

EXECUTIVE OFFICE OF THE PRESIDENT
**OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE**

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Executive Office of the President
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FOR IMMEDIATE RELEASE
Monday, January 13, 1997

97-01
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Japan Recognizes U.S.-Graded Lumber

By recognizing U.S.-graded lumber for importation into Japan, Japan's Ministry of Construction took an important step toward further opening that country's housing market to U.S. construction techniques and materials, and toward lowering Japan's exorbitant housing costs. "We are pleased that Japan has promptly implemented its commitment to permit importation of U.S. graded lumber," said U.S. Trade Representative-Designate, Ambassador Charlene Barshefsky. "Our dialogue on wood products market access issues with Japan has resulted in meaningful progress over the last year, and we look forward to additional progress in the course of this year. USTR has worked closely with U.S. wood products industry and with the support of the Department of Agriculture to achieve improved market access in Japan. These efforts are paying off."

Japan's commitment is consistent with its March 1996 Emergency Program for Reducing Housing Construction Cost, as well as with the 1990 bilateral agreement concerning market access for wood products which calls for progressive liberalization. As part of the Emergency Program, Japan is reviewing a host of regulations which act as barriers to imported building materials. Important further steps to implement housing deregulation measures are expected this spring that move Japan's building standards toward performance based criteria. Resolution of a host of issues raised by U.S. producers was achieved over the last year through the U.S.-Japan Sub-Committee on Wood Products, co-chaired by USTR and Japan's Ministry of Foreign Affairs, established under the 1990 bilateral agreement.

Japan's recognition of visually graded U.S. lumber will enable more than 1,000 mills to ship lumber to Japan. Japan is already the largest U.S. export market for wood products, with softwood lumber exports of \$619 million in 1995. Until now, only 80 U.S. mills specifically certified for use of the Japanese Agricultural Standard grademark could ship their product to Japan. American-style 2x4 construction technique now accounts for only 12 percent of Japanese wood housing construction, but its proven safety record and affordability are making it increasingly popular.

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Webmaster @ USTR - 14 January 1997

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Executive Office of the President
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FOR IMMEDIATE RELEASE
Wednesday, January 15, 1997

97-02
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USTR-Designate Barshefsky Announces GSP Sanctions Against Argentina for Continuing IPR Problems

United States Trade Representative-designate Charlene Barshefsky today announced the Clinton Administration's decision to withdraw 50 percent of the trade benefits granted to Argentina under the U.S. Generalized System of Preferences (GSP). Duty-free importation of products from Argentina will be withdrawn with respect to approximately \$260 million of trade. This decision was the result of the "out-of-cycle" review under the U.S. Government's "special 301" program, designed to advance the protection of U.S. intellectual property rights around the world.

Barshefsky recently announced that she would conduct an out-of-cycle review to assess legislation enacted by the Argentine Government on December 18, 1996 and assess any further developments toward the protection of intellectual property in Argentina. The Administration has now concluded this review and determined that current IPR protections are clearly inadequate.

In April 1996, at the time of the last annual special 301 review, Barshefsky placed Argentina back on the "priority watch list" because the patent law and accompanying implementing decree enacted by Argentina at that time fell far short of adequate and effective protection and failed to achieve earlier Argentine Government assurances. This law provided that patent protection would not be available for pharmaceutical products until November, 2000 and contained provisions inconsistent with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights -- known as the TRIPs Agreement.

Following the April, 1996 decision, the Government of Argentina stated that it would attempt to address U.S. IPR concerns by enacting legislation to protect health registration data. Such scientific and technical data -- which must support claims of efficacy and safety of new products -- must be submitted by pharmaceutical innovators to Health Ministries to obtain approval for marketing new products. These data generally cost millions of dollars to develop. Given these costs to innovators, many countries prohibit competitors from relying upon such data when they seek Health Ministry approval for the same pharmaceutical product.

On December 18, just before the scheduled completion date of USTR's out-of-cycle review, the Argentine Congress passed legislation dealing with health registration data. However, this legislation does not achieve its stated purpose. Specifically, the legislation does not prevent competitors from relying upon the innovator's test data when these rival firms seek marketing approval. On the contrary, the new legislation specifically permits Argentine competitors to rely upon such data that has been submitted for registration in Argentina, the United States or in certain other countries.

"We have seen some encouraging efforts on the part of the Menem Administration to establish modern intellectual property protection in Argentina," said Barshefsky. "However, Argentina's resulting patent law and the new legislation designed to protect test registration data fall far short of this objective and

fail to meet international standards. The result is that U.S. pharmaceutical firms will continue to see the fruits of their research and development freely copied by Argentina's pharmaceutical industry. In addition, Argentine pharmaceutical interests continue to work aggressively to frustrate our efforts to achieve improved intellectual property protection in other countries. As a result, the United States will withdraw 50 percent of the duty-free trade benefits otherwise available to Argentina under the U.S. GSP program."

The Administration is issuing a Federal Register Notice requesting public comment within 30 days outlining which Argentine products would be proposed for exclusion from GSP treatment. The Administration will publish on or about March 1 the final list of Argentine products that will lose GSP duty-free treatment.

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Webmaster @ USTR - 23 January 1997

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FOR IMMEDIATE RELEASE
Thursday, January 23, 1997

97-03
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Statement by U.S. Trade Representative-Designate Charlene Barshefsky

The U.S. Wheat Gluten Industry Council filed a petition January 22 with the Office of the U.S. Trade Representative requesting the initiation of an investigation under Section 301 of the Trade Act of 1974 regarding certain subsidies schemes of the EU that benefit EU production and exports of wheat gluten. The petition alleges that EU subsidies and other measures are inflicting severe damage on the U.S. wheat gluten and wheat starch industry.

"The U.S. has been concerned for some time about the effects of EU practices on the U.S. wheat-gluten industry," said USTR-Designate Barshefsky. "This is an extremely important issue to the United States. We will make every effort to ensure that the EU is operating within the rules of the international trading system and is not adversely affecting our U.S. producers."

The USTR has 45 days to determine whether to initiate an investigation.

