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"Restarting the Uruguay Round" (2)

Max S. Baucus

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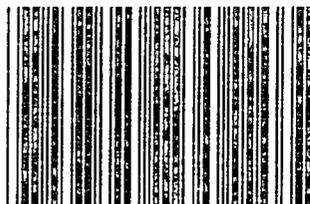
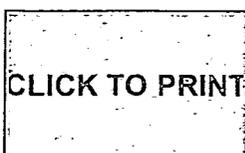
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BAUCUS



MAX BAUCUS REPORTS

PHIL ROEDER, 202-224-2651

SUZANNE LAGONI, 406-329-3123

STATEMENT OF SENATOR MAX BAUCUS

RESTARTING THE URUGUAY ROUND

October 16, 1991

Thank you, Jerry. It is always a pleasure to speak to NAM.

At about this time last year, I spoke to a business group about my views on upcoming international trade issues. At that point, I was barraged by questions about the Uruguay Round of GATT negotiations.

An agreement was expected to be concluded in Brussels in December of 1990. Expectations were running high.

All major business groups were meeting with Congress and the Administration to make their views known on various issues in the negotiations. Hotel rooms were being frantically reserved in Brussels to make sure that U.S. businesses had their views represented during the critical negotiations.

But the Brussels negotiations ended without an agreement.

Since that time, the prognosis for the Uruguay Round has grown steadily worse.

Only a few weeks ago, a major U.S. business leader put the chances of a successful Round at one in ten or less.

Although another session is scheduled in Brussels this December, we have heard little from the business community on the Uruguay Round. I am confident that few hotel rooms have been booked in Brussels.

STAKES IN THE URUGUAY ROUND

I certainly don't blame the U.S. business community for the apparent collapse of the Round. That blame lies squarely on the backs of the EC and Japan for their continued intransigence on agriculture.

But we must keep in mind that the collapse of the Round is more than a loss for Brussels' hotel keepers.

TRADE
: GATT
- URUGUAY

The Round is the single most important trade negotiation that the world has ever undertaken. At stake in these negotiations is the credibility of the world trading system as well as billions of dollars in trade.

For the U.S., a successful Uruguay Round promises some \$200 billion in new exports and \$1.1 trillion in new growth over the last ten years.

Worldwide, growth of more than \$4 trillion is anticipated.

U.S. manufacturers could reap huge benefits from agreements to lower tariffs, protect intellectual property, and lower trade barriers generally. American farmers stand to gain billions in new exports annually.

Beyond these immediate benefits, the Uruguay Round must be concluded so that we can get on to new business.

The Uruguay Round was launched six years ago to respond to the critical international trade issues of the time -- trade in agriculture, trade in services, and protection of intellectual property.

But time has not stood still. There is now a new list of critical issues facing the international trading community.

We must deal with these new issues, such as the dramatic changes in the Soviet Union and Eastern Europe, the emergence of trading blocs, talk of a GATT-plus arrangement, and the growing convergence between trade policy and environmental concerns.

Unless the GATT is able to successfully address the issues currently before it in the Uruguay Round, it will simply not have the credibility to tackle these new emerging issues.

In sum, the failure of the Round will represent a major loss to world trade and a severe blow to the current international trading regime.

PLAN TO REINVIGORATE THE ROUND

What can the U.S. do to save the Uruguay Round?

Of course, the primary responsibility for saving the Round lies with the nations that created the current crisis through their intransigence on agricultural trade issues -- the EC and Japan.

A unilateral gesture by either the EC or Japan to demonstrate their willingness to make significant changes on agriculture would do far more to restart the Round than any U.S.

action.

For instance, if the EC lifted the so-called hormone ban on meat imports or decreased its export subsidies or if Japan were to lift its ban on rice imports the Uruguay Round could be revived overnight.

I am hopeful that Germany's recent pronouncements are a sign that change is possible. But the EC or Japan have yet to demonstrate any leadership in the Uruguay Round.

For its part, I believe there are three steps the Bush Administration could take to increase support for the Round in the U.S. and around the world.

