persons,” i.e., the entry and temporary stay of persons for the purpose of providing services. Those discussions were completed in July 1995, achieving “modest results.”

Countries Gain from Lower Barriers

The Uruguay Round continued the focus of the GATT on tariff reductions, and extended agreements to previously neglected sectors, such as agriculture, textiles and clothing, and services. Substantial breakthroughs were achieved in new areas, such as trade-related aspects of intellectual property rights. Moreover, the creation of the WTO provides an improved institutional framework for resolving disputes and monitoring countries' performance in the trading system. While benefits are expected from each of these accomplishments, numerical assessments are limited to certain conceptually quantifiable features of the round, namely reducing tariffs and eliminating quotas on some industrial products, textiles and clothing, and agricultural products.¹⁹ The assessments do not capture the gains from strengthened rules, such as those found in the dispute settlement procedure and the new agreements on services and trade-related aspects of intellectual property rights. Nor do they capture short-term adjustment costs.²⁰ Although somewhat narrow, these assessments provide estimates of some of the potential benefits of the Uruguay Round. They also provide insight as to the distribution of effects across countries and across industries within countries.

Recent studies, evaluating a narrow range of the potential gains from the Uruguay Round, estimate that annual global income could rise \$170 to \$220 billion, by 2002 in 1992 dollars.²¹ The studies show most of the gains accruing to developed countries, perhaps not surprisingly, because many of their commitments are more directly quantifiable. For the United States, the gains could amount to about \$13 to \$36 billion each year. Although most of the projected gains accrue to developed countries, the studies also show that some developing countries stand to gain significantly, especially relative to the size of their economies. While the projected gains for most OECD countries, including the United States, amount to less than one percent of their respective national incomes, the gains for several smaller countries, such as Thailand, Malaysia, and Philippines, could be over ten percent of their respective national incomes. At the same time, however, some least developed countries, in parts of Africa, Asia, and Latin America, could be affected adversely by higher world food prices. Such negative impacts could be offset partially if these countries were to undertake additional liberalization, by further reducing their own trade barriers. Additional liberalization could also bring more rapid growth and enhance technology transfers. Sectoral estimates vary widely:

¹⁹ Even in this regard the assessments suffer considerable limitations. None fully depicts all sectors of the U.S. or global economies. In particular, they provide highly stylized representations of some of the manufacturing sectors in which the United States is highly competitive, thus, possibly understating U.S. benefits.

²⁰ As noted above, a 1994 study estimated that about 0.2 percent of U.S. work force could change jobs as a result of changes in patterns of trade. This compares with annual job changes for other reasons of 10 percent or more for the work force. See Susan M. Collins and Barry P. Bosworth (1994), p. 2.

²¹ The quoted estimates draw from the most recent revisions of four published models. These revisions, based on the actual commitments made by the countries in the negotiations, tend to project slightly lower gains than previously expected. See Francois, McDonald, and Nordstrom, "The Uruguay Round: a Numerically Based Quantitative Assessment"; Harrison, Rutherford, and Tarr, "Quantifying the Uruguay Round"; Hertel, Martin, Yanagishima, and Dimaranan, "Liberalizing Manufacturing Trade in a Changing World Economy"; and Goldin and van der Mensbrugghe, "Assessing Agricultural Tariffication under the Uruguay Round." The quoted estimates are based on dynamic representations of the U.S. and global economy. With simpler, static specifications, the liberalization of trade in goods is estimated to induce an annual global income gain in the range of \$68 to \$200 billions by the early 2000's, measured in terms of 1992 U.S. dollars. While the dynamic representation may be more realistic, they include features that are also more difficult to characterize accurately.

- The annual benefits of the Agreement on Agriculture could amount to \$5 to \$70 billion. Benefits would accrue to OECD countries, including the United States, and to some upper-income developing countries. Though a significant ‘first-step,’ the major achievement in the Agreement on Agriculture is more in bringing the sector into the GATT framework, than in actual liberalization.
- The annual benefits of the Agreement on Textiles and Clothing (ATC), obtained through abolishing the multi-fiber arrangement (MFA), could amount to \$20 to \$118 billion. The United States and EU would derive substantial gains from eliminating the MFA quota restrictions, mainly because their consumers and firms using imported products as inputs see significantly lower prices. The effects on other countries are mixed.
- The annual benefits of further liberalization of industrial products, excluding textiles and clothing, could amount to \$70 to \$90 billion. The benefits of liberalization in this sector are more evenly distributed among developed and developing countries, than in the cases of the Agreement on Agriculture or the ATC.

Taking a slightly different approach, estimates of the benefits of trade liberalization can also be derived from analyses of the costs of protection. For example, a study of the costs of protection in the United States finds that tariffs and quantitative import restrictions in place in 1990 cost American consumers about \$70 billion, over 1 percent of GDP.²² The net welfare loss, after deducting tariff revenues and transfers to domestic producers was \$11 billion.

New Rules Convey Additional Benefits

Among its most significant accomplishments, the Uruguay Round greatly strengthened the rules of international trade. Good governance, i.e., an effective rule of law, is essential. The promise of market liberalization for U.S. businesses, farmers, workers, and consumers, hinges crucially on transparency and predictability. For example, if U.S. businesses lack certainty that their products will be treated fairly in foreign markets, they may weigh the risks and opt against them, choosing to forgo opportunities for expansion. If intellectual property rights are ambiguous, U.S. businesses may hesitate to trade in products that are “knowledge-based.” In effect, they may not choose to specialize in the things they do best. Or, they may limit their sales to domestic markets and affiliates. As a result, the U.S. economy may not reap the full benefits of trade. In these ways, the multilateral trading system is more than “just” a trading system – it is a system of rules that positively impacts business decisions and standards of living.

²² See Gary Clyde Hufbauer and Kimberly Ann Elliot, *Measuring the Costs of Protection in the United States*, the Institute for International Economics (Washington, DC: 1994). Returning to the earlier discussion of the Smoot-Hawley tariff, quantitative assessments suggest that the tariff accounted for about 7 percent of the 40 percent decline in imports in the two years after the legislation took effect. However, less is known about the associated loss of economic welfare. Estimates of the effects of the Smoot-Hawley tariff on U.S. income range from \$5 million in a partial equilibrium economic model to \$60 to \$460 million in general equilibrium models, all measured in terms of 1929 dollars and amounting to less than 1 percent of GNP. See Irwin (1998), pp. 331-333.

More specifically, the Uruguay Round introduced new rules for agriculture, textiles and clothing, services, intellectual property, and dispute settlement, and other areas. Some of the rules were quantitative, such as those requiring reductions in tariffs on certain agricultural products. They were discussed previously. Others were not, such those pertaining to national treatment for services and protection for intellectual property rights. As noted above, economic models often have difficulty capturing the direct economic benefits of non-quantitative changes, but careful observation provides evidence of their importance. The discussion below highlights three such areas, dispute settlement, and services, and intellectual property.

Dispute settlement process improves. The Dispute Settlement Understanding improves on GATT dispute settlement proceedings by expediting decision making and instituting an appeals process.²³ It also establishes procedures to ensure the implementation of dispute panel rulings. One is the acceptance of cross-sector suspension of concessions for countries that choose not to abide by the ruling. Note here, that the procedure presents each member with a choice. A WTO dispute settlement panel cannot force the United States, or any other member, to change its laws. Only the United States determines exactly how it will respond to the recommendations of a WTO panel, if at all. If a U.S. measure is ever found to be in violation of a WTO provision, the United States may decide on its own to change the law; compensate a foreign country by lowering trade barriers of equivalent amount in another sector; or do nothing and possibly undergo retaliation by the affected country in the form of increased barriers to U.S. exports. The United States retains full sovereignty in its decisions as do all other WTO members.

At times, however, the results may be disappointing, as in the recent case of the EU banana import regime. The WTO panel found favorably for the United States, concluding that the import regime was not WTO-consistent, but the recommendation did not bring about a change in EU policy. In this instance, the WTO arbitrators found that the United States was being harmed in the amount of \$191.4 million annually and accordingly could suspend trade concessions equivalent to that amount. The United States did so by imposing 100 percent ad valorem duties on a range of products, including bath preparations, handbags, and bed linens. Nevertheless, in the nearly five years since its institution, many countries have made efficient use of the new mechanism, largely to their satisfaction.

The introduction of a strengthened multilateral dispute settlement system in the WTO, together with the Agreement on Agriculture, the GATS, and the TRIPS Agreement, has brought about a significant shift in U.S. tactics for resolving disputes. In the 1980s, the United States frequently resorted to the bilateral negotiations and unilateral sanctions authorized in Section 301 of U.S. trade law, which addresses foreign unfair trade practices affecting U.S. exports of goods and services, to resolve differences with other countries. This approach was used in particular in the areas of intellectual property, services, and agriculture, which the GATT covered barely or not at all. Beginning in 1995, however, the DSU and the new WTO rules have permitted the United States to use multilateral dispute settlement procedures to address the majority of issues that have been the subject of Section 301 investigations. For example, trade in agriculture has featured prominently on the U.S. roster under the DSU.

