

Jan. 29 / Administration of William J. Clinton, 2000

It's important to remember how this happened. It began in 1993 with a new economic plan that cut the deficit while making investments in our people and our future. When deficits fell, interest rates came down, mortgage payments came down, lower car and student loan payments resulted. There was greater business investment, more jobs, more economic growth. So this fiscal discipline has moved us from record budget deficits and high unemployment to record budget surpluses and unimagined economic strength. Now is not the time to change course.

In the well of the House of Representatives 2 nights ago, I challenged Congress to move forward on important priorities without giving up this fiscal discipline. If we will stay this course, we can pay the country's debt off, for the first time since 1835, over the next few years.

Today I am pleased to announce that congressional leaders from both parties and both houses of Congress have accepted my invitation to come to the White House next Tuesday to discuss how we can move forward together.

Let me say again, first and foremost, I hope we can agree on my plan to pay down the debt entirely over the next 13 years and make America debt-free for the first time since Andrew Jackson was President in 1835, and then to use the benefits of debt reduction to preserve Social Security and Medicare and specifically to make a bipartisan downpayment on Social Security

reform by crediting the interest savings from debt reduction to the Social Security Trust Fund. That'll keep it strong and sound for 50 years and take in the lifespan of the baby boom generation.

We also ought to agree to reserve a third of the surplus to further reduce the debt so we have the resources in the future to protect Medicare. I want to dedicate nearly \$400 billion of this projected surplus to keep Medicare solvent past 2025 and to add a voluntary prescription drug benefit.

And as I said a couple of nights ago, we can't forget the unfinished business of the last Congress. They need, still, to pass a real Patients' Bill of Rights, commonsense gun safety legislation, campaign finance reform, hate crimes legislation, a raise in the minimum wage.

The state of our Union is the strongest it's ever been. This gives us the opportunity and the responsibility of a lifetime to shape the future of our dreams for our children. Our chance to do good has never been so great. Let us join together to seize this moment.

Thanks for listening.

NOTE: The address was recorded at 2:41 p.m. on January 28 in Suite 180 at the Granite Bank Gallery in Quincy, IL, for broadcast at 10:06 a.m. on January 29. The transcript was made available by the Office of the Press Secretary on January 28 but was embargoed for release until the broadcast.

## Remarks to the World Economic Forum and a Question-and-Answer Session in Davos, Switzerland January 29, 2000

*President Clinton.* Thank you very much. President Schwab, I think that it is an indication of the importance of the topic and the importance of the World Economic Forum that you have so many leaders from around the world here today. I see, just scanning the audience, the President of Colombia, the President of South Africa, Chairman Arafat, the Prime Ministers of Spain and Turkey, and a number of other leaders.

We have here with me today the Secretary of State, the Secretary of the Treasury, the Sec-

retary of Commerce, the Secretary of Energy, and our Trade Ambassador. There's no one home in Washington to take care of things. [Laughter] We have a large delegation from the United States Congress here; leaders from all over the world in business, public life; the leader of the American union movement, John Sweeney, whom I know has spoken to you.

So I think that maybe the presence of all these distinguished people in the crowd is evidence of the importance of our being here and

shows, in my mind, one of the things we need to determine to do as a people.

The World Economic Forum has been at it, as you pointed out, for 30 years now. The thing that I have appreciated most about your deliberations is your consistent focus on the future. For example, you spotted the networking of society before the Internet was out of its infancy. Both Vice President Gore and my wife, Hillary, have spoken here, and I am glad, even though I am late, to finally get in on the act. [*Laughter*]

Your theme, “New Beginnings: Making a Difference,” it seems to me, is the right theme. What I want to ask all of you to think about today is, what does making a difference and new beginnings mean in an era of globalization? What are the opportunities? What are the obligations? What are the hazards? What new beginnings will make a positive difference? And, perhaps the most difficult question of all, do we have the institutional and organized mechanisms to make them?

As we know, in many ways the global economy was almost as integrated as it is today 100 years ago. But after World War I, leaders in the United States and Europe made what all now recognize were false and shortsighted choices. Instead of partnership, they chose protectionism and isolationism. And for decades, globalization went in reverse, with utterly disastrous consequences.

After the second war, the leaders were given a second chance. This time it was clear that what was at stake was not simply the return of prosperity but the defense of freedom. They chose the path of economic and political partnership and set the stage for 50 years of growth across the globe. No one can seriously argue that the world would be a better place today if they had reverted to the old isolationism.

So today, at the start of a new century, the entire world, not simply Europe and the United States and the wealthiest nations of Asia, the entire world finds itself at a crossroads. Globalization is revolutionizing the way we work, the way we live, and perhaps most important, the way we relate to each other across national boundaries. It is tearing down doors and building up networks between nations and individuals, between economies and cultures.

The obvious consequence is that we are growing ever more interdependent, driven to be part of every vital network, understanding we cannot build our own future without helping others to

build theirs. Today, we know that because of scientific and technological advance, we can change the equation between energy use and economic growth. We can shatter the limits that time and space pose to doing business and getting an education.