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Webmaster @ USTR - 23 January 1997

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FOR IMMEDIATE RELEASE
Friday, January 24, 1997

97-04
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USTR-Designate Barshefsky Announces Resolution of WTO Dispute With Japan on Sound Recordings

United States Trade Representative-designate Charlene Barshefsky today announced that the United States and Japan have resolved the dispute over Japan's protection of U.S. sound recordings. Japan recently adopted amendments to the Japanese Copyright Law to provide protection to U.S. recordings produced between 1946 and 1971. These amendments are scheduled to come into effect before the end of March 1997 and are intended to bring Japan's copyright law into compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, or "TRIPS Agreement".

"We launched this case on a clear principle to protect intellectual property rights," said Barshefsky. "We sought -- and will now obtain -- protection for U.S. sound recordings from one of the most vibrant and popular periods in the history of American music -- from the swing music of Duke Ellington, the bebop jazz of John Coltrane, the rock and roll of Elvis Presley, Chuck Berry, Little Richard, Johnny Cash, Patsy Cline and the Sixties sounds of Bob Dylan, the Beach Boys and Otis Redding. The remarkable range and stature of the music produced in that quarter-century makes it an important part of our heritage."

Barshefsky also said, "Japan's action provides a clear indication of the enormous value of the TRIPS Agreement and WTO dispute settlement procedures for U.S. industry and workers. I am especially pleased that we were able to resolve this issue through WTO dispute settlement consultations."

It is estimated that approximately 6 million unauthorized recordings from the pre-1971 period are manufactured and sold in Japan annually. Industry estimates are that U.S. rights holders in these sound recordings lost half a billion dollars annually because of the absence of such protection in Japan.

The U.S. recording industry, along with other entertainment industries, is a key U.S. industry. Recorded music is a \$40 billion dollar industry. In 1995, industry sales in the United States topped \$14 billion, and sales in the rest of the world reached over \$26 billion. Over 60% of that \$26 billion in industry foreign sales was of products made by Americans. The recording industry employs tens of thousands of workers in our country and in every state in the nation. Along with the musicians and sound engineers who record the music, there are countless others, including the workers who press and make the CDs, truckers who transport them, and retail clerks who sell them.

Background on the Dispute

Prior to the adoption of these amendments, Japan's copyright law only granted protection to foreign sound recordings that were produced on or after January 1, 1971, the date on which Japan first provided specialized protection for sound recordings under its copyright law.

The absence of protection for works produced between 1946 and 1971 put Japan squarely in conflict with Article 14.6 of the TRIPS Agreement, which applies the provisions of Article 18 of the Berne Convention to the protection of sound recordings. These provisions generally require that a country -- in this case, Japan -- provide a 50-year term of protection to pre-existing works originating in another WTO member-country -- in this case, the United States -- if those works have not already enjoyed a full term of protection in both countries. Since Japan, along with other developed countries, was required to fulfill its TRIPS Agreement obligations by January 1, 1996, all sound recordings produced in other WTO member-countries after January 1, 1946, were required to be eligible for protection.

On February 14, 1996, the United States initiated WTO dispute settlement proceedings against Japan and several rounds of formal and informal consultations took place over the course of 1996. Based on the Government of Japan's promulgation on December 26, 1996, of amendments providing U.S. sound recordings retroactive protection, the United States and Japan notified the WTO that a mutually satisfactory solution had been reached, thus terminating the dispute settlement proceeding.

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Webmaster @ USTR - 24 January 1997

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FOR IMMEDIATE RELEASE
Thursday, January 30, 1997

97-05
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Statement by the Office of the USTR

The Senate Finance Committee today unanimously recommended confirmation of Charlene Barshefsky as United States Trade Representative and endorsed legislation to extend her existing waiver under the Lobby Disclosure Act.

When the Lobby Disclosure Act was passed in 1995, Ambassador Barshefsky was explicitly grandfathered under that legislation. The proposal introduced by the Clinton Administration and endorsed by the Senate Finance Committee today would extend the terms of the grandfather provision to her position as United States Trade Representative.

"I am gratified by the strong bipartisan vote of confidence from the Senate Finance Committee," said U.S. Trade Representative Designate Barshefsky. "I look forward to working closely with Congress as we continue the work of opening foreign markets and expanding opportunities for U.S. companies and workers."

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Webmaster @ USTR - 30 January 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
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FOR IMMEDIATE RELEASE
Saturday, February 1, 1997

97-06
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MRA Negotiations to Continue Between U.S. and EU

Despite strong efforts by the European Union and the United States' negotiators to conclude a package of mutual recognition agreements (MRAs) by January 31, officials today announced that a packaged agreement could not be concluded by the January 31 deadline set by President Clinton and EU President Santer.

After intensive negotiations during the week of January 6-10 in Brussels and January 29-31 in Washington, both sides report substantial progress. For example, agreements on telecommunications and information products are nearly completed. An agreement has been reached on recreational sports craft. Both sides achieved progress in the pharmaceutical area, but several differences need to be resolved. Differences remain in the medical devices sector, including product coverage, which reflect the distinct methods used to approve products in the U.S. compared to the EU.

MRAs allow covered products or processes to be assessed for conformity -- e.g, testing, inspecting, or certifying -- in the U.S. market to the standards and technical regulations of the EU market, and vice versa. MRAs can save manufacturers and regulators substantial time and expense in bringing products into the U.S. and EU markets.

Both sides are continuing to work and expect to resume negotiations in the near future.

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Webmaster @ USTR - 3 February 1997

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Executive Office of the President
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FOR IMMEDIATE RELEASE
Sunday, February 2, 1997

97-07
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U.S. and China Reach Four-Year Textile Trade Agreement -- U.S. Gains Market Access in China and Targets Areas of Transshipment Violations for Cutbacks

The United States and China today reached agreement on a four year textile pact that generally extends current quota arrangements in Chinese textiles and apparel exports to the United States, but reduces quotas in areas of repeated transshipment violations. For the first time, the new agreement provides meaningful market access in China for U.S. textile producers. The agreement was announced after five days of intensive deliberations in Beijing.

"This is a solid agreement that meets our critical objectives," said U.S. Trade Representative - Designate Charlene Barshefsky. "The new agreement builds on our 1994 textiles agreement, and improves it in two important areas: We have our first textiles market access agreement with China and we have strengthened enforcement terms against illegal transshipments. This agreement provides a solid basis for us to strengthen our textiles trade relationship with China."

