



UNITED STATES DEPARTMENT OF
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REMARKS OF
HONORABLE ROBERT MOSBACHER
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AT THE COLUMBIA INSTITUTE
CONFERENCE ON 1992
WASHINGTON, D.C.
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Senator Roth; Mr. Frenzel; Mr. Downey; ladies and gentlemen:

I am very pleased to be here today. There are few other aspects of our trade relationships as important as Europe 1992, and I want to compliment the Columbia Institute for putting together an excellent conference.

However, I would first like to spend a little time on our trade situation more generally and to outline our priorities in international commerce.

The President has said there is a new breeze blowing, and a new chapter for America is beginning. This includes our approach to trade. We must set a new course, one that will move towards ridding us of our trade deficit and keep America on a solid competitive footing.

The trade figures released by the Commerce Department a week ago show that the U.S. trade deficit declined \$33 billion dollars last year. This is down from its 1987 peak of \$170 billion -- and that's good news. But the bad news is that our trade deficit still stands at \$137 billion. That is an unacceptable level.

Our deficit shrunk last year because our exports grew 27 percent and imports grew only 8.3 percent. If we could make these trends continue through this year, our 1989 trade deficit would be less than \$100 billion.

However, we cannot expect these trends to continue on their own. What is called for is an intensive effort by American exporters, along with government policies that will support their efforts.

I see two key areas for an intensified government role, a role requiring close and constructive cooperation between the Administration and the Congress.

COMMERCIAL POLICY

The first is commercial policy. The American market is among the most open in the world, and our imports are the world's largest. We initiated every round of GATT trade negotiations, from the Geneva Round in 1947 to the Uruguay Round today. The United States is second to none in its market openness and its sacrifices for the world trade system.

But trade must be a two-way street. To those who believe that they can continue to sell to our markets while keeping us out of theirs, I have a message: Those days are over.

The days are gone when countries can sell billions to our market, but tell us that they are too weak to permit U.S. computers or insurance, or our other competitive goods and services to be sold in their markets.

The days are gone when we are willing to negotiate for years over whether we can export a few more crates of oranges or lemons or cigarettes or whatever.

The days are gone when we can allow a few countries amounting to a small fraction of world trade to hold up global progress on improving international trade rules.

The days are gone when less developed countries can receive the benefits from trade liberalization without accepting the obligation to open their markets at the same time.

An open America is best for us and for the world. But the world must be open to America as well. As President Bush has said, "America has been the world's market. Now it is time for the world to be our market."

U.S. COMPETITIVENESS

The second area is U.S. competitiveness. We can't kid ourselves and say our trade deficit is someone else's fault. The fact is that we must share the blame.

We have allowed ourselves to be outsold in world markets and in many cases in our own market.

In innovation, investment, marketing, and pricing -- American industry must do more. Excellence and quality must be the acceptable standard -- not mediocrity.

We cannot afford to be priced out of world markets, and this must stop. We cannot afford a position in which American industry fails to build added capacity for expanding export markets. We cannot afford to take short term profits and lose long term markets. American industry must learn to do what others do, and pull out all stops to win and hold foreign customers.

As Secretary of Commerce, I intend to both help and challenge industry to be global competitors.

We have made important progress in some areas. I was in Chicago at the Auto Show last week, and I can tell you that quality is alive and well in our auto industry. Competition from abroad has shaped our quality awareness and effectiveness from where they were just a few years ago.

But we have just begun. American industry must double and redouble its investment, its research, and its quest for excellence. But industry must also receive the tools it needs, perhaps antitrust legislation designed for today's competitive global economy -- rather than designed for the first quarter of this century.

If we are going to invest more, then we have to save more. The U.S. economy has been running at too high a consumption rate, with insufficient saving. Last year, personal savings were only 3 percent of our GNP -- an amount which was consumed by a Federal deficit of almost exactly the same size.

We have to reduce our twin deficits, painful as that will be. The key lies in the budget that President Bush submitted to the Congress. The dialogue and debate must begin as soon as possible.

American savings have to grow. The President's proposals for reducing the capital gains tax will help here. With a three-year time horizon, this will give investors a longer-term view and increase jobs, encouraging investment and more research and development.

President Bush has picked competitiveness as one of his highest priorities. He has asked Vice President Quayle to head a national task force on competitiveness, and I will work hand in hand with him to see that U.S. business obtains the best possible environment to foster competitiveness.

Europe 1992

How does Europe 1992 relate to what I have been discussing?

Very importantly. Together, the European Community and United States produce two-thirds of the western world's GNP. Europe is our largest customer and our largest competitor.

Europe 1992 is the European Community's attempt to complete what it set out to do in 1958 -- to create one single market without internal borders. They are trying -- making great strides toward combining their still separated 12 country markets into one market of 320 million people.

An economically stronger, more competitive, and technologically innovative Europe is in our strategic and economic interests. A single European market open to the world provides the best basis for growth in global business and multilateral trade cooperation.

The Bush Administration's position is simple and direct. We want 1992 to succeed in creating a more open, competitive Europe -- a Europe open to the world

as well as to itself. And we want to work with our European partners to help accomplish this ideal.

For the past several months, Commerce Department specialists have been working with over a hundred trade associations and thousands of individual companies to analyze the proposed 1992 directives.

Their preliminary conclusion is that most of these directives will improve business opportunities in Europe. But they also believe that in some areas, the EC's proposals could diminish market access for U.S. companies, disadvantaging them relative to European companies. These are the areas in which we need to work with our European partners.

The business leaders with whom I have spoken share the view that there are some problems, but that generally the EC's proposals should expand the market opportunities for U.S. companies -- both exporters and investors.

But government analysts and business executives also share a concern that narrow national interests may delay the liberalization of European markets and that special interests will seek to deny the benefits of 1992 to non-EC countries.

Why do we have this concern? Because the impact of 1992 lies not only in the drafting of directives, but in their implementation. Thus the shape of Europe 1992 will not be known for some years.

The reality is that many Europeans are not completely in favor of more open markets. Some European companies have been accustomed to having their inefficiency shielded by their governments. This is, in fact, a major reason why the European Community was unable in its first 30 years to build a single internal market.

In a sense, 1992 marks a shift in majority view away from protection and toward openness -- a willingness to gamble that this openness will work. But there is still a substantial minority who will seek to maintain or increase their protection.

The implementation of Europe 1992 will reflect the day in and day out balance of these forces. We cannot expect the forces of free trade to win each of these skirmishes. Thus, while I do not foresee a "fortress Europe," it would be naive to believe that there will not be a few "strongholds" here and there. We must work to eliminate these where we find them.

I intend to initiate additional dialogue between the EC and U.S. business interests. Our goal is to provide a meaningful exchange of information.

What happens within the EC can have a profound effect on us and on our trade and investment interests. Moreover, parts of the 1992 program are already being implemented. We cannot wait until regulations are cast in concrete before we discuss our concerns.



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toward a goal of a free trade area with Europe will not be achieved unless we have a strong and competitive U.S. economy. I will work closely with both the private sector and the U.S. business community to develop the best ways to increase the involvement of U.S. interests. And I intend to consult with the EC Commission and European governments and standards groups to increase the transparency of this process.

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Conclusion

In concluding, let me tell you that the Commerce Department is ready to help. I have established Europe 1992 as one of our highest priorities. Over 6,000 American firms have already contacted the Commerce Department for information and assistance. Commerce staff have distributed over 50,000 copies of individual EC directives to American companies.

We are designing an expanded trade promotion and business assistance program, both through the Commerce Department in Washington and through Commerce Department District Offices coast-to-coast. The brochures which have been made available in this conference tell you how you can use these services.

I encourage you to use them, for 1992 is coming. It is coming for companies that are prepared. And it is coming for those that are not. I urge you to be among the former.

In closing my remarks, I would like to tell American companies to begin planning now for Europe 1992, for that is exactly what your competition is doing.

It is a mistake to hold back in the fear that "fortress Europe" is being created. Most of the opportunities being created by Europe 1992 are available to U.S. companies -- large and small. Where there are problems, I am optimistic they can be solved.

Thank you.

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must be... three important components...
First, we must assure Europe that we will maintain and intensify our commitment to open markets. We will not use the authority in the Omnibus Trade Act to close our markets, but rather to help open markets globally. We must also work with Europe to find a quicker, less confrontational way to resolve our trade disputes.

Second, we must renew our commitment to the Uruguay Round, and to seek a similar commitment from the European Community. The EC must not hold back from the Uruguay Round because of preoccupation with its efforts to develop a single market.

And third, we must seek to engage the EC in a broadened productive dialogue at all levels. When we have problems, we must say so and must seek solutions. We have made it plain, for example, that we are unable to accept any EC concept of "reciprocity" that violates the principles of national treatment and nondiscrimination which are the very foundation of international trade and investment.

As the advocate for U.S. business in the Administration, I will engage in this broadened dialogue on industrial issues, on factors such as standards development, testing and certification, and individual industry concerns.

I have advocated a seat at the table at least as an observer. What I mean by this is that U.S. companies be kept current on progress -- particularly in regard to standards development.

All of us in the Administration will forcefully advocate vital U.S. business interests through regular meetings with our EC counterparts.

The first area in which this is needed is standards development. European regional standards bodies such as the Committee for European Standardization (CEN) and CENELEC are converting EC directives into hundreds of technical standards.

This process does not provide adequate transparency or the opportunity for U.S. firms to provide meaningful comments. American firms are concerned the process can be used by individual European producers to develop unique standards favoring their own products.

The United States subscribes to very open standards procedures, and I believe European standards bodies should allow U.S. business substantially equivalent access to their procedures.

Improving the openness of the European standards environment as well as testing and certification is in the interests of European as well as non-European companies. I also believe this would go a long way