²³ This discussion was updated from the Economic Report of the President 1998, pp. 223-224. It has been modified to include new data and text from the Office of the U.S. Trade Representative.

The results of 47 complaints filed by the United States suggest that the dispute settlement process has proved effective, with United States prevailing in 12 out of 14 rulings so far. Only two of which, relating to the EU banana and beef import regimes, required retaliatory measures. The United States has also reached bilateral settlements prior to formal rulings in 10 cases. Twenty-three petitions are still pending.²⁴ Furthermore, Section 301 investigations can now more often make use of multilateral dispute settlement, at least for disputes with WTO members in areas subject to WTO commitments. Of the 17 Section 301 investigations initiated between 1996 and the present day, 12 have involved resort to the WTO dispute settlement procedures. The United States has used the DSU process to address conflicts with a variety of countries, the majority of which are major trading partners. Of the 47 complaints filed by the United States, 18 involved the EU and affiliates, 5 involved Japan, 5 involved Korea, 3 involved Canada, 3 involved India, 2 involved Australia, and the remainder involved others.

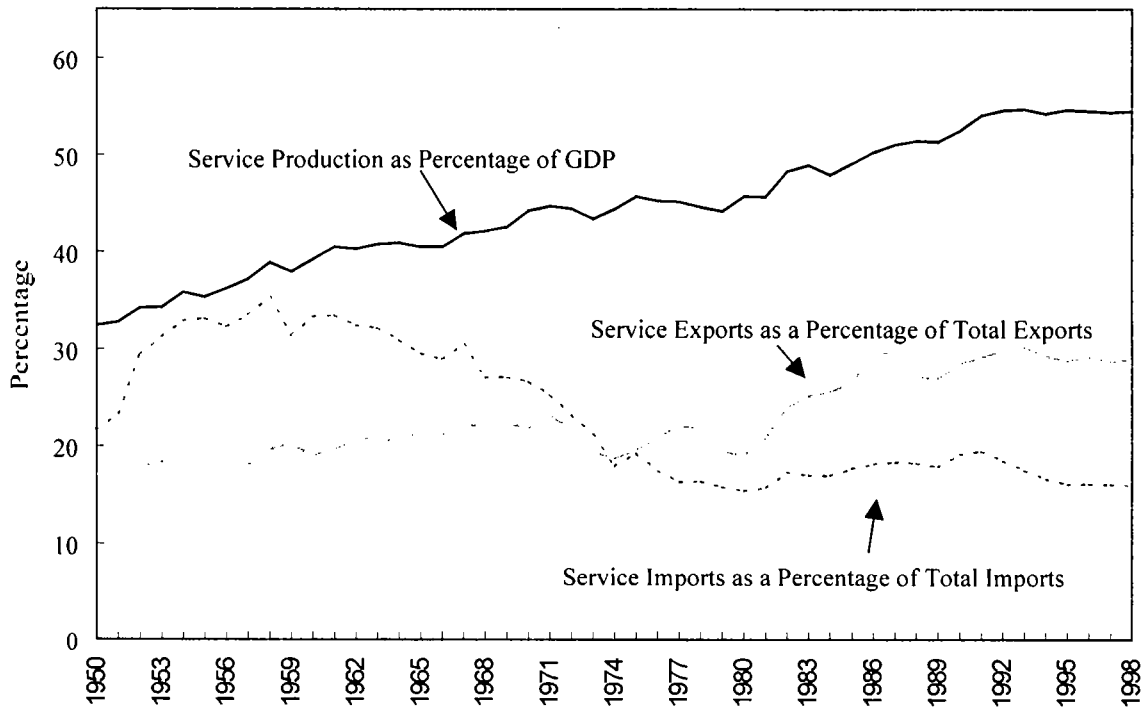
Services agreements provide first steps toward potential gains. The U.S. services sector has grown substantially, in terms of both U.S. income and exports. Private and public services, including travel, transportation, retailing, advertising, insurance, accounting, engineering, and education, accounted for 55 percent of U.S. GDP in 1998, compared with 32 percent in 1950 (Figure 7). The share of services in total U.S. exports has also increased. Private and public services accounted for about 29 percent of U.S. exports in 1998, compared with about 17 percent in 1950. (During the same period, however, the share of services in U.S. imports was mostly declining or flat.) In 1998, the United States accounted for 18 percent of all commercial service exports, ranking first in the world.²⁵ Roughly speaking, the data are consistent with the view that the service sector is one in which the United States enjoys a comparative advantage.²⁶ Taken together, the data suggest U.S. services exporters, and possibly some importers, stand to benefit from continued market liberalization.

²⁴ Of the 33 complaint brought against the United States, 10 were settled "out of court," 5 were lost in litigation, 7 are in panel or appellate phase, and 11 are still in consultations or otherwise inactive.

²⁵ World Trade Organization, <http://www.wto.org/wto/statis/prerelease.htm>.

²⁶ Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?*, Institute for International Economics, Washington, DC, September 1999.

Figure 7: Services as a Percentage of U.S. Trade and Production 1950-1998



Source: U.S. Department of Commerce, Bureau of Economic Analysis

It is doubtful that there has been enough time for the 'first-step' provisions of the GATS to take hold, but recent data on trade in private services provide evidence of potential areas of gain. Over a four-year period beginning in 1995, total U.S. exports of private services rose by about 22 percent in nominal terms, from about \$202 billion to about \$246 billion. Among those exports, U.S. exports of insurance services increased by 119 percent, financial services increased by 95 percent, and business, technical, and professional services increased by 52 percent.²⁷ U.S. exports of royalties and license fees and educational services also increased substantially. During this same period, U.S. private service imports increased even faster, but from a smaller base – from about \$129 billion to about \$165 billion. On the import side, the top three increases, in percentage terms, were in royalties and license fees, which increased by 63 percent, business, technical, and professional services, which increased by 59 percent, and financial services, which increased by 53 percent.²⁸

²⁷ The percentage increases in nominal U.S. exports of financial services and business, technical, and professional services in the four years following the completion of the Uruguay Round exceeded the percentage increases in the four years preceeding its completion. For insurance, however, the percentage increase was much smaller in the post-Uruguay Round period, but the pre-Uruguay increase was from a very small base. In aggregate, the percentage increase in U.S. exports of all private services was slightly lower in the post-Uruguay Round period, 22 percent from 1995-1998, compared with 23 percent from 1991-1994. However, U.S. exports of goods increased by only about 16 percent in the post-Uruguay Round period, with an actual decline in exports in 1998, compared with an increase of almost 21 in the pre-Uruguay Round period.

²⁸ In each case, the percentage increases in nominal U.S. imports in the four years following the completion of the Uruguay Round exceeded the increases (decrease in the case of financial services) in the four years preceeding the

Intellectual property rights convey substantial value. The WTO describes intellectual property rights as “the rights given to persons over the creations of their minds.” Such creations feature prominently in the success of the U.S. economy. A recent study conducted by the OECD reports that knowledge-based industries and services, including community social and personal services, finance, insurance, and other business services, communications services, high-technology manufactures, and medium-high-technology manufactures, accounted for over 50 percent of the value added in the U.S. business sector in 1996.²⁹ The United States ranked second only to Germany in this regard. Most patents issued to U.S. firms are for developments in new medical and surgical devices, electronics, telecommunications, advanced materials, and biotechnology. These are also knowledge-based industries – industries where knowledge is an essential input, like labor, land, and capital. Strong intellectual property protection – and enforcement – helps spur innovation, by providing assurances that U.S. businesses and inventors will reap the benefits of their research and development.