Under the market access agreement, China has agreed to reduce tariffs and bind tariffs at applied rates, thereby increasing market access for U.S. exporters, and to ensure that non-tariff barriers do not impede the achievement of improved access. It also provides for review of China's implementation of its commitments. U.S. producers believe that they can effectively export a number of products to China including high volume, high quality cotton and man-made fiber yarns and fabrics, knit fabrics, printed fabrics; such high volume knit apparel as t-shirts, sweatshirts and underwear; and advanced specialty textiles used in construction of buildings, highways and filtration products.

While the agreement provides some adjustment to China's quota levels and growth rates, the new package addresses on-going U.S. concerns about illegal transshipment practices. The new agreement reduces quota levels in fourteen apparel and fabric product categories where there were repeated violations of the 1994 agreement through transshipment or overshipment. It maintains strong enforcement measures including the ability to "triple charge" quotas for repeated violations of the agreement. Also, a number of procedural measures have been agreed to in order to improve the bilateral consultation process, including arrangements to implement an "electronic visa" information system to more effectively track textile and apparel shipments. The parties have agreed on the separate treatment of textile quotas for Hong Kong, Macau, and China after reversion of the territories to China.

"We have repeatedly taken enforcement action against illegal transshipments and over-shipments," Ambassador Barshefsky added. "The new agreement underscores this Administration's emphasis on effective enforcement of our trade agreements. We have specifically targeted cutbacks in those areas where investigations have discovered illegally shipped products."

Under the 1994 agreement, USTR has imposed sanctions against China's apparel quotas on three occasions - most recently, in September 1996 when Ambassador Barshefsky imposed triple charges for

illegally transshipped merchandise. By increasing systematic intervention against illegal transshipments, this agreement should advance rules-based trading practices in textile and apparel trade with China.

After Mexico and Canada, China is our third largest supplier of imported textile and apparel products. Imports of textiles and apparel (including controlled silk products) from China amounted to 1.7 billion square meters equivalent in the year ending November, of which 1.0 billion square meters equivalent, or 59 percent, were apparel products. Total imports of textiles and apparel were valued at \$5.9 billion; apparel imports were valued at \$4.9 billion. In 1996 (annualized from October data), U.S. exports of textiles and apparel to China declined by 12.4 percent to \$55.2 million.

"I particularly want to thank our negotiating team led by Ambassador Rita Hayes which has worked tirelessly to secure a solid agreement in the interests of U.S. workers and consumers."

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Webmaster @ USTR - 3 February 1997

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FOR IMMEDIATE RELEASE
Wednesday, February 5, 1997

97-09
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Administration Officials Express Disappointment Over Japanese MOT Rejection of U.S. Auto Parts Petition

Administration trade officials today expressed disappointment over the rejection of a petition seeking deregulation and greater access of U.S. manufactured brake system parts to the Japanese market. The petition, filed by four leading auto parts trade associations, was rejected today by the Japan's Ministry of Transport (MOT). Endorsed by the Administration, the petition was filed pursuant to procedures established by the 1995 U.S.-Japan Automotive Agreement.

"We have consistently demonstrated that enforcement of our trade agreements is this Administration's highest priority," said Ambassador Barshefsky. "The U.S.-Japan auto agreement calls for opening the Japanese auto parts market to the greatest extent possible consistent with safety considerations. The decision of the Japanese government is a move in exactly the wrong direction, and only makes deregulation of Japan's garage system even more important."

"Vigorous monitoring of trade agreements is a high personal priority of mine at the Commerce Department and an integral element in the Administration's trade policy," said Commerce Secretary William Daley. "The rejection of this petition is a step backwards in our efforts to further open the Japanese auto parts market. We will continue to pursue this matter and press the government of Japan to faithfully implement the Agreement."

BACKGROUND

On June 28, 1995 the United States and Japan reached a comprehensive agreement significantly opening the Japanese market for foreign competitive autos and auto parts. Under the agreement, sales of U.S. - made vehicles increased by over 30 percent in 1996, while sales of U.S. parts rose by nearly 15 percent. As called for in the agreement, the GOJ has implemented a number of important actions to deregulate the auto parts aftermarket including the elimination of several parts from the so-called "critical parts list". As a means to enable further market opening, the Agreement also created procedures enabling U.S. companies to petition MOT for further deregulation.

On December 23, 1996, the four major U.S. auto parts trade associations filed a petition to remove brake systems parts from the critical parts list. U.S. companies are globally competitive in brake parts but have seen little progress in penetrating the lucrative Japanese market. Brake parts represent approximately 20 percent of total auto repair revenues in Japan.

On January 17, Ambassador Barshefsky and former-Secretary Kantor sent a letter to Transport Minister Koga supporting the petition. The Administration has long contended that the critical parts regulations stifle competition in the Japanese aftermarket -- driving up prices and restricting access by foreign suppliers -- without improving safety. Barshefsky and Kantor stated in a letter that removal of brake

parts would be an important step to address these problems. On January 29, a Commerce/USTR/State delegation met with senior Japanese Government officials emphasizing the importance of the petition and related deregulatory actions.

The U.S. - Japan Auto Agreement also calls for MOT to create two new types of repair garages -- "special designated" and "specialized certified" garages -- which will allow new independent garages to compete in specified segments of the repair market, creating new opportunities for U.S. parts suppliers. These regulations are due by February 23. In addition, the final revision of Prime Minister Hashimoto's Deregulatory Action Plan is due in March. This Plan presents another opportunity for further deregulation the automotive sector. The Administration will be watching these actions, as well as future developments on the critical parts petition closely. Together, actions on these three issues will be important indicators of the Japanese Government's commitment to implement the Agreement and to open its automotive market.

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Webmaster @ USTR - 5 February 1997

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Executive Office of the President
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FOR IMMEDIATE RELEASE
Monday, February 10, 1997

97-10
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Administration Officials Respond to WTO Ruling Involving Underwear from Costa Rica

The Office of the U.S. Trade Representative underscored today that a decision of the WTO Appellate Body regarding imposition of import restraints on cotton and man-made fiber underwear from Costa Rica will have virtually no impact on the ability of the United States to impose future safeguard measures related to textiles trade. The WTO ruling involved only a very narrow issue under the WTO Agreement on Textiles and Clothing relating to the date on which temporary safeguard measures may take effect.