First, the Administration should announce revised priorities in the Uruguay Round that increase the emphasis upon trade in manufactured products.

Second, the Administration should immediately take unilateral actions under U.S. trade law to demonstrate to our trading partners that they will be forced to address their trade barriers bilaterally if the Uruguay Round fails.

Finally, President Bush and Secretary Baker should increase their personal involvement in the negotiations and make a successful conclusion to the Round one of the U.S.' top priorities.

SHIFT IN PRIORITIES

From the outset, the EC has criticized the U.S. for taking an ideological and unrealistic stance on agriculture and ignoring other issues in the Round.

I believe that this is a distortion of the U.S. position.

But the U.S. could benefit by making it clear that it is willing to accept less than complete free trade in agriculture provided significant progress can be made on other issues.

Don't get me wrong. I will vigorously oppose any agreement that is not in the best interest of American agriculture and I am confident the Congress would reject such an agreement.

But the complete elimination of agricultural subsidies was never proposed and is probably not realistic in the short term.

Perhaps the U.S. could settle for an agreement that would sharply reduce or eliminate agricultural export subsidies -- the most serious problem, but took only initial steps on domestic supports. Such an agreement should also provide for further progress to be negotiated in future agreements.

The Administration should make it clear, however, that such an agreement would only be acceptable if it included truly substantial benefits for the U.S. in other areas.

In particular, significant gains would be required in four areas:

First, any agreement must include an acceptance of the U.S. proposal to abolish tariffs worldwide in many key industrial sectors, including wood and paper products, semiconductors, and aluminum.

Second, the agreement must not in any way undermine the U.S.' unfair trade laws, such as Section 301 and countervailing duty law. These laws are not trade barriers. In fact, they are aimed at combatting trade barriers. They should not be restricted.

Third, a final Uruguay Round agreement should include substantial new disciplines on industrial subsidies. According to estimates periodically done by the OECD, the U.S. consistently extends fewer industrial subsidies than any other major nation. Thus, limits on subsidies would clearly benefit the U.S. Yet, industrial subsidies have never been a central focus of the Round. The U.S. should insist that meaningful subsidy disciplines be included in a final agreement.

Finally, an agreement must provide for improved protection of U.S. intellectual property. Piracy of U.S. intellectual property costs the U.S. billions of dollars in lost exports each year. The final GATT Round package must end this piracy.

Progress in other areas, such as trade in services, would also be very important to any final package.

UNILATERAL ACTIONS

Many of the trade barriers being discussed in the Uruguay Round are simply too important to ignore.

If they cannot be addressed in the Round, the U.S. must seek to address them through bilateral negotiation and, if necessary, unilateral action.

Such unilateral action will also demonstrate to our trading partners that the collapse of the Round will not shift world attention away from their trade barriers.

Reasonable people can disagree about which foreign barriers deserve the most attention. But I believe that four unilateral trade initiatives should be taken by the U.S.

First, the U.S. should take action under U.S. trade laws to address the EC's subsidies to Airbus.

Through the use of subsidies, Airbus has been built into a world class aircraft manufacturer. With the benefit of continued subsidies, Airbus now threatens American aircraft manufacturers, such as Boeing and McDonnell Douglas.

Action on this issue is long overdue. The subsidies extended to Airbus are egregious.

The U.S. has and should continue to seek to address this issue in the GATT. But, in parallel, the U.S. should employ the full range of U.S. trade laws, including Section 301, countervailing duty law, and anti-dumping law, against Airbus.

We cannot afford to wait any longer on this issue.

Second, the U.S. should begin trade actions directed at penetrating Japan's closed corporate structure -- the Keiretsu.

Japan continues to import much less per capita than any other developed country. Now, Japan's trade surplus with the world is once again on the rise.

Over the last three years, the U.S. trade deficit with most of its trading partners shrunk dramatically. But the deficit with Japan remains stuck at over \$40 billion per year.

Some progress has been made with Japan. Bilateral agreements have been concluded to remove Japanese trade barriers on products ranging from forest products to supercomputers. U.S. exports to Japan have increased.