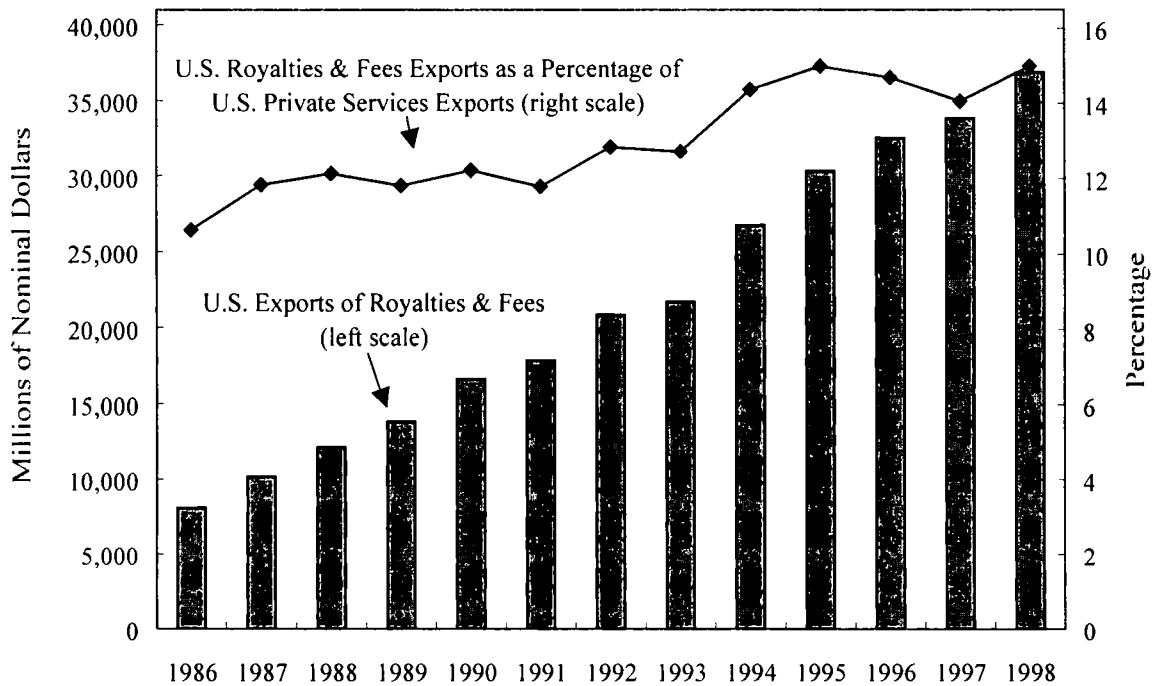
Though only one indicator among many, data on U.S. trade in royalties and fees help illustrate the importance to U.S. businesses of protecting intellectual property rights. In 1998, U.S. exports of royalties and license fees, deriving from industrial processes, books, records, tapes, broadcasting and recording of live events, franchise fees, trademarks, and other sources, amounted to about \$36.8 billion, accounting for about 15 percent of all U.S. private service exports (Figure 8).³⁰ This share has increased over the past decade – U.S. exports of royalties and fees have more than tripled in nominal terms, significantly outpacing the growth in private service exports overall. Moreover, despite strong growth in imports, the United States has established a large and growing trade surplus in this area. In 1998, U.S. exports of royalties and license fees were over three times as large as U.S. imports, yielding a balance of about \$25.5 billion. Ten years ago, in 1988, that balance was only \$9.5 billion.

its completion. In aggregate, the percentage increase in U.S. imports for all private services was considerably higher in the post-Uruguay Round period, 28 percent from 1995-1998 compared with 19 percent from 1991-1994.

²⁹ Citation from study on knowledge-based industries, OECD.

³⁰ Roughly three quarters of U.S. exports of royalties and fees involve U.S. firms' foreign affiliates, possibly suggesting their “growing internationalization” and their “desire to retain a high level of control” over intellectual property when it leaves the United States. See the National Science Board, *Science and Engineering Indicators – 1998*, Arlington, VA, National Science Foundation, 1998 (NSB 98-1), pp. 6-15.

Figure 8: U.S. Exports of Royalties and Fees 1986-1998



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Patent data, which provide a rough indicator of national ‘inventiveness,’ also help illustrate the importance of intellectual property rights protections. Not surprisingly, the number of patents awarded to U.S. firms and individuals is also increasing. Over a 13-year period, from 1982 to 1995, the number of patents issued annually by the U.S. Patent and Trademark Office grew from under 60,000 to over 100,000, with more than half of the patents granted in each year going to U.S. inventors. Moreover, U.S. inventors have also been active in neighboring and some faraway markets. U.S. inventors received more patents in Mexico than did other non-Mexican inventors and they received more patents in Canada than did other non-Canadian inventors. They also out-paced other foreign inventors in some more distant markets, such as Japan, Brazil, Hong Kong, India, Malaysia, and Thailand.³¹

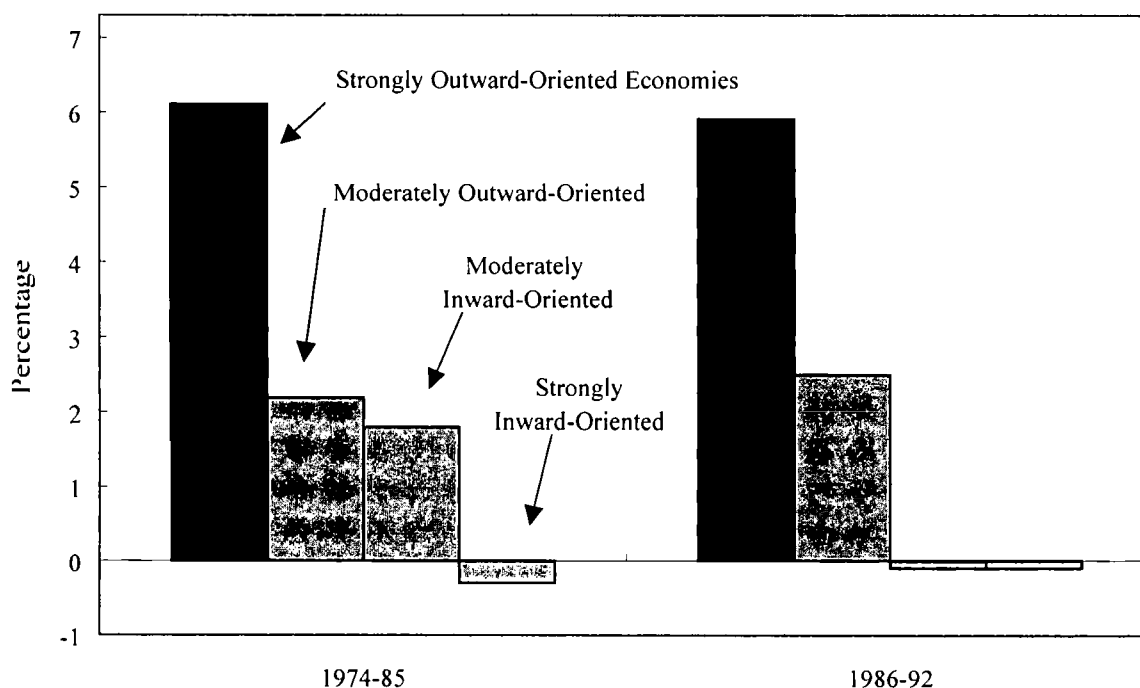
³¹ See the National Science Board, *Science and Engineering Indicators – 1998*, Arlington, VA, National Science Foundation, 1998 (NSB 98-1), pp. 6-22 and 6-23.

IV. The WTO Extends the Benefits of Trade and Encourages Growth

It has long been an objective of U.S. trade policy to use the multilateral trading system to help promote economic development internationally. Trade is often described as an “engine of growth.” The weight of the evidence, including both historical insight and statistical indicators, tends to support this view. For example, simple measures of the correlation between outward orientation and growth suggest a mutually supportive relationship (Figure 9). Data from 1974-1985 and 1986-1992 show countries with inward-oriented economic policies experiencing less annual growth of GDP per capita than countries with outward-oriented economic policies. In the later period, the differences in growth patterns are even more apparent. Moreover, it can be said that a rules-based system that creates incentives for countries to adopt transparent policies and procedures can also help further the process.

Small and emerging economies may find it especially desirable to engage in such a system because it provides them a voice in the global economy. In this regard, the WTO offers its members two distinct benefits. First, because it is a consensus-based organization, each member has an equal vote regardless of its size or wealth. Second, because countries negotiate over a wide range of issues, there may be potential for deal making across sectors and interests.

Figure 9: Annual Growth of Real GDP per Capita



Source: International Monetary Fund, World Economic Outlook (May 1993)

As evidence of its appeal, the multilateral trading system has grown substantially since its founding. Today, the WTO claims 134 members, including over 100 developing countries, compared with only 23 contracting parties in 1948. Since 1995, seven new members have joined the WTO – Bulgaria, Ecuador, Kyrgyzstan, Latvia, Mongolia, Panama and Slovenia – and

another 33 nations are seeking accession. Estonia will become the 135th WTO member as of November 13, 1999. However, not all WTO members are well positioned to make use of these opportunities. Many, especially the least developed among them, lack the necessary institutions and infrastructure to reap the full benefits of the multilateral system.

The United States has a strong interest in promoting economic development internationally for a combination of humanitarian, political, and economic reasons. Among these reasons is our own self-interest. Growth abroad creates demand for our exports and yields new sources of inputs for U.S. manufactures. In doing so, it promotes growth in the United States. Thus, we have a direct interest in seeing our trading partners prosper. This means that a multilateral system that promotes trade is beneficial, not only because it enhances their development, as history seems to suggest, but also because it is good for us. Consistent with this view, the United States has long sought to extend the benefits of trade as widely as possible.

The Multilateral Trading System Provides Opportunities for Growth

Historical insight supports the view that the multilateral trading system facilitates trade, thereby providing an engine of economic growth. The experience of the United States, parts of Europe, and Japan after WWII and the emergence of the Asian Newly Industrializing Economies in the 1970s provide evidence. Moreover, the multilateral trading system can also help further the process of development by creating incentives for members to adopt more transparent policies and procedures.

Trade fuels post-WWII reconstruction and growth. The period following WWII was an extremely prosperous period for much of the world, including the United States, Japan, and parts of Europe. It was a period in which Japan and the developed countries of Europe were able to approach America's rising productivity levels. There are many possible reasons for this prosperity, but commonly cited among them is the creation of a more open trading system. This trading system allowed outward-oriented Japan and parts of Europe to enjoy the kind of scale economies that previously only the United States could enjoy, with the strength of its domestic market. But their development did not come at the expense of the United States. The post-WWII era was also a period of rapid growth for the U.S. economy.