In its ruling, the Appellate Body acknowledged the legitimate concern cited by the United States, that a flood of imports might occur between the date on which import restraints are proposed and the date on which they are actually imposed. The Appellate Body, however, ruled that import restraints may not be routinely applied on a retroactive basis. The Appellate Body in turn recommended an alternative remedy to the one applied by the United States in this particular dispute with Costa Rica.

Ambassador Rita Hayes, the U.S. Chief Textile Negotiator noted that the United States was satisfied with the overall outcome of this dispute. "Although the panel found that in this particular case the U.S. Committee for the Implementation of Textiles Agreements (CITA) did not adequately document the existence of serious damage caused by imports, this case involved a determination made almost two years ago at the beginning of the WTO regime," she said.

"We are disappointed that the Appellate Body disagreed with the panel with respect to the effective date of temporary safeguard measures," said the U.S. Chief Textile Negotiator, Ambassador Rita Hayes. "However, we are pleased that the Appellate Body recognized that the problem of import surges is a legitimate one and that we retain authority to impose safeguard measures against such surges in the future."

The panel's ruling contained three points in particular that Ambassador Hayes cited as significant. First, the panel properly concluded that, in reviewing factual determinations made by domestic investigating authorities such as CITA, WTO dispute settlement panels may not engage in a *de novo* review of the facts or second-guess the factual judgments of domestic authorities. Second, the panel correctly concluded that, in attributing serious damage to imports from a particular WTO Member, the proper question facing domestic authorities, such as CITA, is whether exports from a particular country contributed to serious damage, not whether exports from a single country were the principal cause of serious damage. Third, the panel appropriately concluded that transitional safeguard action under the Agreement on Textiles and Clothing can be taken on re-imports and that in giving favorable treatment to re-imports there are many options available to CITA.

BACKGROUND

In early 1995, CITA determined that the U.S. underwear industry faced serious damage or threat thereof attributable to imports from seven countries, including Costa Rica. Accordingly, on March 27, 1995, the United States requested consultations with these countries, thereby initiating the transitional safeguard procedure for establishing quantitative restrictions on imports of underwear under Article 6 of the Agreement on Textiles and Clothing (ATC). In the case of Costa Rica, the consultations did not result in a mutually agreeable solution. Therefore, effective June 23, 1995, the United States implemented a restraint on imports of underwear from Costa Rica for a 12-month quota period starting from March 27. In accordance with Article 6.10 of the ATC, the United States referred the matter to the WTO Textiles Monitoring Body (TMB).

The TMB found that CITA had not demonstrated serious damage, but did not reach consensus on whether there was an actual threat of serious damage. The TMB recommended further consultations between the United States and Costa Rica, but these consultations also failed to result in a mutually agreeable solution and the TMB considered its review completed.

On March 5, 1996, Costa Rica requested the establishment of a dispute settlement panel. The panel issued its report on November 8, 1996, and found that because the United States had failed to demonstrate that serious damage or actual threat thereof to the U.S. domestic industry was caused by Costa Rican imports, the U.S. import restrictions violated the ATC. The panel also found that the United States violated the ATC by not granting treatment more favorable to Costa Rican re-imports (underwear assembled in Costa Rica from fabric cut in the United States). However, the panel agreed with the United States on several important points of principle, including (1) the standard of review to be applied by panels in their review of factual determinations made by domestic investigating authorities, (2) the use of a "contributing cause" standard in determining whether serious damage should be attributed to imports from a particular country, and (3) the transitional safeguard action under the Agreement on Textiles and Clothing which can be taken on re-imports and that in giving favorable treatment to re-imports there are many options available to CITA.

Costa Rica appealed the panel report to the WTO Appellate Body on the narrow question of the appropriate effective date of temporary safeguard measures under the ATC. The panel had ruled that import restraints could be imposed as of the date on which CITA published notice of its request for consultations and its intent to impose restraints. The Appellate Body disagreed with the panel on this point, holding that under Article 6.10, restraints could not be applied retroactively. However, the Appellate Body acknowledged the validity of U.S. concerns regarding surges of imports during the time between the announcement of proposed restraints and the actual imposition of restraints. In such instances, the Appellate Body stated, Article 6.11 of the ATC offered a remedy if a flood of imports would occur.

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FOR IMMEDIATE RELEASE
Friday, February 14, 1997

97-11
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Ambassador Barshefsky Applauds Arbitration Ruling on Japanese Taxes on Distilled Spirits

United States Trade Representative Designate Charlene Barshefsky welcomed the announcement today in Geneva of the determination made by a WTO arbitrator regarding the period of time Japan is given to bring its liquor tax regime for distilled spirits into full compliance with WTO rulings and recommendations.

"I am very pleased that the WTO reaffirmed the central principle of the WTO Dispute Settlement Understanding - that Members have an obligation expeditiously to comply with WTO rulings," said Ambassador Barshefsky. "The arbitrator's decision that Japan shall have no more than 15 months to eliminate the discriminatory aspects of its Liquor Tax Law is far shorter than the implementation period sought by Japan."

Japan had proposed to begin partial compliance within 23 months of the adoption of the WTO Appellate Body Ruling last November, and to reach full compliance within 5 years. The United States believed that the implementation periods proposed by Japan far exceeded what was envisioned by the drafters of the Dispute Settlement Understanding (DSU) and would, if not challenged, establish a negative precedent for future dispute resolution proceedings. Therefore, the United States referred the question to arbitration under the DSU. The arbitrator's decision today clearly supports the United States' decision to seek an affirmative ruling on this matter.

Ambassador Barshefsky added, "I believe it is now incumbent upon Japan, as a major trading nation and beneficiary of the multilateral trading system, to demonstrate its commitment to the WTO by fully complying with the rulings within the 15-month period established by the arbitrator."

BACKGROUND

In September 1995, the United States, EU and Canada requested establishment of a panel under the DSU to address Japan's discriminatory tax treatment for imported distilled spirits.

Under Japan's current tax system distilled spirits are taxed in five categories at different flat rates per kiloliter. On a per-degree-alcohol basis, the highest tax rate falls on whiskey and is now 6 times the lowest rate enjoyed by Shochu B, a traditional Japanese distilled spirit.