But much more remains to be done. Most observers view the collusive Japanese corporate structure -- the Keiretsu -- as the heart of the problem. According to a recent study from the Brookings Institute, the Keiretsu structure encourages Japanese businesses to deal with other related Japanese businesses for parts and supplies. As a consequence, Keiretsu discourage imports.

After years of working around the edges and trying to address the Keiretsu problem through the Structural Impediments Initiative, it is time to launch a major Section 301 investigation directed at the trade distorting aspects of the Keiretsu structure.

In parallel, the U.S. should join the rest of the world in pursuing a sweeping trade action directed at Japanese trade barriers under Article 23 of the GATT.

Article 23 outlines actions that can be taken against a GATT Member that pursues measures that block imports and thus nullify

or impair other trade concessions.

Article 23 has never before been used for such a broad action as I am suggesting. But I believe the time is right. The entire world has an interest in opening the Japanese market to two-way trade. It is time for the entire world to take action.

By acting under Article 23 -- as I suggested in 1987 -- I believe we have a good chance to bring multilateral pressure on Japan to open its market. Such an approach also has the advantage of working through the GATT and thus increasing its credibility.

On a third front, the U.S. should continue to aggressively use the Special 301 provisions of the 1988 Trade Act to promote better intellectual property protection around the world. Special 301 has already proven effective in combating piracy of intellectual property in many developing countries.

But the U.S. should intensify use of Special 301. Such action will demonstrate to reluctant development countries that the U.S. will attack piracy of intellectual property bilaterally if it is unable to do so through the GATT.

Finally, the U.S. must be prepared to step up its own farm export subsidies.

One of the major objectives of the U.S. in the Uruguay Round has been to limit EC export subsidies. If we fail to reach such an agreement, we have no choice but to boost our own export subsidies to protect American farmers.

Last year's budget agreement provides for an automatic increase in agricultural export subsidies if the Round fails to yield an agricultural trade agreement by July, 1992. The Administration should aggressively implement this provision.

LEADERSHIP FROM THE TOP

In addition to the deadlock over agriculture, the Round is also suffering from a lack of leadership.

Only the U.S. has the vision and the economic clout to push the rest of the world to conclude the Round.

But on the foreign policy front, this Administration seems focused on other things, such as setting up a Middle East peace conference and building a new relationship with the Soviet Union.

These objectives are laudable. But the Administration has yet to recognize that the central threat to our national security is now economic, not military. We must now focus on trade negotiations with the same intensity previously reserved for arms

control negotiations.

Ambassador Hills has done an excellent job of leading U.S. efforts in the Uruguay Round negotiations.

However, these negotiations call for world leaders to make tough choices. By herself, she is unlikely to be able to force the Uruguay Round to the top of world leaders' agendas.

If they are to succeed, the negotiations will require a personal commitment from President Bush and Secretary Baker as well as the continued efforts of Ambassador Hills.

The completion of the Uruguay Round must be made a top priority of the Administration. President Bush and Secretary Baker must personally press the Uruguay Round with world leaders above other concerns.

The Round must be made the centerpiece of U.S. international economic policy.

If this commitment is not forthcoming, the hard choices will never be made and the Round will simply fade away.

CONCLUSION

Admittedly, the proposal I have outlined is bold. Some have already advised me that they believe the Bush Administration will not be willing to take such bold action.

If the skeptics turn out to be correct, it will be a loss for America and the world.

As I said, the Bush Administration must recognize that the world has changed. Economic strength is now at least as important as military strength.

If the U.S. is to remain a great nation it must pay much more attention to its economic strength and trading status.

Trade cannot continue to take a back seat to military and diplomatic concerns.

There no longer are foreign policy priorities higher than expanding U.S. trade opportunities. That means that the Uruguay Round is the most important initiative now on our agenda.

The Bush Administration must work to conclude the Uruguay Round with the same vigor that it confronted Iraq.

The U.S. must use its economic strength and its diplomatic

influence to bring the Round to a successful conclusion within the next few months.

If not, the opportunity will soon slip away.