Trade also contributes to development. In the early 1970s, growth slowed substantially in the United States and much of the world. However, growth remained strong in the Asian NIEs and other outward-oriented Asian economies. Although there is some debate as to the source of their growth, many have argued that their outward orientation played a major role. Now, some of these economies are among our major trading partners. In 1998, Korea, Singapore, Hong Kong, and Taiwan accounted for a combined total of about 9 percent of U.S. merchandise exports and imports. Moreover, economic evidence shows that as these economies grew, their workers shared in the gains. Empirical studies find significant and generally steady improvements in working conditions, measured in terms of unemployment, the composition of employment, real earnings, and absolute poverty.³²

³² See U.S. Congressional Budget Office, "Promoting Worker Rights in Developing Countries: U.S. Policies and Their Rationale" (April 1997), p. 16, citing Gary Fields, "Labor Standards, Economic Development and International Trade," in Steven Hertenberg and Jorge F. Perez Lopez, eds., *Labor Standards and Development in*

The multilateral trading system promotes good governance. As the history of the GATT demonstrates, the United States has long advocated the use of the multilateral trading system to promote economic development internationally. It has also sought to establish strong democratic institutions and to spread the “rule of law,” not just in the trading system *per se* but, more generally, throughout the world. The new dispute settlement system has advanced the rule of law, by allowing the WTO to enforce trading rules more effectively. But other aspects of the WTO can help further this objective. By requiring transparency in its procedures and establishing new rules for transparency in government procurement, the WTO can help promote good governance worldwide. For these reasons, the United States has aspired to extend the benefits of trade as widely as possible, both across and within countries, by opening WTO membership to any country willing to ‘play by the rules.’

The Full Realization of Benefits Requires Further Integration

Today, developing countries account for over three-quarters of the WTO’s membership. Their role in the WTO process changed significantly in the Uruguay Round. Many were active in negotiations, helping to bring agriculture more fully into the GATT and to reach agreement on phasing out the MFA. As discussed previously, trade can enhance countries’ growth prospects, as evidenced by Japan and parts of Europe in the post-WWII period and, more recently, the Asian NIEs. Currently, the developing countries stand to gain from further liberalization of trade in agriculture, services, and industrial products. Trade in high-tech manufactures and services, along with associated knowledge transfers, offers potential for developing countries, including the least developed, to enter the global economy more rapidly and effectively. The developing countries would gain not only from more trade with industrialized countries, but also from increased trade among themselves. An important next step in next round should be to ensure that more members of the global community are able to benefit more fully from participation in the multilateral trading system and from adoption of outward-oriented trade regimes.

Active participants move ahead. Developing countries that have actively participated in the multilateral trading system, primarily through WTO membership, account for an increasing share of world trade. Others have been left behind. The exports of developing countries increased at an annual compounded rate of 9.5 percent between 1989 and 1997, while world merchandise exports increased at a rate of 7.6 percent.³³ On the import side, the annual compounded growth rate of world imports was 7.5 percent, with merchandise imports of developing countries increasing at a much faster rate of 10.4 percent. Developing countries who were members of WTO during this period accounted for most of the growth, with their exports increasing by 9.5 percent annually, and their imports increasing by 11.5 percent annually. This contrasts sharply with the experience of 48 least-developed countries, of which many were not WTO members, where exports grew at only 5.5 percent annually and imports grew at only 5.3 percent annually –

the Global Economy, Department of Labor, Bureau of International Labor Affairs (1990), pp. 23-25; Fields, “Employment, Income Distribution and Economic Growth in Seven Small Open Economies,” *Economic Journal*, vol. 94 (1984), pp. 74-83; Fields, “Changing Labor Market Conditions and Economic Development in Hong Kong, the Republic of Korea, Singapore, and Taiwan, China,” *World Bank Economic Review*, vol. 8, no. 3 (1994), pp. 395-414; and Fields, *Trade and Labor Standards: A Review of the Issues* (Paris: OECD, 1995), p. 18.

³³ Provide data citation.

indicating a decline in their share of world merchandise trade. In terms of engagement, some of the least developed countries, including those that are members of the WTO, have also had the most difficulty participating fully in the trading system – often for lack of adequate domestic institutions and infrastructure.

Capacity building, technical assistance, and liberalization could help spread benefits. The international community, including all WTO members, can do more to help spread the benefits of participation in the global economy. Efforts should address the specific needs of developing countries, especially the least developed, but there are overall principles that can offer substantial assistance to most. First, many of the poorest countries lack capacity to implement effectively their WTO obligations in a number of areas. Through the WTO, the international community can focus on offering capacity building and technical assistance to those countries, as well as on making more progress in further liberalization in priority areas, such as agriculture and services. In addition, the developing countries can take their own actions. They would benefit from continued unilateral and bilateral liberalization, as significant gains can be derived from increased South-South trade, in addition to North-South trade.

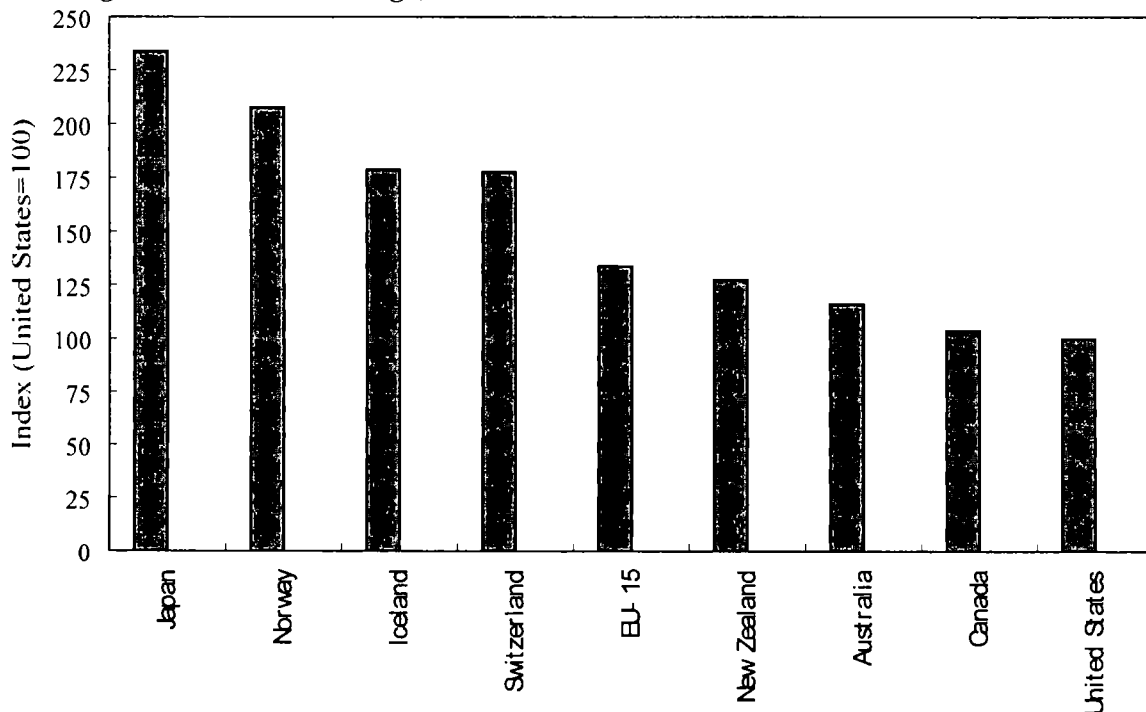
V. The U.S. Agenda Meets the Challenges of the 21st Century

The United States is able to look to the future – and a new round of multilateral trade negotiations – from a position of economic strength. The U.S. economy is enjoying an unprecedented period of expansion and performance. It is experiencing revolutions in information technology and biotechnology. It is highly competitive over a wide range of activities in agriculture, services, and industry. U.S. farmers have long been among the world's most productive. U.S. manufacturers have restored much of the competitiveness that had, in some cases, eroded in the 1980s in both basic and high-tech industries. U.S. firms continue to lead in business, financial, and other private services. To reach its fullest potential, however, the United States continues to have an interest in improving its access to foreign markets, strengthening the operation of the WTO system of rules, and promoting the growth and development of foreign economies.

Much Remains to Be Done

Many foreign governments continue to allow or impose high tariffs and burdensome rules on imports; many also maintain trade-distorting domestic subsidies. Agriculture provides a stark example. Bound tariff rates on agricultural products average about 50 percent worldwide and below 10 percent in the United States. Moreover, even after the Uruguay Round commitments are implemented fully, the EU will be able to provide \$80 billion of trade-distorting domestic support to its farmers each year. Japan will be limited to \$40 billion annually and, by comparison, the United States will be limited to \$19 billion. Consumers in the EU and Japan suffer under the burden of this protection. On average, food prices are 34 percent higher in the EU and 134 percent higher in Japan than they are in the United States (Figure 10). Similarly, in the services sector, U.S. firms continue to be denied access and equal treatment in many markets around the world.

Figure 10: Food, Beverage, and Tobacco Prices in Selected OECD Economies 1996



Source: *PPPs 1996 Results*, OECD 1999 (not published)

In addition, the rules of the WTO and the manner in which they are enforced have room for improvement. Many commitments negotiated in the Uruguay Round have yet to be implemented, in part because some members lack the technical capacity to do so. In some instances, the system's operation remains hidden from public scrutiny to a degree to which impedes public confidence and support. The dispute settlement process, in particular, while much improved in the Uruguay Round, remains opaque and sometimes slow to deliver effective resolution. For a credible system it is not sufficient for justice to be done, it must also be seen to be done. The system should also be seen to enhance the benefits it brings by supporting core labor standards and environmental objectives, in so doing it would broaden support among some who remain skeptical about open trade.

The Uruguay Round negotiations were protracted – lasting from 1986 to 1994, and even after their conclusion, much of the agenda was not completed. The next round should be designed to produce results much faster, both to provide new and additional benefits sooner and to keep pace with change. For this reason, the United States has proposed a three-year deadline for completing the next round.

Probably the greatest challenge is to ensure that the least developed economies emerge and the emerging economies are integrated into a global system that promotes economic growth. Although the United States still tends to trade most often with other developed or neighboring economies, its trade with developing countries is important already and holds great promise for the future – non-OECD countries account for about 32 percent of U.S. imports and about 27

percent of U.S. exports. This U.S. interest in sustained economic development abroad has been underscored by the financial crisis that has plagued much of the developing world over the past two years. The slump in growth associated with the crisis has stifled U.S. exports and caused considerable disruption in imports. While the source of these problems has been macroeconomic and financial, the resolution has required trade. In addition, the need for transparent systems enhanced role for markets rather than connections to government officials highlight the role the trading rules can play in integrating economies in transition into the system.

U.S. Objectives for Seattle and Beyond

The United States is committed to expanding the circle of nations that benefit from trade and putting a “human face” on the global economy. As such, U.S. proposals reflect key interests in opening foreign markets, strengthening the rule of law, and promoting economic development. The United States is proposing to launch a new round that includes a broad-based market access agenda, focusing on services, agriculture, and industrial tariffs, and lasting no more than three years. The WTO’s built-in agenda calls for further negotiations on agriculture and services, beginning no later than December 31, 1999 and January 1, 2000, respectively. In agriculture, for example, the United States is seeking to eliminate export subsidies, reduce tariffs and trade-distorting domestic supports, and ensure market access for biotechnology.

The United States is also seeking immediate tariff cuts in eight key areas, agreement on transparency in government procurement, extension of the prohibition on e-commerce duties, and an agreement to make additional information technology products tariff free. The United States sees need to strengthen the WTO’s relationships with other international organizations and for reforms to make the WTO itself more open and accessible.

- The United States is seeking accelerated tariff liberalization in eight key areas, forest products, fish and fish products, toys, gems and jewelry, chemicals, medical and scientific equipment, environmental goods and energy equipment. These eight areas account for \$198 billion of U.S. exports.
- The United States, together with South Korea and Hungary, has proposed a worldwide agreement on transparency in government procurement to promote good government practices. Such practices reduce the potential for bribery, corruption, and other insider deals. Adoption of this proposal would provide all nations with more opportunity to sell their goods and services in the \$3.1 trillion government procurement market.
- In 1998, WTO Ministers agreed to a temporary prohibition on duties on electronic commerce. The United States is seeking an extension of the prohibition to ensure the continued growth of the high-technology sector, to ensure that no WTO members take actions to inhibit the growth of e-commerce, and ensure that developing countries benefit from the expansion of e-commerce.
- The United States has highlighted the need to make the WTO more open and more accessible. To achieve this goal, the United States has proposed opening the dispute settlement procedures to the public, allowing non-governmental organizations (NGOs) to file

amicus curiae briefs in cases involving the environment, and creating institutional structures to increase consultations with NGOs. The United States also sees the need to strengthen the WTO's institutional relationships with other international organizations, beyond the Bretton Woods institutions, to include the International Labor Organization (ILO) and UN Environmental Program (UNEP) for example.

The United States has sought to create a trading system in which the benefits of trade are shared as widely as possible, both across and within countries, and do not come at the expense of basic human rights or the environment. To that end, the United States is:

- Seeking to bring more nations into the open trading system and ensure that developing countries fully benefit from the system. The United State will work to give the least developed countries greater access to global markets. The United State is also proposing measures to provide technical assistance on implementing trade policy and strengthening institutions in developing countries responsible for trade, labor, environmental, and other policies that influence the gains to living standards from trade.
- Proposing to establish a WTO Working Group on Trade and Labor in Seattle, strengthen the ILO, and enhance the institutional links between the ILO and the WTO, by granting the ILO observer status at the WTO, similar to that enjoyed by the World Bank and others.
- Pursuing opportunities that can open markets and yield environmental benefits, such as eliminating fishery subsidies that contribute to over-fishing and eliminating tariffs on environmental goods; and seeking to strengthen cooperation between the WTO and international organizations dealing with environmental issues like UNEP.
- Committing to conduct a U.S. environmental review of the likely consequences of the Round and proposing that the WTO Trade and Environment Committee help identify environmental implications as the Round proceeds.

Much of the recent debate about trade has been carried out in extreme and sterile terms. Trade liberalization is sometimes promoted by those who see no costs and opposed by those who see no benefits. The truth is that trade can provide benefits, on balance, but it can also impose costs. A key challenge for policy is to implement the complementary policies that help compensate and aid those who are hurt. Likewise, membership in the WTO is sometimes advocated as if it imposes no constraints and it is sometimes challenged as an unwarranted invasion of our sovereignty. The truth is, however, that we do agree to constrain our behavior by agreeing to adhere to the rules of the trading system. The WTO is best thought of as a voluntarily entered contract among its members. As with any contract, it is advantageous not because it entails no obligations, but because the benefits of joining outweigh the costs. Finally there are some who believe that trade agreements should only deal with trade barriers, while there are others who would have them almost mimic a global government. The truth is that for trade to be free it must command popular support, and to do so it must be perceived as fair. This requires rules that do more than simply reduce barriers; it also requires rules that leave considerable scope for national autonomy and diversity.

Some suggest that while the GATT helped advance U.S. geopolitical interests during the Cold War, the United States no longer needs the organization now that the Cold War is over. However, the U.S. economy is more open now than ever before and international trade is vital to U.S. economic interests. Our participation in the WTO is the centerpiece of our trade policy. But, while freer trade brings benefits it is important to recognize it is not a panacea. It is crucial to ensure that the benefits of trade are shared widely and the rule of law that governs it be fair. Trade policy also needs to part of broader economic strategy and it needs to be supplemented by policies that facilitate change and promote equity. The Clinton Administration has made opening markets at home and abroad one of the three pillars of its economic policies but it has also recognized the importance of macroeconomic policies to achieve fiscal discipline and microeconomic policies to invest in people and technology.

Appendix: Key Achievements of the Uruguay Round Negotiations³⁴

For nearly 50 years, the General Agreement on Tariffs and Trade (GATT) served as both an international agreement and agency. It dealt primarily with international trade in manufactured goods, for the most part, excluding agriculture and textiles and clothing. The GATT did not cover trade in services, such as transportation, tourism, banking, and telecommunications, or trade-related aspects of intellectual property rights. The Uruguay Round further reduced tariffs on industrial products, brought more sectors more fully into the multilateral fold, strengthened the rules of conduct for international trade, and created a new institution – the World Trade Organization. As a result, the multilateral trading system now covers agriculture, textiles and clothing, services, and intellectual property rights.

The number of ‘bound’ product lines, i.e., product lines subject to ceilings on tariff rates, increased substantially. In some cases, however, WTO members agreed to tariff reductions from bound rates that exceeded their applied rates, so that actual, or realized, reductions in tariffs would be modest. Nevertheless, the act of tariff binding, provides traders with more certainty in their transactions, by explicitly guaranteeing that tariffs will not rise above agreed rates. The value of this increased certainty is difficult to estimate.

Perhaps most importantly, the Uruguay Round created the World Trade Organization (WTO), and its binding dispute settlement mechanism. The GATT still serves as an international agreement, but it no longer functions as an agency. The WTO has taken its place. Moreover, it now stands next to two other WTO Agreements, the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Disputes between WTO members about the respect of obligations under any of the WTO Agreements are now subject to the same dispute settlement procedures under the Understanding on Rules and Procedures Governing the Settlement of Disputes or “Dispute Settlement Understanding.” In many instances, some noted below, the WTO Agreements provide special and differential treatment for developing countries

Industrial Products. In most cases, reductions in developed countries’ tariffs on imports of industrial products, excluding textiles and clothing, are being phased in over 5 years, beginning January 1, 1995. By the end of the phase in, these tariffs will be cut by about 40 percent, from an average of 6.3 percent to an average of 3.8 percent. The value of imported industrial products that receives duty-free treatment in developed countries will increase from 20 percent to 44 percent. More products will be bound. Before the Uruguay Round, 78 percent of the developed countries’ product lines were bound; after the Uruguay Round, 99 percent will be bound. Bindings in developing countries will increase from 21 percent to 73 percent. Economies in transition agreed to increase their bindings from 73 percent to 98 percent. Because countries commit not to increase their tariffs above bound rates, they reduce uncertainty in the market.

Agricultural Products. The Uruguay Round succeeded in bringing agriculture more fully into the multilateral trading system. The Agreement on Agriculture binds tariffs on all agricultural

³⁴ This appendix draws heavily from the World Trade Organization, <http://www.wto.org/about> and the GATT Secretariat, “The Results of the Uruguay Round of Multilateral Trade Negotiations, Market Access for Goods and Services: Overview of the Results,” November 1994.

products and converts non-tariff barriers to tariffs, through “tariffication.” Industrial countries agreed to cut their tariffs by 36 percent on average over six years; developing countries agreed to cut their tariffs by 24 percent on average over ten years. Under the Agreement, all WTO members agreed to bind 100 percent of all agricultural product lines. For products subject to tariffication, the Agreement permits special safeguards to protect against surges in import. The Agreement also limits and reduces countries’ use of export subsidies and trade-distorting domestic supports. Agriculture is part of the WTO’s built-in agenda, with talks scheduled to begin by December 31, 1999.

Textiles and Clothing. From 1974 until the end of the Uruguay Round, trade was governed by the multi-fiber arrangement (MFA). The MFA was a framework for bilateral agreements and unilateral actions, based on quantitative restriction on imports. In 1995, the WTO’s Agreement on Textiles and Clothing (ATC) replaced the MFA. The ATC will bring products into the GATT rules, by eliminating quota restrictions gradually over a ten-year period. Like the Agreement on Agriculture, the ATC also allows special safeguards to protect against import surges. By 2005, the sector will be fully integrated into the GATT’s rules – all import quotas and discrimination will end. At that time, the ATC will terminate. The Uruguay Round also established a Textiles Monitoring Body to supervise the ATC’s implementation.

Services. The GATS provides multilaterally agreed and legally enforceable rules, covering all internationally traded services (except most air transport services). It extends MFN treatment to all WTO members, with limited exceptions, and extends national treatment and market access obligations in areas where a country has made a specific commitment. The GATS provides rules for regulatory transparency, other aspects of regulation, recognition of other countries’ qualifications, and international payments and transfers. Individual countries’ commitments to open markets in specific sectors were the outcome of negotiations. A set of “schedules” lists the sectors being opened, the extent of market access being given in those sectors, and any limitations on national treatment. Analogous to the rules of the GATT, the specific commitments are bound. Although some commitments are bound in ways that do not depart from status quo arrangements, the GATS still accomplishes the objectives of bringing services into the multilateral trading system and reducing uncertainty. As in the case of agriculture, the service sector is included in the WTO’s “built-in” agenda, with a full new round of negotiations scheduled to begin no later than January 1, 2000.

Responding to the diversity of the services sector, a series of annexes addresses particular concerns of different industries, including the movement of natural persons, financial services, telecommunications, and air-transport services. Negotiations on specific commitments in financial services and telecommunications continued after the Uruguay Round as part of the built-in agenda, and resulted in new liberalization packages. Talks on the movement of natural persons also continued and achieved “modest” results. Further talks on maritime services were scheduled, but suspended.

Intellectual Property. The TRIPS Agreement address standards, enforcement, and dispute settlement. Subject to limited exceptions, it adheres to basic principles of non-discrimination, i.e., MFN and national treatment. The Agreement covers copyrighted and related rights, including for computer programs, data bases, sound recordings and films; trademarks and service

marks; geographical indications, including appellations of origin; patents, including the protection of new varieties of plants; industrial designs; layout designs of integrated circuits; and undisclosed information, including trade secrets and test data. Substantive provisions of the main international agreements of the World Intellectual Property Organization provide the basis for protection, with additions and modifications. For example, the Berne Convention for the Protection of Literary and Artistic Works now applies to computer programs. Moreover, patent protection must be available for a minimum of 20 years for all inventions, whether products or processes, in almost all fields of technology.

WTO members are required to provide procedures and remedies under their domestic law to ensure that foreign right holders can effectively enforce intellectual property rights. Under some circumstances, member countries may adopt measures to prevent or control practices in the licensing of intellectual property rights that are abusive or anti-competitive. When the WTO Agreements took effect on January 1, 1995, developed countries were given one year to bring their laws and practices into conformance with the TRIPS Agreement. Developing countries and some economies in transition were given longer. Disputes between WTO members about the respect of TRIPS obligations are subject to the WTO's dispute settlement procedures.

Other WTO Agreements. The Round led to agreements in several other areas, including anti-dumping actions, subsidies and countervailing duties, safeguards, and technical barriers.

- ***Anti-Dumping Actions.*** The Anti-Dumping Agreement, more formally the Agreement on the Implementation of Article VI of the GATT 1994, allows WTO members to act against dumping if three specific conditions apply. A country must be able to (1) show that dumping is taking place; (2) calculate the extent or "margin" of dumping; and (3) provide evidence of material injury to the competing domestic industry. If a country prefers, it can also make use of the WTO's dispute settlement procedure.
- ***Subsidies and Countervailing Measures.*** The Agreement on Subsidies and Countervailing Duties provides rules for the use of domestic subsidies and the actions that countries can take to counter them. Under the Agreement, a country may seek the withdrawal of a subsidy or the removal of its adverse effects. As above, a country may act independently or through the WTO's dispute settlement system. The Agreement applies to industrial products and agriculture. In the case of agriculture, however, certain kinds of trade-distorting domestic supports are permitted within limits. Other exceptions pertain to developing countries.
- ***Emergency Protection from Imports.*** The Agreement on Safeguards allows countries to temporarily restrict imports of a product if an absolute or relative import surge is causing or threatening to cause serious injury to a domestic industry. (The Agreement prohibits the use of formerly allowed "gray area" measures, including voluntary export restraints and orderly marketing arrangements.) Exporters can seek compensation through consultations or, if unsuccessful, possibly through retaliation. Additional safeguards are available for some agricultural products and textiles and clothing and special rules apply to safeguards against developing country products.

- *Technical Barriers to Trade.* The Agreement on Technical Barriers to Trade (TBT) tries to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade. The Agreement on TBT does not prohibit countries from adopting standards, rather it sets out a 'code of good practice' for the preparation, adoption, and application of standards by central government bodies and others.
- *Health Regulations for Farm Products.* Complementary to the Agreement on TBT and the Agreement on Agriculture, the Agreement on Sanitary and Phytosanitary Measures establishes rules for standards to protect human, animal, and plant health. The Agreement urges countries to adopt internationally agreed standards to the extent possible, but it does not prohibit countries from setting their own, possibly higher, standards. However, it does require that all standards be based on science and non-discriminatory.
- *Miscellaneous.* Other new agreements include the Agreement on Import Licensing Procedures; the Agreement on Implementation of Article VII of the GATT 1994 and related ministerial decisions on customs valuation; the Agreement on Pre-Shipment Inspection; the Agreement on Rules of Origin; and the Agreement on Trade-Related Investment Measures.

Plurilateral Agreements. Unlike the other WTO Agreements, the Agreements on Trade in Civil Aircraft and on Government Procurement, which were originally negotiated during the Tokyo Round, are only partially subscribed. Nevertheless, the Uruguay Round made substantial progress in further liberalizing government procurement practices, by expanding coverage to more entities and to services. The agreement also reinforces rules guaranteeing fair and non-discriminatory conditions of international competition.

Dispute Settlement. The DSU improves upon previous rules and procedures. It creates a single system for addressing disputes under each of the aforementioned WTO Agreements; introduces an expedited process with clearly defined stages; prevents individual countries from blocking the adoption of rulings; and authorizes countermeasures if an adopted ruling is not implemented. Ordinarily, a case should not take more than a year – or 15 months if it is appealed. (If either side requests, members of an Appellate Body will hear appeals of panel rulings.) Moreover, in a reversal of the GATT procedure, all dispute settlement rulings – including those of the Appellate Body – are adopted automatically, unless there is consensus to reject a ruling.

After a ruling is adopted, a country faces three possible outcomes: it can adhere to the recommendations of the panel; it can compensate the claimant; or the claimant can suspend previously agreed concessions of like amount. The general principle is that the suspension should occur in the same sector of trade (for example, a violation in the goods sector should be met with suspended concessions in the goods sector). If this is not practicable or effective, the suspension can occur in other sectors.

Trade Policy Review Mechanism. The TPRM provides a regular forum for monitoring each country's performance in the WTO system. The objectives of the review are to increase the transparency and understanding of countries' trade policies and practices through regular monitoring; improve the quality of public and intergovernmental debate on the issues; and enable a multilateral assessment of the effects of policies on the world trading system.

America's Interest in the World Trade Organization: An Economic Assessment

November 1999

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: John Spotila (CN=John Spotila/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 2-NOV-1999 16:16:19.00

SUBJECT: regarding the Thursday meeting on EPA analysis supporting Tier II

TO: Henry C. Kelly (CN=Henry C. Kelly/OU=OSTP/O=EOP@EOP [OSTP])

READ:UNKNOWN

TO: Rosina M. Bierbaum (CN=Rosina M. Bierbaum/OU=OSTP/O=EOP@EOP [OSTP])

READ:UNKNOWN

TO: Roger S. Ballentine (CN=Roger S. Ballentine/OU=WHO/O=EOP@EOP [WHO])

READ:UNKNOWN

TO: Morley A. Winograd (CN=Morley A. Winograd/O=OVP@OVP [UNKNOWN])

READ:UNKNOWN

TO: Ronald Minsk (CN=Ronald Minsk/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

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TO: George T. Frampton (CN=George T. Frampton/OU=CEQ/O=EOP@EOP [CEQ])

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TO: David W. Beier (CN=David W. Beier/O=OVP@OVP [UNKNOWN])

READ:UNKNOWN

CC: Donald R. Arbuckle (CN=Donald R. Arbuckle/OU=OMB/O=EOP@EOP [OMB])

READ:UNKNOWN

Records Management@EOP (Records Management@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

We just wanted to follow up with you about this meeting. After the policy level meeting last week, this week's meeting will be technical in nature. Your appropriate staff are strongly encouraged to attend. You of course are welcome to attend if you are interested.

Again, the meeting will be Thursday, 9:30am, in room 10103.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 09:09:24.00

SUBJECT: Joe's reply on UV-B

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:
Robert,

Here is the message Joe ask me to forward to you. It is a reply to EPA's brief reply on the UV-B issue that Joe attached in his letter.

Leigh

----- Forwarded by Leigh L. Linden/CEA/EOP on 11/02/99
09:08 AM -----

Joe Aldy <jaldy99@yahoo.com>

11/01/99 03:26:02 PM

Record Type: Record

To: RON EVANS <EVANS.RON@epamail.epa.gov>
cc: See the distribution list at the bottom of this message
Subject: Re: ozone and UV-B screening -Reply

Ron,

I have to admit to some frustration on this issue. Even prior to the memo I sent to you, I had requested the Agency's take on the science of this issue. Two weeks after I emailed you the memo outlining why I think the science is sufficiently clear on this issue, I receive this response that continues to fail to explain EPA's position. I am surprised that the Agency does not believe the science is sufficient on this issue despite the numerous papers in the literature, several by very well-respected academics in the field of ozone chemistry, the sound understanding of the chemical mechanisms in the troposphere, and the experience at EPA in monetizing health effects categories associated with UV-B exposure. This is all the more surprising given the fact that the Agency does monetize benefits for categories of effects where the literature is not nearly as well developed, and the causal mechanism for

effects has not been established.

As a start, I would find it very useful to obtain copies of the documents submitted by the Agency to the Court hearing the appeal. I understand that you are very busy with Tier II, 812, etc., so if you could provide me with the contact information of the individual at your General Counsel's office who can provide me with the Agency submissions on this issue, I would appreciate. Moreover, I would benefit from having the opportunity to speak with some of the Agency's atmospheric scientists so I can understand the position the agency is taking. Contact information for these individuals would be appreciated. Finally, I would appreciate it if you could inform me regarding the timing of the memo your staff is compiling on the science.

I am deeply concerned that the lack of discussion on the science of this issue, and the delay in response will make review of the 812 report and Tier II benefits in the short timeframe we have all the more problematic. If you believe it would be useful to talk about this, please let me know, and I will arrange for a phone call on Tuesday morning.

Joe

--- RON EVANS <EVANS.RON@epamail.epa.gov> wrote:

> Joe, I have had a few conversations with my
> management and they have confirmed my
> previous position. Our position is outlined below.
>
> UV-b related risk estimation issue
>
> The Administration has gone to great lengths in its
> recent submissions to the courts to
> say that there is insufficient scientific evidence
> to reliably estimate the UV-b related risks
> related to increased UV-b exposure from reductions
> in tropospheric ozone. There are too
> many scientific uncertainties to allow any credible
> measurement of these risks. No new
> scientific evidence has been presented by OMB/CEA in
> their summary to lead EPA/OAR to
> believe that these risks can be quantified at this
> time.
> In an effort to further clarify EPA/OAR's position
> on this issue, EPA/OAR will develop
> a specific discussion laying out its understanding
> of the current state of the science. No effort
> will be made to quantify the postulated UV-b related
> risks from reductions in tropospheric
> ozone.

>
>
> >>> Joe Aldy <jaldy99@yahoo.com> 10/28/99 >>>
> Ron,
>
> I am writing in regards to the tropospheric ozone
> UV-B
> screening issue we raised in a memo on Friday 10/15.
>
> Based on our conversation, I understood that you
> would
> have a response ready by the middle part of this
> week.
> Since I am in Bonn, Germany now for the climate
> change negotiations, I would appreciate it if you
> could provide me with your comments via this email
> address or by fax to 49-228-9814-373. In case you
> do
> not have paper yet on this issue, I have asked Leigh
> Linden to follow up with you for some feedback. It
> would be useful to narrow the issues of contention
> on
> this and to better understand your concerns about
> quantifying and monetizing this effect in light of
> the
> scientific literature. Thanks,
>
> Joe
>
>
> =====
>
>
> _____
> Do You Yahoo!?
> Bid and sell for free at <http://auctions.yahoo.com>
>
>

=====

Do You Yahoo!?
Bid and sell for free at <http://auctions.yahoo.com>

Message Copied

To: _____
Leigh L. Linden/CEA/EOP
ANDERSON.JOHNF@epamail.epa.gov
BACHMANN.JOHNND@epamail.epa.gov
BRENNER.ROB@epamail.epa.gov
CONNER.LISA@epamail.epa.gov
DEMOCKER.JIM@epamail.epa.gov

HARNETT.BILL@epamail.epa.gov
HUBBELL.BRYAN@epamail.epa.gov
SEITZ.JOHN@epamail.epa.gov
SIMON.KARL@epamail.epa.gov
WEGMAN.LYDIA@epamail.epa.gov
Arthur G. Fraas/OMB/EOP
Eric M. Haxthausen/OMB/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 12:48:27.00

SUBJECT: EPA Tier 2 Outreach with States

TO: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

----- Forwarded by Robert Z. Lawrence/CEA/EOP on 11/02/99

12:48 PM -----

Are you interested?

Eric M. Haxthausen

11/02/99 12:12:31 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message

Subject: EPA Tier 2 Outreach with States

At last Tuesday's meeting on Tier 2, Administrator Browner extended an invitation to interested persons in the EOP to sit in on her Tier 2 outreach meetings with stakeholders. The next scheduled meeting is this Friday from 2 to 4 with representatives of the States (generally, environmental commissioners or their deputies).

EPA has asked for a list of likely EOP attendees. To that end, please let me know by COB Wednesday if you or your staff expect to attend.

We will let you know of additional Tier 2 outreach meetings as soon as they are scheduled.

Eric Haxthausen

OMB/OIRA

x55870

Message Sent

To:

David W. Beier/OVP@OVP

Morley A. Winograd/OVP@OVP

George T. Frampton/CEQ/EOP@EOP

Roger S. Ballentine/WHO/EOP@EOP
Robert Z. Lawrence/CEA/EOP@EOP
Rosina M. Bierbaum/OSTP/EOP@EOP
Ronald Minsk/OPD/EOP@EOP
Henry C. Kelly/OSTP/EOP@EOP

Message Copied

To:

John Spotila/OMB/EOP@EOP
Sally Katzen/OMB/EOP@EOP
Joshua Gotbaum/OMB/EOP@EOP
Elwood Holstein/OMB/EOP@EOP
Donald R. Arbuckle/OMB/EOP@EOP
Amy Squires/OMB/EOP@EOP
Arthur G. Fraas/OMB/EOP@EOP
Richard P. Theroux/OMB/EOP@EOP
Robert S. Fairweather/OMB/EOP@EOP
Kevin F. Neyland/OMB/EOP@EOP
Jennifer R. Muller/OVP@OVP
Linda Lance/CEQ/EOP@EOP
Joseph E. Aldy/CEA/EOP@EOP
Leigh L. Linden/CEA/EOP@EOP
Frances Sharples/OSTP/EOP@EOP
Kelly Kirkpatrick/OSTP/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Eric M. Haxthausen (CN=Eric M. Haxthausen/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 2-NOV-1999 12:12:36.00

SUBJECT: EPA Tier 2 Outreach with States

TO: Henry C. Kelly (CN=Henry C. Kelly/OU=OSTP/O=EOP@EOP [OSTP])
READ:UNKNOWN

TO: Rosina M. Bierbaum (CN=Rosina M. Bierbaum/OU=OSTP/O=EOP@EOP [OSTP])
READ:UNKNOWN

TO: Roger S. Ballentine (CN=Roger S. Ballentine/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

TO: Morley A. Winograd (CN=Morley A. Winograd/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

TO: Ronald Minsk (CN=Ronald Minsk/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: George T. Frampton (CN=George T. Frampton/OU=CEQ/O=EOP@EOP [CEQ])
READ:UNKNOWN

TO: David W. Beier (CN=David W. Beier/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

CC: Kelly Kirkpatrick (CN=Kelly Kirkpatrick/OU=OSTP/O=EOP@EOP [OSTP])
READ:UNKNOWN