The WTO Panel found that Japan's current tax regime for distilled spirits is discriminatory. Specifically, the key findings of the WTO Appellate Body are: (1) vodka and Shochu (types A and B) are "like products" and so must be taxed identically; and (2) all Shochu and other white and brown spirits are "directly competitive or substitutable products" and must be taxed similarly - with no more than a *de minimis* difference in tax rates. The panel recommended that Japan change its liquor tax law. Japan appealed the panel report, but the Appellate Body affirmed the panel's finding that Japan's tax rates are

inconsistent with WTO rules. On November 1, the WTO Dispute Settlement Body adopted the Panel and Appellate Body reports. On November 20, Japan announced that it will comply with the recommendation.

There subsequently followed a series of consultations between the United States and Japan focusing on Japan's proposal to revise its Liquor Tax Law in compliance with the panel rulings. Unfortunately, the United States and Japan failed to reach agreement on the Japanese proposal. Specifically, under Japan's proposal, partial compliance with the WTO rulings would not take place until October 1, 1998 -- 23 months following adoption of the WTO Appellate Body report on November 1, 1996; and full compliance would not take place until October 1, 2001 -- 5 years after the panel rulings.

Thus, on December 24, 1996, the United States requested that the "reasonable period of time" to be allowed Japan to comply with the panel rulings, as provided for by Article 21.3(c) of the DSU, be determined through binding arbitration by the WTO. The United States and Japan presented written submissions to the arbitrator on January 27 and a hearing was held on February 3 in Geneva with the United States, Japan, the EU and Canada attending.

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Webmaster @ USTR - 14 February 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Thursday, February 20, 1997

97-12
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Statement by USTR-Designate Charlene Barshefsky

Today in Geneva, the United States submitted its opening brief to the WTO dispute settlement panel established to hear the U.S. complaint against Japanese Government policies and practices that have limited the sale of imported film and photographic paper in the Japanese market.

The U.S. presented to the WTO an exhaustively documented case. The brief itself runs nearly 200 pages---single spaced. It is supported by ten volumes of documents, many in Japanese and then translated, needed to give the panel the full understanding of how the policies and practices of the Government of Japan operated to restrict access for imports in this sector.

"We believe the record demonstrates that for more than 30 years, the Government of Japan has limited the sale of imported consumer photographic film and paper in the Japanese market," said Barshefsky. "To do so, Japan has relied upon an extensive array of measures designed to offset the effects of tariff, import, and foreign investment liberalization."

Beginning with the Kennedy Round and continuing to the present, Japan has imposed laws, regulations, and administrative actions to strengthen the dominant position of domestic consumer photographic materials manufacturers and curtail opportunities for imports that otherwise should have been available. Through these measures, Japan has systematically nullified and impaired benefits that trading partners expected from Japan's tariff concessions while discriminating against imported photographic film and paper.

The record shows clearly at the very time that the Government of Japan was liberalizing its formal trade barriers on film and paper, it was undermining the effects of these changes by restructuring the domestic industry and imposing "liberalization countermeasures" to counteract the perceived advantages of foreign competitors. Essentially, Japan protected domestic enterprises in areas where they were most vulnerable to foreign competition until government policies had adequately prepared domestic industry to meet that competition.

Many of the measures at issue in this dispute do not bear the typical characteristics of protectionism. In some instances, Japan's liberalization countermeasures have been applied equally to domestic as well as imported products. Some of the measures, if viewed in isolation, might appear to be common commercial regulations. However, when seen in their totality and historical context, the measures underlying this dispute reflect Japan's establishment of a unique system of distribution and marketing management that has disadvantaged imported photographic materials.

This is a case about classic protectionism accomplished through novel means. The Government of Japan's intervention in reordering the conditions of competition in the photographic material industry has impaired market access for imports. Moreover, at each stage of events, Japan has applied its commercial

regulations for the express purpose of shielding domestic market leaders from import competition.

Japan's labyrinth of liberalization countermeasures has acted as a highly potent yet subtle substitute for formal border protection -- a substitute not easily challenged or even understood by other governments. The net result has been to create a market structure, which remains in place today, that is remarkably resistant to import penetration.

This case is not a commercial dispute between two companies, although Kodak and Fuji are strong global competitors. It is a trade dispute between the United States and Japan.

While the U.S. is also looking into the question of private anticompetitive actions in Japan, this case is about the web of policies and practices conceived and deliberately undertaken by the Japanese government for the express purpose to limit imports in this sector.

This case is not about policies and practices that occurred in the 1960's and 70's, and are somehow no longer relevant. The policies and practices that occurred in the 1960's and 70's continue to control the way the Japanese market for film and photographic paper operates today. Moreover, key laws, regulations and policies cited remain very much in effect today.

Although the case spans three decades and is exhaustively detailed, it is not based on any novel theory of law. Rather, the crux of the case rests on a well-established principle of GATT law which says that where a country agrees to reduce its tariffs it cannot then proceed to take actions that negate the effect of those reductions.

In GATT terms, this is called "nullification and impairment" of benefits, and it is exactly what the Government of Japan has done in the case of consumer photographic film and paper. What Japan gave with one hand in the form of tariff reductions on film and paper, it has taken away with the other hand in the form of its so-called "liberalization countermeasures."

This case also rests on another basic GATT principle: that a government should not deliberately structure its market to discriminate against imports.

"Since President Clinton took office more than four years ago, the Administration has sought to open foreign markets and break down trade barriers around the world," Barshefsky said. "We have said repeatedly that we would open foreign markets multilaterally, regionally, and bilaterally. And we have delivered on that promise: using all the tools available to open foreign markets and break down trade barriers."

The GOJ response to the clear evidence of the market access barriers in this sector has been to deny the problem rather than to respond, to this clear problem. The U.S. looks forward to a successful resolution of the matter in the WTO.

BACKGROUND

On June 13, 1996, the United States requested consultations with the Government of Japan under WTO dispute settlement procedures, to challenge Japanese Government policies and practices that impede the sale of imported consumer photographic film and paper in the Japanese market. The consultations were held July 11, 1996, but failed to resolve the dispute. The United States requested the establishment of a WTO Panel on September 20, 1996. The WTO established the Panel on October 16, 1996. The panel will hear the first round of arguments on April 16, after both the United States and Japan have submitted their opening briefs.

The breadth and scope of the measures that Japan imposed to undermine its trade concessions on film and paper are extraordinary. Some of the measures are formal; others are not. Some apply specifically to photographic materials; others apply to all industries. Some are facially discriminatory; others are facially neutral. The only common feature they share is that each has served to impede the ability of foreign enterprises to use their particular competitive advantages --such as high capitalization, low costs of production, strong brand image and marketing expertise --to challenge the dominant position of

domestic manufacturers.

Japan's labyrinth of liberalization countermeasures can be understood fully only when seen as an organic whole. Together, they have acted as a highly potent yet subtle substitute for formal border protection --a substitute not easily challenged or even understood by other governments. The net result has been to create a market structure, which remains in place today, that is remarkably resistant to import penetration. Japan's liberalization countermeasures fall into three categories:

Distribution Countermeasures. Japan's Ministry of International Trade and Industry (MITI) consolidated wholesale operations in the photographic materials sector were consolidated, changing what formerly had been a dynamic and open system to one with narrow distribution channels under the control of domestic manufacturers. In the early 1960's, foreign manufacturers of film and paper, like their domestic counterparts, distributed their products through Japan's large photospecialty wholesalers, which were uniquely positioned to sell photographic materials to thousands of retailers throughout Japan. As a result of MITI's restructuring plan, by the mid-1970's the leading photospecialty wholesalers --as well as many smaller wholesalers, retailers and photo finishing laboratories --handled only domestic film and paper, excluding imports from the distribution system.

Restrictions on Large Retail Stores. In addition to denying foreign film and paper access to the primary distribution network, Japan has closed off the next best available alternative: large retail stores. Whereas wholesalers are needed to reach Japan's multitude of photospecialty retailers, large retail stores have sufficient economies of scale to make direct-to-retail sales efficient. Moreover, the greater amount of shelf space in large stores increases the likelihood that imports will be displayed beside domestic brands. Japan, however, has established a highly restrictive regulatory system limiting the expansion and operation of large retail stores. This has had an adverse effect on access to the Japanese market for imported film and paper.

Promotion Countermeasures. Japan has reinforced the foregoing measures affecting wholesalers and retailers by limiting the extent to which foreign producers might rely upon their marketing strength to promote sales through the use of economic inducements, or "premiums," and other marketing techniques. Such promotions stimulate demand for products and thereby serve as incentives for wholesalers and retailers to carry them. Japan adopted a series of "promotion countermeasures" restricting the ability of suppliers to use certain discounts, coupons, lotteries, give-aways or other economic incentives, and particular representations in advertising, especially where price or price discounts are discussed. These measures have limited the sale of imported photographic materials.

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Webmaster @ USTR - 20 February 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Monday, March 3, 1997

97-13
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Clinton Administration Cites Progress With Recent Japanese Deregulation Announcements - Stresses Need to Deregulate Auto Parts Market Further

Secretary of Commerce William Daley and U.S. Trade Representative - Designate Charlene Barshefsky today welcomed the Japanese Government's action approving the creation of two new types of automotive repair facilities providing greater access for U.S. auto parts into the Japanese market, but stressed the importance of further measures to deregulate and open the Japanese auto parts market.

The creation of these establishments, known as Specialized Certified Garages and Special Designated Garages, are potentially important steps in introducing competition into the Japanese automotive parts aftermarket. These new garages are far more likely to seek high-quality, low cost parts from U.S. and other foreign suppliers than from existing garages that tend to be tied to the Japanese automakers and their parts suppliers. The creation of these garages was called for in the U.S.-Japan Automotive Agreement, signed in August 1995.

"The objective of the U.S. - Japan Auto Agreement is to deregulate the Japanese automotive sector to the greatest extent possible consistent with safety considerations," Ambassador Barshefsky said.

"Deregulation of automotive repair garages is one step that will bring benefits for Japanese consumers, who pay too much for auto maintenance, and which will create opportunities for U.S. companies. Make no mistake about it, unacceptable barriers remain in place. We will continue to work vigilantly to ensure that the Government of Japan fully complies with the terms of the 1995 Agreement."

"We are pleased that the Ministry of Transport has implemented this deregulatory action in accordance with the Auto Agreement," Secretary Daley said. "This is one of many necessary measures the Government of Japan needs to undertake to fully comply with the 1995 Agreement and open its market to competitive foreign auto parts suppliers. We remain disappointed, however, with the Ministry's rejection of the petition filed by U.S. industry requesting that brake system repairs be deregulated. We supported the refiling of the petition, and ask that the Ministry of Transport reconsider the strong arguments regarding safety, competition, and consumer benefits made in the petition."

BACKGROUND

On February 20, the Japanese Ministry of Transport (MOT) issued regulations creating Specialized Certified and Special Designated garages. The regulations were issued pursuant to Section IV. (Regulatory Reform by the Government of Japan) of the U.S.-Japan Automotive Agreement, which specified that such facilities be established within 18 months of the signing of the Agreement on August 23, 1995.

MOT will now allow garages, called Specialized Certified Garages, to perform repairs on one or more of the seven "critical parts" assemblies (brake system, transmissions, engines, running system, steering

system, suspension system, and coupling devices). Prior to this announcement, a certified garage had to have the extensive resources necessary to repair an entire vehicle -- and only a fully certified garage could repair or replace any critical parts.

To facilitate the creation of these new establishments, MOT has reduced space and tool requirements and tailored these to the specific needs of each of the seven new types of garage. For example, a fully certified garage is required to have 72 square meters of floor space and 30 necessary machines and tools. A specialized certified brake shop will now need only 53 square meters and 16 tools. These reductions will make it easier and cheaper for small independent garages to enter into one or more of the specialty repair markets.

The creation of Special Designated Garages will make it possible for repairs related to the periodic shaken inspections to be performed at smaller certified garages that do not have the resources to be rated "designated" certified garages. Prior to this announcement, shaken repairs made at certified garages had to be taken to MOT for time-consuming inspections, while those made at dealerships or other designated garages could be self inspected by the garage. Now, a group of independent local certified garages can pool resources and form a joint inspection facility that can perform shaken inspections.

The Administration's goal in negotiating the creation of both of these new forms of garages was to introduce competition into the estimated \$60 billion Japanese automotive aftermarket. As a result of strict MOT regulations regarding where and how vehicles are repaired, modified, or inspected, most aftermarket work currently is done at dealerships or other establishments which tend to use automakers' original equipment replacement parts. These new independent garages will have a significantly greater incentive to seek more competitively-priced alternative sources for their auto parts.

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Webmaster @ USTR - 3 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Wednesday, March 5, 1997

97-14
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Ambassador Barshefsky Comments on Senate Confirmation Vote

Acting U.S. Trade Representative Charlene Barshefsky today issued the following comment in response to a 99 to 1 vote of the United States Senate in support of her nomination to serve as U.S. Trade Representative:

"I am deeply gratified by the vote on my nomination. I read this as a vote of confidence in our work over the last eleven months -- especially the Information Technology Trade Agreement (ITA), the global agreement in Basic Telecommunications Services, the semiconductor and insurance agreements with Japan, the IPR Enforcement Accord and 1996 textiles trade agreement with China, and our overall efforts to fight for reciprocal market access around the world -- all of which has served to boost the prospects for U.S. workers and companies in the global economy.

"The challenges we face in the global economy are every bit as critical today as at any point in our history. Our competitors in Asia and in our own hemisphere are entering into bi-lateral and sub-regional trade alliances that threaten to undermine U.S. export opportunities. As the world's largest trading nation, we cannot afford to sit on the sidelines. I look forward to working with the Congress in a bi-partisan fashion to define trade negotiating authority that will continue to advance U.S. interests in the global economy.

"I also want to express my gratitude to the President for placing his confidence in me to serve as U.S. Trade Representative. Finally, I want to thank my predecessor and friend, Ambassador Mickey Kantor, for his vision, creativity, perseverance, and extraordinary accomplishments as U.S. Trade Representative and Secretary of Commerce."

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Webmaster @ USTR - 6 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
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FOR IMMEDIATE RELEASE
Thursday, March 6, 1997

97-15
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Foreign Share of Japan's Semiconductor Market Rises in Third Quarter 1996

Foreign share of the Japanese semiconductor market rose nearly 1 percentage point in the third quarter of 1996, reversing the decline experienced in the first half of 1996. The 27.1 percent foreign share reached in the third quarter of 1996 was the second highest recorded, although still below the record 29.6 percent reached in the last quarter of 1995.

"This increase in foreign share is a positive indication of continued success in penetrating the Japanese market," said Ambassador Charlene Barshefsky. "The U.S. government will continue to monitor carefully access to this very important market. The active program of industry cooperation called for by the August 2 accords reached with Japan is the key to continuing improvement in market access. We will be working closely with our industry to ensure that the commitments reached in those accords are vigorously implemented."

On August 2, the United States and Japan reached a new agreement on semiconductors which is designed to ensure continued progress on market access and industry cooperation and help to solidify the gains of recent years. The heart of the new accord is an industry-to-industry agreement which provides for a continuation of existing industry cooperative activities and expansion of such cooperation to new areas such as standards, intellectual property rights, trade liberalization, environmental and safety issues and market development.

The new agreement also provides for industries to collect a broad range of market data, including foreign market share, and to prepare a quarterly report that will be presented to governments. Governments will then review these activities and reports and monitor the situation in the Japanese and other major markets. Industry representatives are still working out the technical details of this program.

During the five-year period of the 1991 Arrangement, foreign market share increased from 14.3 percent in the third quarter of 1991 to an average 27.3 percent over the last year of the 1991 agreement.

Foreign Market Share	
Q3 1991	14.3%
Q4 1991	14.4%
Q1 1992	14.6%
Q2 1992	16.0%
Q3 1992	15.9%
Q4 1992	20.2%
Q1 1993	19.6%
Q2 1993	19.2%
Q3 1993	18.1%
Q4 1993	20.7%
Q1 1994	20.7%
Q2 1994	21.9%
Q3 1994	23.2%
Q4 1994	23.7%
Q1 1995	22.8%
Q2 1995	22.9%
Q3 1995	26.2%
Q4 1995	29.6%
Q1 1996	26.9%
Q2 1996	26.4%
Q3 1996(1)	27.1%

(1) Calculated by U.S. Government only. Earlier figures calculated by U.S. Government and Government of Japan in accordance with the 1991 U.S.-Japan Semiconductor Arrangement.

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Webmaster @ USTR - 6 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
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FOR IMMEDIATE RELEASE
Thursday, March 6, 1997

97-16
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USTR 1997 Trade Policy Agenda and 1996 Annual Report: Administration Calls for Trade Implementation Authority

President Clinton today transmitted to Congress the 1997 Trade Policy Agenda and the 1996 Annual Report of the President of the United States on the Trade Agreements Program. The document underscores both the importance of trade expansion to sustain U.S. leadership in the global economy and the immense impact of trade in accelerating global economic development.

Prepared pursuant to the Omnibus Trade and Competitiveness Act of 1988, the document describes the Clinton Administration's trade policy priorities for the year ahead and reviews the principal trade policy actions and accomplishments of 1996. It also contains the annual report on the activities of the World Trade Organization, and an Annex listing trade agreements entered into by the United States since 1984 that afford increased market access or reduce barriers and other trade distorting policies by other countries.

Noting the President's view that sustaining a healthy economy requires more than attention to domestic problems, Ambassador Barshefsky stated that "if we are to maintain or improve our standard of living, improve wages, and improve opportunities for ourselves and our children, we must increase access to the over 95 percent of the world's consumers who live beyond our borders."

"Trade policy plays an essential role in determining the U.S. success or failure in the global economy," Ambassador Barshefsky added. In the United States, more than 11 million U.S. jobs are directly supported by exports. In the last four years alone, 1.4 million high-paying U.S. jobs were added in the domestic economy as a result of export expansion. Between 1990 and 1995, the value of trade in the U.S. domestic economy grew from 25% to 30% of U.S. gross domestic product, and it more than doubles the 13% level of 1970.

"We cannot take prosperity for granted in the increasingly competitive global economy," Ambassador Barshefsky said. "Japan, China, Malaysia, Korea and the European Union are all fighting to establish unique trade relationships in South America that could undermine U.S. export opportunities. And we must use every tool to further open markets in the rapidly developing Asian economies which maintain the world's highest rates of growth."

The United States now represents just over four percent of the world's population. As the world changes, we must remain as dynamic as the world around us if we are to expand economic opportunities rapidly and enhance prosperity in our domestic economy. Twenty-five years ago, 35% of our trade was with Europe. By 1995 that share had fallen to 19%. By contrast, 80% of technology trade and 62% of overall world trade is among countries within the Asia-Pacific Economic Cooperation (APEC) forum.

Ambassador Barshefsky said that in 1997, "the Administration will continue to focus on implementing

trade agreements, enforcing our trade laws and agreements, opening markets, creating opportunities for American business, and continuing the legacy of U.S. leadership in the global economy." Highlights of the 1997 Agenda include:

- **Trade Implementation Authority.** Trade implementation authority provides authority for the President to submit trade agreements to Congress with the proviso that Congress has a limited time period in which approve or reject the agreement without any amendments. Obtaining trade implementation authority from Congress is critical to America's ability to continue to bring down trade barriers, give American companies and workers a chance to compete in new markets, provide global leadership on trade, and ensure that, as a strategic matter, the United States can position itself at the hub of a constellation of trade groups, particularly in Latin America and Asia.
- **Progress in Latin America.** Latin America has been the second fastest growing region in the world. Moreover, it is a natural market for the United States. Trade implementation authority would provide a real boost to America's efforts in the hemisphere immediately and in the very near future. For instance, the United States is committed to conclude the Free Trade Area of the Americas (FTAA) by 2005, with concrete progress by 2000.
- **Technology Agreements.** Two recently negotiated trade agreements hold great promise for opening markets in high tech areas in which America leads the world and which are of substantial commercial and strategic importance. First, the Information Technology Agreement (ITA) would eliminate tariffs on all information technology products, including semiconductors, computers, telecommunications equipment, and software. The goal of the ITA is to phase out tariffs on information technology products by the year 2000. The first of the tariff cuts by the participating nations would take effect on July 1, 1997. Second, the Basic Telecommunications Services Agreement ensures that U.S. companies can compete against and invest in all existing telecommunications carriers. It covers over 95 percent of world telecom revenue and was negotiated among 70 countries. The services and technologies covered by the agreement range from submarine cables to satellites, from wide-band networks to cellular phones, from business intranets to fixed wireless for rural and under served regions. The agreement takes effect on January 1, 1998.
- **Toward Free Trade with the Asia Pacific Region.** The President's leadership has advanced progress in the Asia Pacific Economic Cooperation (APEC) forum toward the goal of free and open trade and investment. The United States will continue to encourage APEC, as an institution, to accelerate the opening of its markets and its adoption of rules for fair trade. In addition, the Administration will pursue aggressive bilateral agreements throughout the region in order to resolve issues expeditiously and to put in place rules and standards that are later adopted on a wide scale.
- **WTO Accessions.** We have a full agenda of accession negotiations--countries seeking to join the World Trade Organization (WTO). One of the most important of these is China. The Administration believes that it is in our interest that China become a member of the WTO; however, we have been steadfast in leading the effort to assure that China's accession to the WTO would occur on a commercial basis that opens China's market for U.S. goods, services and agriculture. Additionally, the U.S. has set the standard in seeking solid rules-based standards for investment, trading rights and IPR compliance. While China's accession has attracted more attention, the United States is working to ensure that 28 applicants now seeking WTO membership, including Russia, address important market access issues on reciprocal terms, and comply with rules governing trade practices on a consistent and uniform basis.

In describing the context for the Administration's trade policy agenda, Ambassador Barshefsky noted that "we must move forward to cement our role as the world's leader, economically, politically, and strategically.

- "Economically the United States is better prepared than any other nation to succeed in the global economy. We have the most productive workers and the most competitive industries.
- Politically, our trade relationships advance American values and democratic ideals. We recognize that open foreign markets are important, but so are the continued expansion of democracy, the rule of law and human rights. Trade is perhaps the most effective tool by which we can project America's core values globally.

- Strategically, we seek to form alliances as a means to position ourselves in key regions around the world. The United States is in a position to engage in a number of strategic economic alliances that will benefit us and our trade partners as we come to the end of the century. If we do not move aggressively to expand our strategic base, we can expect our competitors to move aggressively to undermine U.S. market share in critical Latin American and Asian markets."

Barshefsky commented that if the goals outlined in the 1997 agenda are achieved, they "will undoubtedly improve the ability of the United States to compete in markets throughout the world, increase America's exports of goods and services and create jobs, help build strong commercial and diplomatic relationships with other nations, and reinforce trade institutions that uphold the rule of law."

Note: Public copies of the 1997 Trade Policy Agenda and 1996 Annual Report are available from the Office of Public Affairs, room 103, at USTR. In addition, the report can be located at USTR's Internet Home Page address, which is: <http://www.ustr.gov/>

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Webmaster @ USTR - 6 March 1997

**OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE**

**Executive Office of the President
Washington, D.C.
20508**

FOR IMMEDIATE RELEASE
Thursday, March 6, 1997

97-17
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Ambassador Barshefsky Comments on China WTO Talks

U.S. Trade Representative - Designate Charlene Barshefsky today issued the following comment with regard to Working Party discussions in Geneva this week pertaining to China's accession to the WTO:

"We have seen some new progress during the WTO talks this week with regard to China's commitment to meaningful market reforms, particularly in the area of trading rights which are critical to addressing our market access concerns. In our December 1994 "road map" and the Geneva talks, we have established the critical end points for China's WTO accession. China has now evidenced a greater understanding of the WTO requirements and what must be done to fulfill them. China must in turn provide the specifics as to how the end points will be achieved.

"Make no mistake, China's accession to the WTO will be determined by the specific commitments the Chinese government is willing to undertake with regard to such issues as market access, elimination of tariffs and non-tariff barriers, statutory inspection, transparency and judicial review, customs valuation, subsidies, agricultural trade practices, and trade in services.

"We will continue to press for fundamental reforms in our bilateral talks with China and through the multilateral process now underway at the WTO. We have been working at this for some time. Initial negotiations to bring China into the world trading system began in 1986. