



RESTORING AMERICAN LEADERSHIP AT THE ASIAN TRADE SUMMIT

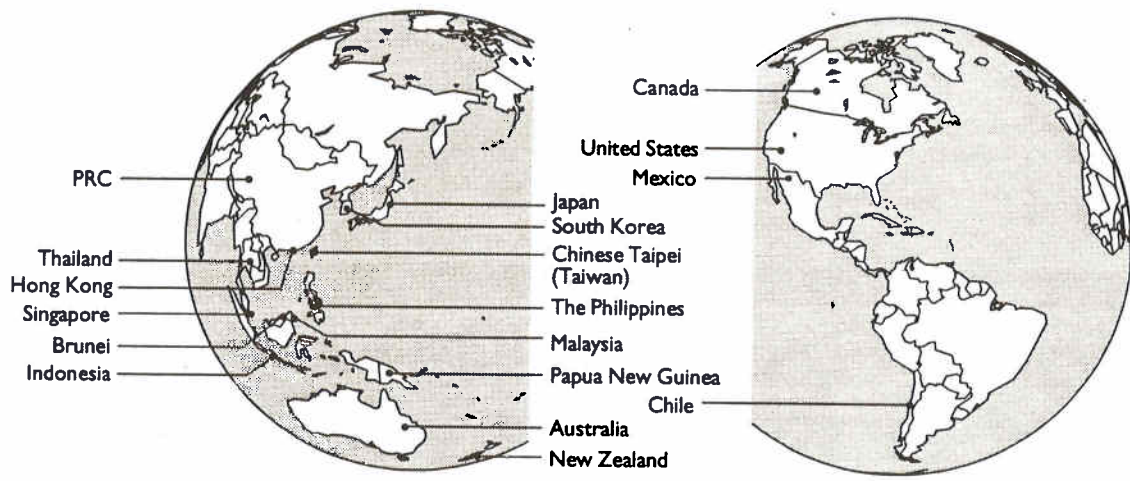
INTRODUCTION

President Clinton will travel to the Philippines to attend the Leaders' Meeting of the forum for Asia-Pacific Economic Cooperation (APEC) on November 24-25, 1996. There, he and other heads of government will chart the future of trans-Pacific trade and investment liberalization.

President Clinton's vacillating trade policy, however, has undermined American leadership in promoting open markets around the world, especially in the Asia-Pacific region. At the APEC Leaders' Meeting in Bogor, Indonesia, on November 15, 1994, President Clinton and the other heads of government agreed to create a "free trade and investment area in the Asia-Pacific." They also pledged to implement this plan by no later than 2010 in APEC's developed members, such as the United States and Japan, and by 2020 in APEC's developing members, such as Chile, China, and Indonesia.

Since then, the Clinton Administration had made little progress toward that goal. In fact, the President's actions and trade policies over the past two years have dismayed America's trading partners in the Asia-Pacific region and dimmed the prospects for APEC trade and investment liberalization. These actions and policies include: (1) blocking Congress from reauthorizing fast track negotiating authority, (2) skipping the 1995 APEC Leaders' Meeting in Osaka, Japan, (3) failing to produce a credible U.S. action plan for APEC trade and investment liberalization, (4) pushing for managed trade with Japan, (5) dishonoring the American commitment to conclude World Trade Organization agreements to liberalize trade in certain services, (6) delaying the accession of Chile, an APEC member, to the North American Free Trade Agreement (NAFTA), and (7) failing to work with Congress to reform U.S. agricultural programs that harm other APEC members.