But the openness and mobility, the flexible networking and sophisticated communications technologies that have made globalization what it is, so totally consuming—all these factors have also made us more vulnerable to some of our oldest problems.

Terrorism, narcotraffickers, and organized criminals, they can use all this new technology, too, and take advantage of the openness of societies and borders. They present all of us with new security challenges in the new century. The spread of disease; ethnic, racial, tribal, religious conflicts, rooted in the fear of others who are different—they seem to find ways to spread in this globalized era. And the grinding poverty of more than a billion people who live on less than a dollar a day and live for a year on less than what it costs to stay in a nice hotel at night—they, too, are part of the globalized world. A few of us live on the cutting edge of the new economy; too many of us live on the bare edge of survival, without the means to move up.

Those who wish to roll back the forces of globalization because they fear its disruptive consequences, I believe, are plainly wrong. Fifty years of experience shows that greater economic integration and political cooperation are positive forces. Those who believe globalization is only about market economics, however, are wrong, too. All these new networks must lead to new arrangements that work for all, that work to spur growth, lift lives, raise standards, both around the world and within nations.

Now, leaders from business, government, and civil society, therefore, must come together to build a future that can unite, not divide, us. We must recognize, first, that globalization has made us all more free and more interdependent. Those of us who are more fortunate must be more responsible and work harder to be good neighbors and good partners. The United States has a special responsibility in that regard, because we have been so fortunate in our history and so very fortunate over the last decade.

I came here today in the hope that by working together, we can actually find a way to create the conditions and provide the tools to give

people on every continent the ability to solve their own problems, and in so doing, to strengthen their own lives and our global economy in the new century.

I would like to make just a few points. First, I think we have got to reaffirm unambiguously that open markets and rules-based trade are the best engine we know of to lift living standards, reduce environmental destruction, and build shared prosperity. This is true whether you're in Detroit, Davos, Dacca, or Dakar. Worldwide, open markets do create jobs. They do raise incomes. They do spark innovation and spread new technology. They do—coupled with the explosion of international communications through the Internet, which is the fastest-growing network in history. For example, when I became President 7 years ago, there were only 50 pages on the World Wide Web. Today, there are over 50 million—in 7 years. Trade broadens the frontiers of possibility for all of those who have access to its benefits and the tools to claim them.

As I said a couple of days ago in my State of the Union Address, for me there is only one direction forward on trade, and that is to go on with what we're doing, recognizing that this is a new and very different world, that the idea that we would be better off with less trade, with less rule-based trade by turning away from our attempts to find international ways within which we can work together, I think is dead wrong.

Now, having said that, what does that mean? Well, for me, it meant that when, first our neighbors in Mexico and then our friends in Asia were in turmoil and crisis, the United States had to keep our markets open, even though it led to record trade deficits. For me, it means it's very important to get China into the World Trade Organization, to ensure that China's markets are open to us—even as we have our markets open to China—and to advance peace and stability in Asia and increase the possibility of positive change in China.

The changes in our markets are only beginning. You know, people have been trading goods across borders as long as there have been borders. But communications technology and the Internet are expanding trade in unprecedented ways many of you understand better than I. Today, everything from data processing to security monitoring to stockbrokering and advanced degrees can be bought and sold all over the

world. E-commerce creates enormous potential for growth anywhere, and it will continue to do so if we can resist the temptation to put up barriers to this important part of our new economy.

Trade is especially important, of course, for developing nations. Listen to this—this is something that I think people from the developing nations who oppose the WTO should think about—from the 1970's to the early nineties, developing countries that chose growth through trade grew at least twice as fast as those who chose not to open to the world. The most open countries had growth that was 6 times as fast.

Think about what Japan or the nations of southeastern Europe were like 50 years ago. They were poor, largely rural societies. Today, they are prosperous global leaders, in no small measure because of trade. Look at South Korea, Mexico, or Thailand, which built their growth on openness. Even after the recent traumas of financial crises, their national incomes are still more than double the 1970 levels, when they were more closed. And their gains in literacy, education, and life expectancy are truly extraordinary, far outpacing countries that chose not to open to the world.

Certainly, many of the people who have questioned the wisdom of open trade are genuinely concerned about the fate of the poor and the disadvantaged, and well they should be. But they should ask themselves, what will happen to a Bangladeshi textile worker or a migrant from the Mexican countryside without the prospect of jobs and industry that can sell to foreign as well as domestic consumers? What happens to farmers in Uruguay or Zimbabwe, in Australia, Europe, the United States, if protectionism makes it impossible to market products beyond their borders? How can working conditions be improved and poverty be reduced in developing countries if they are denied these and other opportunities to grow, the things that come with participation in the world economy?

No, trade must not be a race to the bottom, whether we're talking about child labor, basic working conditions, or environmental protection. But turning away from trade would keep part of our global community forever on the bottom. That is not the right response.

Now, that means, it seems to me, that we must face another challenge. The second point I want to make is that developing countries will only reap the benefits of integration in the world

economy if the industrialized countries are able to garner enough domestic support for policies that are often controversial at home. It is easier for us to gather here, in vigorous agreement—and I'm glad you brought Mr. Sweeney over so we could have an occasional voice of occasional disagreement.

But most of us here agree with everything I just said. Why? Well, we have seen and personally felt the benefits of globalization. But convincing our publics to go along, to go for greater integration in a rule-based system which might require them to change further and might require some of them, unlike most of us, to change what they do for a living, remains a challenge.

How shall we meet it? In the United States, we must overcome resistance to our groundbreaking trade agreements with Africa and the Caribbean Basin—even though if they both pass, their impact on our economy will be very small, while their impact on the African nations that participate and those in the Caribbean will be very large indeed. I am determined to pass both measures this year, and I think we'll succeed, but it's an indication of what kinds of problems every country faces.

Indeed, you probably have noted this, but one of the most ironic and, to me, disappointing consequences of our unprecedented prosperity, which has given us over 20 million new jobs in my country in the last 7 years, is that it seems to me that protectionist sentiment, or antitrade sentiment at least, is greater now than it was 7 years ago when I took office, in the United States Congress. I want to talk a little about that today and how it relates to what's going on in other countries. But we all have an obligation to work through that, nation by nation.

Part of what countries have to do is to be able to point to what other countries are doing and to say, "Well, look what they're doing; we ought to do this. We ought to do our part." That means we are significantly affected in the United States by the policies of Europe, Japan, and other wealthier countries. I think for its part, Europe should put its agricultural subsidies on the table. If even one-third of the world's subsidies and tariffs in agriculture were eliminated, the poorest developing countries that could export would gain more than \$4 billion in economic benefits every single year.

We can also, I must say, do better in the developed countries if we are able to make a more forceful case for the value of imports. None of us do this enough, and I must say, I haven't done this enough. We all go around talking about—every time we talk about trade agreements in our countries, we always talk about how many jobs will be created at home because we're opening markets abroad, and we make ourselves vulnerable to people who say, "But it may not reduce the trade deficit, and look how big it is."

So I just want to say, I wish everyone here would look at yourselves and ask yourselves if you are wearing anything made in a country other than the country where you live.

There are benefits to imports. We don't just do a favor to developing countries or to our trading partners in developed countries when we import products and services from them. We benefit from those products. Imports stretch family budgets. They promote the well-being of working families by making their dollars go further. They bring new technology and ideas. They, by opening markets, dampen inflation and spur innovation.

In a few days, we will have the longest economic expansion in the history of the United States. I am convinced one of the reasons that it will happen is that we have kept our markets open, even in tough times, so that there has always been pressure to keep inflation down as we continue to generate jobs and growth. I am convinced of it. And those of us in wealthier countries need to make the case that even when we have trade deficits, if we're growing jobs and we're gaining ground and the jobs are growing in areas that pay better wages, we are getting the benefits of imports. I think all people in public life have been insufficiently willing to say that. And we must do more.

The third point I would like to make is that we simply cannot expect trade alone to carry the burden of lifting nations out of poverty. It will not happen. Trade is essential to growth in developing countries, but it is not sufficient for growth in developing countries. Sustained growth requires investment in human capital, education, health care, technology, infrastructure. Particularly in an economy that runs more and more on brainpower, no investment pays off faster than education. The international community has set 2015 as a target for giving every child access to basic education. I'm asking our

Congress for more funding to help nations get more children out of work and into school. I hope others in the public and private sectors will join us.

Each year in the developing world, we see millions of lives lost and billions of dollars lost—dollars that could be spent in many more productive ways—to killer diseases like AIDS, malaria, and tuberculosis. Last year in Africa, AIDS killed more people—10 times more—than all the wars did. We have the technology to find vaccines for those diseases. We have medications that can lengthen and improve the quality of life.

But let's face a fact. The pharmaceutical industry has no incentive to develop products for customers who are too poor to buy them. I have proposed a tax credit to say to our private industry, if you will develop these vaccines, we'll help to pay for them. I hope the World Bank, other nations, and the corporate world will help us in meeting this challenge. If we could get the vaccines out to the people who need them in time, we could save millions and millions of lives and free up billions of dollars to be invested in building those lives, those societies into strong, productive partners, not just for trade but for peace.

We can also help countries help themselves by lifting their crippling burden of debt, so they'll have more to invest in their people and their future. The Cologne debt initiative commits us to reducing the foreign debt of the world's poorest and most indebted nations by as much as 70 percent. Last fall I pledged that the United States would forgive 100 percent of the debts those countries owe to us. This year I will work to fund our share of the multilateral debt relief. I am pleased that so many others have made similar pledges and look forward to the first countries benefiting from this initiative very soon. If we keep working on this, expanding it, and we all pay our fair share, we can turn a vicious cycle of debt and poverty into a virtuous cycle of development and trade.