CC: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Linda Lance (CN=Linda Lance/OU=CEQ/O=EOP@EOP [CEQ])
READ:UNKNOWN

CC: Kevin F. Neyland (CN=Kevin F. Neyland/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Richard P. Theroux (CN=Richard P. Theroux/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Amy Squires (CN=Amy Squires/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Elwood Holstein (CN=Elwood Holstein/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Sally Katzen (CN=Sally Katzen/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Frances Sharples (CN=Frances Sharples/OU=OSTP/O=EOP@EOP [OSTP])
READ:UNKNOWN

CC: Joseph E. Aldy (CN=Joseph E. Aldy/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Jennifer R. Muller (CN=Jennifer R. Muller/O=OVP@OVP [UNKNOWN])
READ:UNKNOWN

CC: Robert S. Fairweather (CN=Robert S. Fairweather/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Arthur G. Fraas (CN=Arthur G. Fraas/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Donald R. Arbuckle (CN=Donald R. Arbuckle/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: John Spotila (CN=John Spotila/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TEXT:

At last Tuesday's meeting on Tier 2, Administrator Browner extended an invitation to interested persons in the EOP to sit in on her Tier 2 outreach meetings with stakeholders. The next scheduled meeting is this Friday from 2 to 4 with representatives of the States (generally, environmental commissioners or their deputies).

EPA has asked for a list of likely EOP attendees. To that end, please let me know by COB Wednesday if you or your staff expect to attend.

We will let you know of additional Tier 2 outreach meetings as soon as they are scheduled.

Eric Haxthausen
OMB/OIRA
x55870

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 15:14:05.00

SUBJECT: Re: IRUP ideas

TO: John L. Goldie (CN=John L. Goldie/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

John L. Goldie

11/02/99 02:25:30 PM

Record Type: Record

To: John C. Williams/CEA/EOP@EOP

cc: Robert Z. Lawrence/CEA/EOP@EOP, John G. Fernald/CEA/EOP@EOP,

Victoria A. Greenfield/CEA/EOP@EOP, Yu-Chin Chen/CEA/EOP@EOP

Subject: IRUP ideas

Please send comments back.

I see two very good ones. European Ag and Corruption. In today's FT there is a story about Nissan that may be interesting as an indication of how things are changing in Japan.

1)9. Yes, do this. EU has started to rein in farm export subsidies, reversing decades of automatic increase in the Common Ag Policy budget. The cutbacks are likely to amount to ~\$192m and include a 7% decrease in sugar and milk product subsidies. The EU CAP's export subsidies regime is among the main targets in the Seattle Round for countries, e.g. US and Australia.

2)6. Japanese banks cut lending to the rest of Asia in the first half of 1999. Lending balance to these Asian nations fell 13% this year, and now stand at 40% below their peak in late 1997. Meanwhile, Japanese lending to Europe and N. America rose 6.3%. BOJ blamed geographical divergence on banks' aversion to taking risks in emerging Asia. Also, declines in banks' ratings has curbed ability to extend overseas loans.

3)6. China recently initiated its strategy of having new Asset Management Companies (AMCs) buy banks' non-performing loans in exchange for stakes in debtor ventures in an attempt to rescue state ventures and ease strain on debt-laden banks. Beijing Cement Factory is the first company to engage in this scheme, signing a contract last month that gives Cinda Asset Mgmt Corp a 70% stake but releasing it from bulk of debts. It is still unclear how much power AMCs will have to appoint their own officials and management. Potentially thousands of ventures may follow the route of Beijing Cement.

4)7. UN report on human development in South Asia reports that corruption in the region is widespread in high levels of government and hurts

millions of people. Evidence of corruption can be seen in an increased cost of basic social services and breakdown of rule of law. Report urges creation of exclusive corruption courts and requirements that public officials declare assets.

5 (related)7. Transparency International's 1999 report released last week showed that of the 99 countries tracked, Cameroon is viewed as the country most likely to take bribes in 1999, while Denmark remained squeaky clean. The report also showed that companies from China were viewed as the most likely to pay bribes in order to win business overseas.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 20:23:28.00

SUBJECT: Steel update

TO: Victoria A. Greenfield (CN=Victoria A. Greenfield/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: William H. Gillespie (CN=William H. Gillespie/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

CC: Jason A. Bernstein (CN=Jason A. Bernstein/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:
An update on steel.

p.s. I am not bored; I put this together because State requested data from
us for the OECD steel meeting.===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D58]ARMS26808631D.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Current Conditions of the U.S. Steel Industry

While the import surge of last year has subsided and signs of recovery have surfaced, the steel industry is still in a weakened state overall. The industry's problems have not gone away entirely. Despite recent improvements in production, capacity utilization, and steel prices, these indicators remain below the 1997 pre-crisis levels. Moreover, this recovery has yet to show up throughout the industry's bottom line (based on Q2 earnings report).

- **The steel import surge has stopped.** Preliminary figures for September 1999 show that monthly imports declined further from previous months, to 2.66 billion metric tons. The total volume of imports for the third quarter of 1999 declined by 23 percent from the same period in 1998. The nine-month cumulative imports were down by 14 percent from last year's figure, though remained 9 percent higher than the 1997 level. Import penetration ratio dropped from its 33 percent peak in November 1998 to around 23 percent in recent months; the 1997 average was 20 percent.
- **Domestic raw steel production and capacity utilization rates have recovered partially from their lowest levels in November 1998, but remain lower than pre-crisis levels.** Production expanded by 13 percent since bottoming in November 1998. The ten-month cumulative production, however, remained 7 percent below the last year's level. Capacity utilization rate increased to 85 percent, up from last November's 75 percent but not back above 90 percent yet.
- **Inventories have fallen dramatically as new orders have increased.** After reaching a 16-year high in 1998, inventories dropped down to a level unmatched since 1995. New orders increased by 20 percent and monthly shipments by 7 percent from the beginning of this year. However, stocks held by distributors remained high despite a 6 percent drop since the crisis.
- **Employment level showed recovery in July and August, but declined in Sept and remained well below previous years.** The September figure shows 220,700 total employees in blast furnaces and basic steel products, amounting to 1 percent drop from August. The corresponding numbers for 1997 and 1998 were 234,600 and 230,600 respectively.
- **After falling throughout 1998 and the first quarter of 1999, steel prices stabilized and showed slight signs of recovery.** The September import price index was up by 2 percent since hitting rock bottom in March. However, both import and domestic steel prices remained about 10 percent below their levels in 1997.
- **Although some major U.S. steel producers showed signs of improved profitability in the second quarter of 1999, others continue to struggle.** Based on a limited sample of earnings results for Q2, minimills appear to be weathering the steel crisis far better than integrated mills and remained profitable. Integrated mills, on the other hand, still suffered significant losses in earnings.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 13:24:07.00

SUBJECT: Re: Saturday, Nov 13, at Brookings

TO: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

I will probably not be attending.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 12:17:29.00

SUBJECT: Saturday, Nov 13, at Brookings

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Cathy Bucholz, from Brookings, called to ask if you would be participating in the Brookings conference on Saturday, November 13. She said you were participating on Friday.

yes _____ no _____

797-6287

Do you want me to call her back and tell her, or do you want to call her?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 13:35:31.00

SUBJECT: Re: Saturday, Nov 13, at Brookings

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

CC: Lisa D. Branch (CN=Lisa D. Branch/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

I called and left a voicemail message for Cathy Bucholz telling her that you probably would not attend the Saturday session.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 15:33:26.00

SUBJECT: Re: peaks have disappeared (so far)

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP@EOP [CEA])

READ:UNKNOWN

TEXT:

Yu-Chin, what would the data for all MFN tariffs look like?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Yu-chin Chen <yuchin_chen@post.harvard.edu> (Yu-chin Chen <yuchin_chen@post.harvard.edu> [UNKNOWN])

CREATION DATE/TIME: 2-NOV-1999 23:25:23.00

SUBJECT: Overall MNF tariffs

TO: Yu-Chin Chen (CN=Yu-Chin Chen/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TEXT:

US does have a few peaks (7 tobacco products out of 8729 total with tariffs > 300%; 5 peanut products with tariffs > 100%) but 99% of the US MFN tariffs are actually below 50% (see "Summary" sheet).

US profile is not very different from that of EU or Japan.

I will check the agricultural products next.

- MFNtariffs.xls===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D10]ARMS274627311.336 to ASCII,
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

Clinton Presidential Records Automated Records Management System [EMAIL]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.

File Name: p_t1010281_cea_html_1.msoff

Attachment Number: [ATTACH.D28]ARMS2382010IU.336

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Leigh L. Linden (CN=Leigh L. Linden/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-NOV-1999 12:50:56.00

SUBJECT: Re: EPA Tier 2 Outreach with States

TO: Robert Z. Lawrence (CN=Robert Z. Lawrence/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TEXT:
Robert,

Let me talk with Joe about this. Both our ERP chapter and the Section 812 comments are due on Friday. Can I assume that if I we decide to send someone (either Joe or me, but probably me) that it would be alright with you?

Leigh