Asia-Pacific Economic Cooperation Members



**APEC Members Have a Combined Gross Domestic Product of Over \$13 Trillion —
About One-Half of the World's Total Output**

The 18 economies that APEC encompasses are important to America's future.¹ Together, APEC members have a gross domestic product (GDP) exceeding \$13 trillion, or about one-half of the world's total output. APEC members account for 46 percent of the world's total merchandise trade. Indeed, the volume of U.S. trade with other APEC economies is staggering. In 1995, total U.S. two-way merchandise trade with APEC members was \$872.4 billion or 65.7 percent of America's total two-way merchandise trade. Goods exports to APEC members provide paychecks to approximately 7.3 million American workers. Moreover, citizens of the U.S. and other APEC members are large investors in each other's economies. In 1995, U.S. direct investment in other APEC members was \$225.4 billion or 31.7 percent of U.S. direct investment worldwide while direct investment by other APEC members in the U.S. was \$172.5 billion or 30.7 percent of total foreign direct investment in the U.S.

Clinton's dithering between liberalization and protectionism has been particularly damaging in Asia. Because America's commitment to free trade and investment with Asia appears to be waning, Malaysian Prime Minister Mahathir bin Mohamad may be tempted to revive his dormant idea of an Asia-only trading bloc that excludes the United States. Until now, APEC's existence has prevented such a bloc from emerging.

¹ APEC originally had twelve members: Australia, Brunei, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, and the United States. In 1991, the People's Republic of China, Hong Kong, and Taiwan (as "Chinese Taipei") joined, followed by Mexico and Papua New Guinea in 1993 and Chile in 1994.

Reaffirming America's commitment to free trade and investment and restoring consistency to U.S. trade policy toward Asia is an important priority for the next four years. In particular, the United States must leave no doubt among Asians about its commitment to APEC and its resolve to achieve a free trade and investment area in the Asia-Pacific. Therefore, the President should:

- **Ask Congress for fast track authority to negotiate trade and investment agreements free of contentious environmental and labor standards issues.** Fast track is needed to present a substantive action plan for trade and investment liberalization in APEC, to participate in any future round of WTO negotiations, and to bring Chile into NAFTA.
- **Participate fully in APEC's "concerted unilateralism" process.** Under concerted unilateralism, each APEC member prepares its own plan to liberalize trade and investment, with each plan then subject to peer review to help assure compliance in achieving the ultimate goal. At present, there are still too many differences among APEC members for formal trade negotiations to succeed. Concerted unilateralism allows APEC members to take small but concrete steps each year and to gain confidence in each other.
- **Support Australia's initiative to harmonize existing free trade agreements within the Asia-Pacific region.** These agreements are NAFTA, the Australia-New Zealand Closer Economic Relations Agreement (CER), and the ASEAN Free Trade Area (AFTA). This action would enhance the prospects for broader trade and investment liberalization within APEC.
- **Work with other APEC members in the WTO to complete the unfinished items from the Uruguay Round negotiations.** These include sector agreements to liberalize financial and basic telecommunications, and new negotiations to liberalize agricultural trade.
- **Bring Chile into NAFTA by the end of 1997.** Since Chile belongs to APEC, other members see Chile's accession as a test of whether the United States is willing to make a free trade and investment agreement with a developing country that is not on America's border. Although Mexico joined NAFTA in 1994, Asians feel that this is a special case because of Mexico's proximity to the U.S. Chile's prompt accession to NAFTA would help Washington to regain the trade and investment liberalization initiative in the Asia-Pacific region.
- **Invite other Latin American countries, starting with Argentina and Peru, to join APEC.** The U.S. should press APEC to lift its moratorium on new members. Chile and Mexico are already APEC members. Adding other Latin American countries such as Argentina and Peru, which have demonstrated their willingness to open to APEC, would swing the balance of power within APEC away from the Asian "go slow" group of China, Japan, South Korea, and Malaysia and accelerate trade and investment liberalization.
- **Ask Congress to eliminate the dairy, agriculture export subsidy, and sugar programs** that cost American consumers and taxpayers more than \$10 billion every year and undermine U.S. credibility on trade liberalization with many APEC members.

THE FORUM FOR ASIA-PACIFIC ECONOMIC COOPERATION (APEC)

The forum for Asia-Pacific Economic Cooperation is the institutional link between the economies of the Americas and Asia. Fearing a breakdown in the global trading system into competing regional trading blocs, former Australian Prime Minister Bob Hawke in November 1989 invited trade ministers from countries in East and Southeast Asia, Canada, New Zealand, and the United States to meet in Canberra. There they established APEC as a regional forum for consultation about international economic issues. Since then, APEC has evolved rapidly and acquired a broad mandate for liberalizing trade and investment.

APEC's transformation began at the Ministers' Meeting in Bangkok, Thailand, in September 1992. There, APEC established a small secretariat, which opened in Singapore in February 1993. It also created the Eminent Persons Group, an advisory body composed of senior economists and other experts, to chart APEC's future.

The next major step occurred in 1993 when President Clinton added a Leaders' Meeting to the annual Ministers' Meeting. At this first Leaders' Meeting held on November 20, 1993, on Blake Island near Seattle, Washington, President Clinton and the other heads of government adopted an Economic Vision Statement setting as APEC's goal "the progressive development of a community of Asia-Pacific economies with free and open trade and investment."² The leaders charged the Eminent Persons Group "to present further more specific proposals on how the recommended long-term vision might be realized."³ In response, the Eminent Persons Group, chaired by C. Fred Bergsten, a former U.S. Treasury official and Director of the Washington-based Institute for International Economics, issued a report on August 30, 1994, calling for an APEC-wide free trade and investment area.

Accepting the Eminent Persons Group's challenge, President Suharto of Indonesia, who was then APEC's chairman, forged a historic agreement at the next APEC Leaders' Meeting in Bogor, Indonesia, on November 15, 1994. In the Bogor Declaration of Common Resolve, President Clinton and the other heads of government agreed to create a "free trade and investment area in the Asia-Pacific." They also decided to implement this plan by no later than 2010 for developed economies such as the United States or Japan and no later than 2020 for developing economies such as Chile, China, or Indonesia.⁴

At the Leaders' Meetings in Osaka, Japan, on November 19, 1995, APEC adopted a process known as "concerted unilateralism" as the means of erecting a free trade and investment area. Under this process, instead of negotiating a formal trade agreement such as NAFTA, each member must propose its own individual action plan for realizing the

2 "Achieving the APEC Vision: Free and Open Trade in the Asia Pacific," Second Report of the Eminent Persons Group, Singapore: Asia-Pacific Economic Cooperation, August 1994, p. 1.

3 *Ibid.*

4 "Implementing the APEC Vision," Third Report of the Eminent Persons Group, Singapore: Asia-Pacific Economic Cooperation, August 1995, pps. 1-2.

common goal of free trade and investment. Each plan is subject to peer review and pressure to prevent any shirking from the ultimate goal.

In the Osaka Action Agenda communiqué, the leaders directed their trade ministers to prepare concrete and substantive individual actions plans that would be vetted in a series of APEC meetings in 1996. The leaders directed APEC's Chairman, President Fidel Ramos of the Philippines, to assemble these plans and meld them into a comprehensive Manila Action Plan for APEC. This plan could then be approved at the APEC Ministers' Meeting on November 22-23, 1996, in Manila and the Leaders' Meeting on November 24-25, at Subic Bay. The leaders also set January 1, 1997, as the target date to begin implementing the Manila Action Plan for APEC.

Despite these agreements, there remain divisions within APEC. An Asian group, composed of China, Japan, South Korea, and Malaysia, advocates a "go slow" approach to trade and investment liberalization. This group wants APEC to focus on small, but practical measures to facilitate trade, such as developing a common visa for businessmen traveling in the region or harmonizing product standards and professional licensing during the next few years. This group and some countries from the Association of South East Asian Nations (ASEAN) oppose expanding APEC membership to India and other countries in Latin America. They lobbied other APEC members and won a three-year moratorium on new members that began in 1994.

Another group, composed of Australia, Canada, Chile, New Zealand, and Singapore, wants to emphasize rapid trade and investment liberalization among APEC members. This group is more willing to expand APEC's membership.

WHY APEC IS GOOD FOR AMERICA

Achieving APEC's goal of a free trade and investment area in the Asia-Pacific would benefit the American people enormously. In February 1996, the Australian Industry Commission published the most comprehensive study to date on the economic effects of APEC trade liberalization. The Commission found that comprehensive free trade (both goods and services) and investment within APEC would increase real GDP by 0.7 percent or \$70 billion by 2010 in the United States, Canada, and Mexico above and beyond any gains from Uruguay Round liberalization. Likewise, total exports from North America would rise by an additional 18.4 percent above any increase due to the Uruguay Round. Moreover, if APEC trade and investment liberalization were combined with trade facilitation measures, real GDP in North America would rise faster—1.5 percent or \$140 billion by 2010.⁵

5 Industry Commission, *Impact of APEC's Free Trade Commitment* (Canberra: Commonwealth of Australia, February 1996), pp. 13, 15, 24. To facilitate trade, APEC economies have pledged to: simplify and harmonize customs procedures; ensure the transparency of product standards, align national product standards with international ones, and achieve mutual recognition of product testing; introduce or maintain adequate competition policies to prevent domestic firms from colluding to exclude their foreign rivals from their home markets; liberalize government procurement procedures; and promote the transparency of other economic regulations and eliminate distortions from overly restrictive or discriminatory regulations.

Moreover, APEC not only promotes trade and investment liberalization in the Asia-Pacific but also serves other American interests. For example, APEC:

- **Promotes trade and investment liberalization not only across the Pacific but in the rest of the world as well.** APEC is committed to the concept of “open regionalism.” This means that APEC seeks not only to eliminate trade and investment barriers within APEC, but also to lower trade barriers progressively between APEC and the rest of world. APEC liberalization is not an alternative to multilateral liberalization through the World Trade Organization. Indeed, APEC fully supports the WTO and all of the Uruguay Round Agreements, and favors a new round of WTO negotiations to progress as rapidly as possible toward global free trade and investment. However, APEC acknowledges that regional groups of like-minded countries may move far faster toward free trade and investment than can the WTO with its diverse global membership. Thus, regional groups may provide both a model and an inspiration for trade and investment liberalization to the rest of the world. In this sense, parallel regional and multilateral trade liberalization initiatives are mutually reinforcing. Indeed, the emergence of APEC as a regional trade organization in 1993 is widely credited with bringing the Uruguay Round negotiations to a successful conclusion.

Once again in 1996, APEC is expected to use its influence to promote multilateral liberalization by endorsing the proposed Information Technology Agreement. Suggested by Japan and the United States, this agreement would eliminate all tariffs on computers, semiconductors, software, and telecommunications equipment by 2000. It will be presented for approval to WTO Ministerial Conference in Singapore on December 9-12, 1996.

- **Prevents the emergence of an Asia-only trading bloc.** Some Asian leaders, especially Malaysian Prime Minister Mahathir bin Mohamad, have advocated forming an Asia-only trading bloc that would focus primarily on liberalizing trade within Asia rather than across the Pacific Ocean. In 1990, Mahathir proposed that China, Japan, South Korea, and the ASEAN countries form an East Asia Economic Group (EAEG). Although Beijing was supportive, both Tokyo and Seoul feared that an EAEG would exacerbate trade tensions and undermine security cooperation with the United States, and they joined the Bush Administration in opposing it. Failing to garner Japanese or South Korean support, Mahathir scaled back his proposal to establishing a less formal East Asian Economic Caucus (EAEC). Eventually, the Clinton Administration and other APEC governments agreed to establish an EAEC as a discussion group within APEC in 1993. Since the Bogor Declaration in 1994, APEC has been the main focus for trade and investment liberalization efforts in Asia. Talk about an Asia-only trading bloc has died off. However, if APEC trade and investment liberalization should falter, nationalists in Asia could press once again to convert the EAEC into an Asia-only trading bloc.

An Asia-only trading bloc with Asia would be very detrimental to American interests. U.S. two-way merchandise trade with Asia exceeded \$403 billion in 1995. Goods exports to Asia supported more than 3.8 million jobs in the U.S. An inward-looking Asia-only trading bloc could reduce American exports to Asia and threaten the paychecks of many American workers. Moreover, an Asia-only trading bloc that excludes the United States likely would reduce the willingness of Congress and the

American people to support an active political role and a visible military presence in the region. An American withdrawal could threaten peace and prosperity in Asia.

- **Helps foster greater trust and cooperation between China and Taiwan.** APEC admits economies, not countries as members. By skirting the question of political sovereignty, this technical distinction allowed China, Hong Kong, and Taiwan (as "Chinese Taipei") to join APEC in 1991 as separate members. Thus, APEC is the only major international organization to which both the People's Republic of China and Taiwan belong.⁶ Given the current tensions, APEC provides an important bridge for peaceful cooperation between China and Taiwan.

WHY AMERICAN INFLUENCE IN APEC IS WANING

President Clinton's vacillating trade policy has diminished American influence over the direction of trade and investment in APEC. America's trading partners in the Americas and Asia welcomed many of the Clinton Administration's trade and investment initiatives during its first two years in office. Asians cheered President Clinton's decision to hold the first APEC Leaders' Meeting and to support the creation of an APEC free trade and investment area. Moreover, Asians also applauded when President Clinton:

- **Won congressional approval for the North American Free Trade Agreement (NAFTA).** President Clinton signed implementing legislation into law on December 8, 1993, that let APEC member Mexico join the existing Free Trade Agreement between Canada, another APEC member, and the U.S.
- **Won congressional approval for the Uruguay Round Agreements.** President Clinton signed implementing legislation into law on December 8, 1994. APEC strongly supported these agreements and the establishment of the WTO.
- **Hosted the Summit of the Americas in Miami, Florida, on December 8-11, 1994.** There, President Clinton and the heads of government of all the countries in the Americas except Cuba signed a Declaration of Principles. This declaration committed the United States and the 33 other countries to creating a Free Trade Area of the Americas (FTAA) by 2005.
- **Invited Chile, an APEC member, to begin negotiations to join NAFTA.** Following the Summit of the Americas, President Clinton, Canadian Prime Minister Jean Chretien, and Mexican President Carlos Salinas met with Chilean President Eduardo Frei. There, they committed to help Chile join NAFTA by 1997.

In contrast to praiseworthy initiatives such as APEC, FTAA, NAFTA, and the Uruguay Round during his first two years in office, President Clinton began responding to protectionist voices within his own political coalition in early 1995. Since then, the Clinton Administration has veered away from trade and investment liberalization. In a trade policy "U-turn," President Clinton has:

⁶ "Chinese Taipei" and Hong Kong participate in all APEC functions except Leaders' Meetings, which are considered to have a political as well as an economic character.

- **Blocked Congress from reauthorizing fast track negotiating authority by demanding that controversial environmental and labor standards be added to all future trade and investment agreements.** President Clinton let fast track authority for negotiating new trade and investment agreements expire in 1994. Under fast track authority, trade and investment agreement negotiated by the President are submitted to Congress for a straight up-or-down vote; Congress may not amend any portion of proposed agreement before voting on it. For the last two years, the Clinton Administration has insisted that any bill reauthorizing fast track must allow the President to negotiate on environmental and labor standards issues.

This position has caused fast track to stall in Congress. Republican leaders fear that environmental and labor rules in trade agreements could be misused to protect certain industries. They offered to pass a "clean" fast track bill without the authority to negotiate on environmental and labor standards issues, but the Administration rejected this approach. Without fast track authority, no country will enter into serious trade and investment liberalization negotiations with the United States.⁷

- **Skipped the APEC Leaders' Meeting in 1995.** President Clinton did not attend the APEC Leaders' Meeting in Osaka, Japan, on November 19, 1995, because of the budget stalemate with Congress. Although Vice President Al Gore did go in Clinton's place, this decision raised questions among the other leaders about the Clinton Administration's commitment to APEC.
- **Failed to produce a credible APEC action plan.** The lack of fast track authority has slowed the progress toward creating an APEC free trade and investment area. Without fast track authority, the Clinton Administration was unable to propose any new trade and investment liberalization initiatives in America's APEC action plan. The Administration's action plan is merely a restatement of trade liberalization commitments made in the Uruguay Round Agreements. Because of the inability of the United States to make any new commitments, other APEC members were reluctant to make substantive commitments in their own action plans. Thus, when the action plans were presented for review at a meeting in Christchurch, New Zealand, on July 15, 1996, APEC trade ministers were so embarrassed by how few trade and investment liberalization commitments were offered that they sheepishly agreed to rework and resubmit their action plans. However, it is unclear what additional liberalization commitments other APEC members are willing to make if the United States still has nothing to offer.
- **Pushed for managed trade with Japan.** The Clinton Administration attempted to impose managed trade policies on Japan in the auto and automotive parts dispute of 1995. The Clinton Administration also wanted to renew an agreement with Japan establishing import targets for semiconductors in 1996. This strategy alarmed free trade advocates in Canberra, Ottawa, Santiago, Singapore, and Wellington. Although To-

⁷ If Congress were allowed to amend trade agreements, it would likely accept the concessions that foreign governments made to reach a deal while voting to reject U.S. concessions. Such an outcome is obviously unacceptable to any foreign government. To encourage foreign governments to negotiate trade agreements with the United States, Congress devised the fast track procedure to force itself to accept or reject trade agreements as a whole.

kyo and Washington ultimately reached an auto and automotive parts agreement, which avoided mandatory quotas, in 1995 and agreed to drop import targets from the semiconductor agreement in 1996, Clinton's approach to the conflict alienated other APEC members. Consequently, American influence over the direction of trade and investment liberalization in the Asia-Pacific region has been effectively diminished.

- **Dishonored the American commitment to liberalize trade in services through the WTO.** APEC members are concerned that the Clinton Administration's withdrawal from WTO negotiations to liberalize trade in financial services and basic telecommunications may foreshadow unilateral actions to open financial services and telecommunications markets in Asia. One of the Uruguay Round Agreements, the General Agreement on Trade in Services or GATS, establishes a general framework for liberalizing trade in services and mandates a timetable for reaching sector agreements covering financial services and basic telecommunications.⁸ During the last two years, the Clinton Administration walked out of WTO negotiations for both sectors literally hours before agreements were scheduled to be concluded because some American firms were dissatisfied with the market liberalization offers from certain Asian countries. For financial services, the Administration rejected the offers of India, Japan, South Korea, and certain ASEAN countries and suspended negotiations on June 29, 1995.⁹ For basic telecommunications, India and the ASEAN countries once again failed to produce acceptable offers so the Clinton Administration left WTO negotiations on April 30, 1996. Consequently, the WTO pushed back the deadlines for achieving permanent financial services and basic telecommunications agreements to December 31, 1997, and February 15, 1997, respectively.
- **Delayed Chile's accession to NAFTA.** Asians are closely monitoring Chile's accession to NAFTA as test of U.S. resolve. Asians reason that if President Clinton cannot bring a small developing country, whose gross domestic product is 0.9 percent of the size of the U.S. economy, into NAFTA, the United States will not be able to fulfill its APEC free trade and investment commitments with much larger developing economies of the People's Republic of China, Indonesia, Malaysia, or Thailand.

Chile will not begin negotiations to join NAFTA until President Clinton secures fast track authority from Congress. The Administration's stubborn refusal to compromise with Congress on environmental and labor standards issues has effectively kept Chile out of NAFTA. However, Chile is not waiting on the sidelines for President Clinton and Congress to act. Instead, Santiago is exploring other options for trade and investment liberalization. Chile already has a bilateral free trade agreement with one APEC member, Mexico, and is discussing possible free trade and investment agreements with two other APEC members, Canada and New Zealand.

⁸ Basic telecommunications refers to long distance and international services. "Value-added" telecommunications services such as electronic mail, voice mail, on-line information and data base retrieval, and electronic data interchange are covered by a separate sector agreement.

⁹ After the U.S. withdrawal, the other WTO members agreed to an interim financial services agreement that expires on December 31, 1997.

- **Failed to eliminate trade-distorting American agricultural policies.** Agriculture is a major issue for a number of APEC members, especially Australia, Canada, Chile, Indonesia, Malaysia, New Zealand, the Philippines, and Thailand.¹⁰ On balance, these APEC members were pleased with the passage of the Federal Agricultural Improvement and Reform Act (FAIR) in 1996. This act gives U.S. wheat, feed grain, rice, and cotton farmers fixed, but declining subsidies through seven-year transition contracts and terminates production controls on wheat, feed grains, rice, and cotton. However, the FAIR Act was disappointing because it modified dairy and sugar programs only slightly and left export subsidy programs intact. The dairy and sugar programs cost American consumers \$9 billion and \$1.4 billion, respectively each year in higher prices, and the dairy program will add \$1.6 billion to federal expenditures over the next five years. Moreover, these agricultural programs depress world commodity prices by blocking farm imports into the United States or subsidizing farm exports to other markets. Lower world prices hurt farmers in APEC agricultural exporting countries such as Australia, New Zealand, the Philippines, and Thailand.

The United States shares a common interest with many APEC members in achieving free trade in agricultural products in APEC. Large potential markets for American farm production are only partially open in Japan and Taiwan and remain closed in China and South Korea. Indeed, the Australia Industrial Commission found that nearly one-third of the gains of APEC trade liberalization above and beyond any gains from the Uruguay Round are due to liberalizing the agricultural sector. Excluding agriculture, the gains to the United States and the rest of North America would fall by about \$23 billion or 0.3 percent of gross domestic product by 2010.¹¹ When the potential gains to the U.S. from free trade in agricultural commodities are so large, the agricultural exporting countries in APEC cannot understand why the Clinton Administration did not press Congress to eliminate the dairy, export subsidy, and sugar program when it considered the FAIR bill. They are concerned that President Clinton will not fight for free trade in agricultural products.

RESTORING AMERICAN LEADERSHIP IN APEC

The Clinton Administration's zigzagging between trade liberalization and protectionism has undermined confidence in American economic leadership and threatened the progress toward open markets in the Asia-Pacific region. This loss of American prestige and influence has been especially evident in APEC. President Clinton organized APEC's first Leaders' Meeting in 1993 and then worked for adoption of the Bogor Declaration in 1994. Since then, the Clinton Administration has placed little emphasis on APEC, and as a result the momentum toward APEC trade and investment liberalization has slowed.

10 Under the leadership of Australia, these APEC members along with Brazil, Colombia, Fiji, Hungary, and Uruguay formed the Cairns Group of agricultural exporting countries in 1986 to promote free trade in farm products. The Cairns Group succeeded during the Uruguay Round of multilateral trade negotiations in winning the first multilateral agreement to liberalize trade in agricultural products.

11 Industry Commission, *Impact of APEC's Free Trade Commitment*, p. 24.

An Asia-Pacific free trade and investment area remains in America's interest. But this objective may not be achieved unless the United States can exert more leadership in APEC. To do this, President Clinton should:

- **Ask Congress for fast track authority to negotiate trade and investment agreements free of contentious environmental and labor standards issues.** The Administration needs fast track authority to offer a substantive action plan for trade and investment liberalization at APEC, to bring Chile into NAFTA, to harmonize NAFTA with other regional free trade agreements, and to commence a new WTO negotiating round. The President should drop his insistence that authority to negotiate on environmental and labor standards issues must be included in the fast track legislation. Environmental and labor standards issues may have an international dimension, but they should be addressed in separate negotiations on their own merits.
- **Participate fully in APEC's "concerted unilateralism" process.** It is important to strengthen the APEC process through a building block approach. Concerted unilateralism allows members to take small but concrete steps each year toward APEC's ultimate goal of free trade and investment by 2020. More traditional negotiations eventually will be necessary to achieve APEC's goal of a free trade and investment area. However, there are too many differences among APEC members right now for the negotiations to succeed. Only after APEC members gain confidence in each other over the next few years will a more formal negotiating process be likely to succeed.
- **Support Australia's initiative to harmonize existing free trade agreements within the Asia-Pacific region.** At upcoming APEC meetings, Canberra will urge members to harmonize existing free trade agreements such as NAFTA, the Closer Economic Relations Trade Agreement between Australia and New Zealand (CER), and the ASEAN Free Trade Area (AFTA). The President should support this Australian initiative. It is a practical step toward trade and investment liberalization in the Asia-Pacific, and will make the goal of an APEC free trade and investment agreement much easier to achieve.
- **Work with other APEC members in the World Trade Organization to complete the unfinished items from the Uruguay Round negotiations.** APEC is strongly committed to implementing fully the Uruguay Round Agreements and strengthening the WTO. At the WTO Ministerial Meeting in Singapore in December 9-12, 1996, the Clinton Administration should press other WTO members to complete the unfinished items from the Uruguay Round. Washington must work with other APEC members to reach agreements on liberalizing trade in financial services and basic telecommunications services by 1997. Moreover, Washington and other agricultural exporters in APEC must work together to prepare for the new negotiations on liberalizing agricultural trade that are scheduled to begin in 1999.
- **Bring Chile into NAFTA by the end of 1997.** Since Chile belongs to APEC, other members—especially the ASEAN countries—are looking at Chile's accession as a test of whether the United States is willing to make a free trade and investment agreement with a developing country. Chile's prompt accession to NAFTA would demonstrate American resolve to achieve an APEC free trade and investment area.
- **Invite other Latin American countries, starting with Argentina and Peru, to join APEC.** The Clinton Administration has mistakenly opposed adding new members to

APEC. Instead, the U.S. should be pressing APEC to lift its moratorium on new members. Adding Latin American countries, which have demonstrated their willingness to open their markets and implement a Free Trade Area of the Americas (FTAA), would swing the balance of power within APEC away from the Asian "go slow" group of China, Japan, South Korea, and Malaysia. Argentina and Peru have expressed an interest in APEC membership and would push APEC toward more rapid liberalization.

The six ASEAN countries that currently belong to APEC will sponsor their new member, Vietnam, for APEC membership after the moratorium expires in 1997. This creates an opportunity for the U.S. to help Argentina and Peru join also. President Clinton should offer to trade U.S. support for Vietnam's APEC membership in exchange for Asian support for Argentina's and Peru's candidacy.

- **Ask Congress to eliminate the dairy, agriculture export subsidy, and sugar programs.** With the passage of the FAIR Act, the U.S. began winding down many economically irrational programs. However, the dairy, export subsidy, and sugar programs survived largely intact. These programs simultaneously raise U.S. consumer prices, cost American taxpayers billions of dollars annually, and decrease world prices for agricultural commodities. Eliminating these programs will improve American relations with a number of APEC members. The President can use this good will as negotiating leverage with the ASEAN countries to pressure them to open their services markets to American providers.

CONCLUSION

Expanding trade and investment with the fast growing economies of Asia and Latin America is a vital American interest. APEC, which is committed to creating a "free trade and investment area in the Asia-Pacific" by no later than 2020, is the institutional means through which the U.S. can realize this objective.

President Clinton had a number of major accomplishments in trade and investment liberalization during his first two years in office. Since then, however, the President has blocked Congress from reauthorizing fast track negotiating authority, failed to pursue promising trade initiatives, flirted with protectionism, and dishonored U.S. trade commitments. This vacillating trade policy has dismayed America's trading partners, undermined American leadership, and endangered the prospects for APEC trade and investment liberalization.

President Clinton must regain the initiative and restore American leadership for international trade and investment liberalization. He must take concrete actions to reassure trading partners in the Asia-Pacific that U.S. remains committed to APEC. These steps include securing fast track authority and offering a credible U.S. action plan for trade and investment liberalization in APEC. Presidential deeds, not rhetorical phrases, are needed to keep APEC on track toward its free trade and investment goal.

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