The last point I'd like to make on this is that I think the developed countries who want an open trading system that has the trust and confidence of developing countries should also contribute to indigenous trade, which may not be directly related—excuse me, indigenous economic development, which may not be directly related to trade. Just for example, the United States Agency for International Development

each year funds about 2 million microenterprise loans in poor communities in Africa, Asia, and Latin America.

I will never forget going to small villages in Senegal and Uganda and seeing people who had gotten their first business loan—sometimes as small as \$50—show me their businesses, show me the people they were doing business with in their villages, who had also gotten such loans. I'll never forget the man in Senegal who was this designated village accountant, making me wait outside his front door while he went into his house to bring me back all of the accounts he had carefully kept for the last month, to prove that the money we were investing was being spent wisely.

Does this have any direct impact on international trade? Of course not. Did it make that society stronger? Did it make the economy stronger? Did it increase the stability and long-term prospects of the nation? Of course it did. So I believe we should all be thinking about what more we can do on the indigenous economic development issues.

The President of Colombia is here. I've asked the Congress to pass a very ambitious program to try to help Colombia deal with the narcotraffickers and the guerrillas and all the problems that he faces—perhaps the oldest democracy in Latin America. But one part of it is for economic development. It is one thing to tell people they should stop growing crops that can be turned into drugs that can kill our children, and quite another to tell people, if you do this, by the way, here's a way to support your children.

And so I think that we can never lose sight of the fact that if we want to build an integrated economy with more and more trade, we have to build an economy from the grassroots up in places that want to have a balanced, stable society.

The fourth point I would make is that developed and developing countries alike must ensure that the benefits of trade flow widely to workers and families within our nations. Industrialized nations must see that the poor and those hard hit by changes are not left behind. And all nations need to ensure that workers have access to lifelong learning benefits, they can move between jobs without being unemployed for too long and without having their standard of living dropped.

We have to work with corporate leaders to spur investment also in the people and places that have been left behind. We have to find the new markets within our own Nation. For example, I will tell you something that might surprise many of you. The national unemployment rate in the United States is 4.1 percent. On many of our Native American Indian reservations, the unemployment rate is about 70 percent. In isolated rural areas in America, the unemployment rate is sometimes 2, 3, 4 times as high as the national average. So we have not figured out how to solve this. When you have these eyesores in a country, when the development is not even, they can easily become the symbols with which those who do not want us to open our markets more and build a more integrated world can use to defeat our larger designs, even if they're right.

And as I said to the American people in Congress a couple of nights ago, we in the United States, I think, have a terrifically heavy responsibility to reach out to our poor communities, because we've never had an expansion this long, and if we can't help our people now, we will never get around to it. I am convinced that even though this has nothing directly to do with trade, if we succeed, we will build more support for a more integrated global economy.

Leaders of developing nations have their responsibilities as well, to narrow the gap between rich and poor by ensuring that government institutions are open and accountable, honest and effective, so they can get foreign investment, have widely-shared growth, uproot corruption, and solve social problems. There is a limit to what wealthy nations can do for people who will not take the necessary steps to make their own societies work. Even in this heyday of global free enterprise, many people suffer not because their governments are too strong but because their governments are too weak.

Fifth, since globalization is about more than economics, our interdependence requires us to find ways to meet the challenges of advancing our values without promoting protectionism or undermining open trade. I know that the words "labor and environment" are heard with suspicion in the developing world when they are uttered by people from the developed world. I understand that these words are code for "rich-country protectionism."

So let me be as clear as possible on this. We shouldn't do anything to stunt the economic

growth and development of any developing nation. I have never asked any developing nation, and never will, to give up a more prosperous future. But in today's world, developing countries can achieve growth without making some of the mistakes most developed countries made on worker protection and the environment as we were on our path to industrialization. Why is that? Why can they get richer without doing the same things we did? And since, when countries get richer, they lift labor standards and clean up the environment, why do we care? I think there are two answers to that.

First, the reason they can do it is that the new economy has produced scientific and technological advances that absolutely disprove the old ideas about growth. It is actually now possible to grow an economy faster, for example, with a sensible environmental policy and by keeping your kids in school instead of at work, so that you build more brainpower to have more rapid, more long-term, more balanced growth.

Secondly, we all have an interest particularly in the environmental issue, because of global warming, because of greenhouse gas emissions, and because it takes somewhere between 50 and 100 years for those emissions to go away out of our larger atmosphere. So if there is a way for us to find a path of development that improves, rather than aggravates, the difficulties we have with climate change today by reducing rather than increasing greenhouse gases, we are all obligated to do it.

That is why, after the Kyoto Protocols, I recommended to all the advanced nations that we engage in emissions trading and vigorous investment of new technologies in developing countries, with an absolute commitment to them that we would not ask them to slow their economic growth.

We will see within the next few years automobiles on the streets all over the world that routinely get somewhere between 70 and 90 miles a gallon. In South America, many countries run on ethanol instead of gasoline. The big problem is that the conversion is not very good; it takes about 7 gallons of gasoline to make 8 gallons of ethanol. Within a matter of a couple of years, scientists almost certainly will unlock the chemical block that will enable us to produce 8 gallons of fuel from farm products or grasses or even farm waste like rice hulls, for 1 gallon of gasoline. When that happens, you will see people driving cars that effectively

are getting 400 or 500 miles to the gallon of gasoline.

These things are before us. All these technologies should be disseminated as widely as possible, as quickly as possible, so that no nation gives up any growth to be a responsible environmental partner in the world.

And on the human development side, I will say again, the globalized economy prizes human development above all else. It is in the long-term and the short-term interests of developing countries not to abuse their workers and to keep their children in school.

Now, do we have all the answers to this? No, partly because the circumstances and the possibility, even for trade engagement, from nation to nation vary so much; but partly because we don't have more forums like this within which we can seek common understandings on worker rights, the environment, and other contentious issues.

We have suggested that the Committee on Trade and the Environment be invited to examine the environmental applications of WTO negotiations in sessions where developing countries form the majority. We cannot improve cooperation and mutual understanding unless we talk about it. That is our motivation—that is our only motivation in seeking to open a discussion about the connections between labor and trade and development, in the form of a new WTO working group.

And I will say this again, the consequence of running away from an open dialog on a profoundly important issue will be—it won't be more trade; it'll be more protection. The consequence of opening up a dialog and dealing honestly with these issues will show that in the new economy, we can have more growth and more trade with better treatment for people in the workplace and more sensible environmental policies. I believe that. You have to decide if you believe that.

My experience in life—and I'm not as young as I used to be—let me just say, at Thanksgiving a 6-year-old daughter of a friend of mine asked me how old I was. She looked up at me and she said, "How old are you, anyway?" And I said, "I'm 53." She said, "That's a lot." [*Laughter*]

Well, it looks younger every day to me. But I have lived long enough to know this: In the words of that slogan that people my daughter's age always use, denial is not just a river in

Egypt. [*Laughter*] And the more we hunker down and refuse to devote time systematically to discussing these issues and letting people express their honest opinion, the more we are going to fuel the fires of protectionism, not put them out. We have to make some institutional accommodation to the fact that this is a part of the debate surrounding globalization.

Now, I feel the same way about labor standards. And there is a win-win situation here. Let me just give you one example. We had a pilot program through our Agency for International Development, working with the garment industry in Bangladesh to take children out of factories and put them back in schools. The program got kids to learn and actually boosted garment exports and gave jobs to adults who would otherwise not have had them.

We can do more of this if we lower the rhetoric and focus more on results. Common ground means asking workers in developed countries to think about the future of workers in Asia, Africa, or Latin America. It means governments finding the courage to rise above short-term political interest. It means corporations taking responsibility for the effects of their actions, whether they're in an African delta or a New York highrise. It means a new, more active idea of corporate responsibility, stepping up to the plate to pay for vaccines or educate a new generation of workers in another country as a part of the globalization economic strategy.

Finally, let me say that the lessons from our history are clear: We will—we must—support the rules-based system we have, the WTO, even as we seek to reform and strengthen it.

I think those who heard a wakeup call on the streets of Seattle got the right message. But those who say that we should freeze or disband the WTO are dead wrong. Since World War II, there have been eight separate rounds of multilateral trade negotiations, hundreds of trade agreements signed. What's happened? Global trade has increased fifteenfold, contributing to the most rapid, sustained, and, yes, widely shared growth ever recorded.

There is no substitute for the confidence and credibility the WTO lends to the process of expanding trade based on rules. There's no substitute for the temporary relief WTO offers national economies, especially against unfair trade and abrupt surges in imports. And there is no

substitute for WTO's authority in resolving disputes, which commands the respect of all member nations. If we expect public support for the WTO, though—I'll get back to my main point—we've got to get out of denial of what's happening now.

If we expect the public to support the WTO the way I do—and I think almost all of you do—we have to let the public see what we're doing. We have to make more documents available, faster. We have to open dispute panel hearings to the public. We have to allow organizations and individuals to panel their views in a formal way. And we all have to play by the rules and abide by the WTO decisions, whether we win or whether we lose.

Let me be clear. I do not agree with those who say we should halt the work of the WTO or postpone a new trade round. But I do not agree with those who view with contempt the new forces seeking to be heard in the global dialog. Globalization is empowering people with information, everywhere.

One of the most interesting things I did on my trip to China was visit an Internet cafe. The more people know, the more opinions they're going to have; the more democracy spreads—and keep in mind, more than half the world now lives under governments of their own choosing—the more people are going to believe that they should be the masters of their own fate. They will not be denied access. Trade can no longer be the private province of politicians, CEO's, and trade experts. It is too much a part of the fabric of global interdependence.

I think we have to keep working to strengthen the WTO, to make sure that the international trade rules are as modern as the market itself, to enable commerce to flourish in all sectors of the economy from agriculture to the Internet. I will keep working for a consensus for a new round, to promote development, to expand opportunity, and to boost living standards all around the world. We will show flexibility, and I ask our trading partners to do the same.

But I would like to just close by trying to put this dilemma that you've all been discussing, and that was writ large in the streets of Seattle, in some context. Now, keep in mind, arguably a lot of the demonstrators in Seattle have conflicting objectives themselves, because of the interests that they represented. The thing they had in common was, they felt that they had

no voice in a world that is changing very rapidly. So I want to make two observations in closing.

Number one, we should stop denying that there is in many places an increase in inequality, and we should instead start explaining why it has happened and what we can do about it. Every time a national economy has seen a major change in paradigm, in the beginning of the new economy those that are well-positioned reap great gains; those that are uprooted but not well-positioned tend to suffer an increase in inequality.

In the United States, when our economy, the center of our economy moved from farm to factory 100 years ago—and many people left the farm and came to live in our cities; and many people from your countries came to our shores and were living in unbelievably cramped conditions in tenement houses in New York City and elsewhere, working long hours, breathing dirty air—there was a big increase in inequality, even though there was an increase in wealth, in the beginning. Why? Because some people were well-positioned to take advantage of the new economy, and some people weren't.

But then political and social organizations began to develop the institutions which would intermediate these inequalities. And the economy itself began to mature and disperse the benefits more broadly, and inequality went down. When we saw, beginning about 20 years ago in most advanced economies, a shift from the industrial economy to the digital economy, in many places there was an increase in inequality. In our country, we had a 25-year increase in inequality, which seems to have halted and been reversed only in the last 2 to 3 years.

So a part of this is the change in the paradigm of the global economy which puts a huge, huge, huge premium on education, skills, and access to information technology, which is even more burdensome to developing economies seeking to come to grips with these challenges.

Now, having said that, it should be obvious to all that the last thing in the world we want to do is to make the global economy less integrated, because that will only slow the transition to the digital economy in the poorest countries or in the poorest neighborhoods of the wealthy countries.

The answer is to look at what happened in the transition from the agricultural economy to the industrial economy, develop a 21st century version of that, and get it done much, much

faster—not to run to the past but not to deny the present.

The second point I'd like to make is this. We have a well-developed WTO for dealing with the trade issues. We don't have very well-developed institutions for dealing with the social issues, the environmental issues, the labor issues, and no forum within which they can all be integrated. That's why people are in the streets; they don't have any place to come in and say, "Okay, here's what I think, and here's the contribution I have. Here's the beef I have. How are we going to work all this out?"

That's why you're all here talking about it. That's why you've got a record crowd here. And we all know this intuitively. So I think if I could offer any advice, there are—there's thousands of times more experience and knowledge about all these things in this room than I have in my head. But I do understand a little bit about human nature and a little bit about the emerging process of freedom and democracy. We have got to find ways for these matters to be dealt with that the people who care about them believe are legitimate. And we cannot pretend that globalization is just about economics and it's over here, and all these other things are very nice and we will be very happy to see somebody over here somewhere talk about them. You don't live your life that way. You don't wake up in the morning and sort of put all these barriers in your head and—you know, it's all integrated.

It's like I say, we've got the Chairman of the Palestinian Authority here. We're working very hard to find a comprehensive peace in the Middle East. We can't find that peace if we say, "Well, here's what we're going to do on these difficult issues and, oh, by the way, there's economics, but it's over here and it doesn't have anything to do with it." We have to put all these things together.

So I ask you, help us to find a way, first, to explain to the skeptics and the opponents of what we believe in why there is some increase in inequality as a result of an economic change that is basically wonderful and has the potential, if we make the changes we should, to open possibilities for poor people all over the world that would have been undreamed of even 10 years ago. And second, find a way to let the dissenters have their say and turn them into constructive partners. If you do that, we will continue to integrate the world economically and in terms of political cooperation.

We have got a chance to build a 21st century world that walks away not only from the modern horrors of terrorists and bio- and chemical terrorism and technology but away from ancient racial, religious, and tribal hatred. Growth is at the center of that chance. It gives people hope every day. But the economics must be blended with the other legitimate human concerns. We can do it—not by going back to the past but by going together into the future.

Thank you very much.

*World Economic Forum President Klaus Schwab.* Mr. President, ladies and gentlemen, we have just time for one or two questions. But before raising these issues, Mr. President, I can tell you and the applause has shown you what support you have for your plea for an open, rules-based trading system and for globalization. But at the same time, what we take home and what suddenly will influence our discussions very much over the next days, I think we have—and we are all aware here in this hall—that we have to change our attitudes and that we have to create this human and social dimension to globalization. It's in our own interest. And your speech, I think, will be reminded and will be translated into the necessary action.

Now, Mr. President, just two questions. The first one: In your reference to free trade and the WTO, you didn't mention China. And my question is—

*President Clinton.* Yes, I did.

*President Schwab.* You mentioned it?

*President Clinton.* I did, but I don't have—I speak with an accent, so—[laughter]

*President Schwab.* No, no. [Laughter]

*President Clinton.* I did, but I—

*President Schwab.* The question which I would like to raise is, will you actually rally the support in your country and internationally to get China integrated into the WTO?

*President Clinton.* I think so. In the United States, in the Congress, there are basically two blocks of people who oppose China's accession to the WTO. There are those who believe we should not do it because even though—everyone has to recognize, if you look at our trade deficit with China, everyone recognizes it's huge, by far the biggest part of our trade deficit. Everyone recognizes that we have kept our markets open to China and that if we had greater access to Chinese markets, it would be a good thing for us. So no one could seriously argue that—

the openings from agriculture and for other opportunities are massive, and that it would mean more to the United States than any other country since we buy—we're about 22 percent of the world's economy, and every year we buy between 33 and 40 percent of all China's exports, and we have a major, major trade deficit.

So on the economic argument, the people who are against it say, "Yes, that may be true, but if you put China in the WTO, it's basically a protectionist country, and then America will never get any real action on labor and environmental standards and all that because China will thwart every reform we want." That's what people say.

Then, there is another group of people that don't want to vote for it because of the actions the Chinese have taken to try to preserve stability at the expense of freedom. They believe that even if China's economy has grown more open, political crackdowns, crackdowns against the Falun Gong and others have gotten more intense, more open, and that it puts the lie to the argument that integrating China into the international system will lead to a more open, more democratic, more cooperative China. Those are basically the two arguments that will be made.

Those both raise serious issues, but I think it would be a mistake of monumental proportion for the United States not to support China's entry into the WTO. I believe that because, again, my experience is that you're almost 100 percent of the time better off having an old adversary that might be a friend working with you, even when you have more disagreements and you have to stay up a little later at night to reach agreement, than being out there wondering, on the outside wondering what you're doing and being absolutely sure whatever it is, it's not good for them.

So I believe that having them in the WTO will not only pad the economic benefits for the United States and other countries I mentioned but will increase the likelihood of positive change in China and, therefore, stability throughout Asia.

Let me say, you know, China and Russia both are still going through big transitions. The Russian economy is coming back a little better than most people think it is. No one knows what China and Russia will be like 10 years from now for sure, and you can't control it, unless you're Chinese or Russian; but you can control

what you do. And I don't know about you, but 10 years from now, whatever happens, I want to know that I did everything I could to increase the chance that they would make good choices, to become good, constructive neighbors and good, constructive partners in the global community.

You know, we don't agree with the Russian policy in Chechnya, but we've gotten rid of 5,000 nuclear weapons, and we got our soldiers working together in the Balkans. So I think the argument—we've got to try to have these big countries integrated, for the same reason we have to keep trying to work with India and with Pakistan to resolve those difficulties and get them fully integrated.

At every turn, we have to ask ourselves—we cannot control what other people do; we can only control what we do. But when all is said and done, if it works out well or it works out poorly, we want to know that we have done everything we possibly could to give people a chance to make good decisions. And that's what drives me, and that's why we're going to do everything we possibly can—under the leadership of Secretary Daley, who's going to coordinate our efforts to implement the agreement that our Trade Ambassador, Charlene Barshefsky, negotiated—we're going to try everything we can to get China permanent trading status so we can support their entering the WTO. And my guess is that we'll do it. But it's going to be a big fight, and you can watch it with interest and, I hope, with support. Thank you.

*President Schwab.* Mr. President, you mentioned debt relief in your speech, and you also mentioned it in your State of the Union message. Do you think the G-7 are really doing enough in this respect?

*President Clinton.* No, I don't. But if we do—I'm trying to focus on doing what we promised to do. And again, let me tell you what the debate is. We had an intense effort, in the last session of Congress, to pass what the Congress was finally, at the end of the session, good enough to do, and do on a bipartisan basis—I want to give credit to the Republicans, as well as the Democrats, who voted for this—to support our forgiving 100 percent of our bilateral debt for the poorest countries. And we're going to have another intense debate to support our contributions to the multilateral debt reduction effort, which is even more important.

The debate at home—basically, the people who are against this are old-fashioned conservatives who think when people borrow money they ought to pay it back, and if you forgive their debt, well, then, no one else will ever loan them money, because they'll think they'll have to forgive their debt, too. There's something to that, by the way. There's something to that. In other words, when we get into negotiations of whether debt should be rescheduled or totally forgiven, there are many times—when I have confidence in the leader of a country and I know they're going in the right direction, I would almost always rather forgive it, assuming I could get the support in Congress to do so.

But we do have to be sensitive to the way the world investor community views all these things, so that when all is said and done, countries that genuinely will have to continue to borrow money can get the money they need. But with that caveat, I favor doing more and more than the Cologne debt initiative. But my experience is, we do these things on a step-by-step basis. We already have broadened the Cologne debt initiative, and we're going to broaden it again. And I think if we get the Cologne debt initiative done and it works and people see that it works, then we can do more.

But it is really—it is quite pointless, it seems to me, to keep these poor countries trapped in debt. They're having to make debt service payments, which means that they can't educate their children, they can't deal with their health care problems, they can't grow their economy, and therefore they can't make any money to pay their debts off anyway. I mean, it's a totally self-defeating policy we've got now.

So I would like to see us do as much as possible, but at the same time, I want to remind you of another point I made. A lot of countries suffer not because they have governments that are too strong; they suffer because they have governments that are too weak. So we have to keep trying to build the governance capacity for countries so, when they get their debt relief, then they can go forward and succeed. So I don't think you should forget about that, either.

All of us have a real obligation to try to help build capacity so our friends, when they get the relief, can make the most of it.

*President Schwab.* Mr. President, to conclude our session, you have in front of you the 1,000 most influential business leaders. What would

be your single most important wish towards them at this moment?

*President Clinton.* My most important wish is that the global business community could adopt a shared vision for the next 10 to 20 years about what you want the world to look like, and then go about trying to create it in ways that actually enhance your business, but do so in a way that helps other people as well.

I think the factor about globalization that tends to be underappreciated is, it will only work if we understand it genuinely means interdependence. It means interdependence, which means we can—none of us who are fortunate can any longer help ourselves unless we are prepared to help our neighbors. And we need a more unifying, more inclusive vision. Once you know where you're going, it's a lot easier to decide what steps to take to get there. If you don't know where you're going, you can work like crazy, and you would be walking in the wrong direction. That's why I think this forum is so important.

You need to decide. The business community needs to decide. You may not agree with anything I said up here today. But you have to decide whether you really agree that the WTO is not just the province for you and me and the trade experts. You have to decide whether you really agree that globalization is about more than markets alone. You have to decide whether you really agree that free markets—even in an age of free markets, you need confident, strong, efficient government. You have to decide whether you really agree that it would be a good thing to get the debt off these countries' shoulders if you knew and could require that the money saved would go into educating children and not building weapons of destruction. Because if you decide those things, you can influence not only the decisions of your own government but how all these international bodies, including the WTO, work.

So the reason I came all the way over here on precious little sleep, which probably undermined my ability to communicate today, is that collectively, you can change the world. And what you are doing here is a mirror image of what people are doing all over the world. This is a new network.

But don't leave the little guys out. You know, I come from a little town in Arkansas. I was born in a town of 6,000 people, in a State that's

had an income just about half the national average. I've got a cousin who lives in Arkansas. He's a small-business man—he works for a small business—who two or three times a week plays chess on the Internet with a guy in Australia. Now, they've got to work out the times; how they do that, I don't know. But the point I want to make to you is, he thinks he knows as much about his life and his interests and how he relates to the Internet and the world as I do. He thinks he knows just as much about his interests as his President does, who happens to be his cousin.

So we need these networks. And you are in an unbelievably unique position. So my one wish

for you—you might think I'd say China or this or that and the other—it's nothing specific: Develop a shared vision. When good people with great energy have shared vision, all the rest works out.

Thank you very much.

NOTE: The President spoke at 12:36 p.m. in the Plenary Room at the Congress Center. In his remarks, he referred to President Andres Pastrana of Colombia; President Thabo Mbeki of South Africa; Chairman Yasser Arafat of the Palestinian Authority; President Jose Maria Aznar of Spain; Prime Minister Bulent Ecevit of Turkey; and John J. Sweeney, president, AFL-CIO.

## Statement on Debt Reduction

*January 31, 2000*

Today we received further evidence that our economic strategy of fiscal discipline is working. By making the tough choices necessary to turn record deficits into record surpluses, we are now in a position to start paying down the debt. According to the latest numbers from the Department of the Treasury, we will pay down \$152 billion in debt in the 3 months from April to June—the largest debt paydown in our Na-

tion's history. By the end of this fiscal year, we will have repaid approximately \$300 billion in debt. If we continue on this path of fiscal discipline, we can pay off our national debt for the first time since Andrew Jackson was President. This will keep interest rates low and investment high and lead to savings on everything from mortgages to student loans for working families across America.

## Statement on Action To Resolve the Impasse Over Armed Forces Training on Vieques Island, Puerto Rico

*January 31, 2000*

Today I am announcing a course of action to resolve the impasse over United States Armed Forces training on Vieques. This course will give the people of Vieques the right to determine the future of the island while assuring that our training needs are met. I have received a letter from the Governor of Puerto Rico endorsing this course.

I am issuing two directives. They provide that between later this year and early 2002, there will be a referendum held on Vieques, in which the people of Vieques will be asked to choose between two alternatives. If they choose the first alternative, the Navy will cease all training on

Vieques and leave the island by May 1, 2003. If they choose the second, training will continue on Vieques on terms that will be presented at least 3 months before the vote.

During the period leading up to the vote, training done on Vieques will be limited to non-explosive ordnance—meaning there will be no live fire—and the Navy and Marine Corps will cut in half the amount of time they will spend training to no more than 90 days per year, which is what we need to meet our training needs. I will also implement measures to meet the health, safety, environmental, and economic concerns of the people of Vieques, and I will ask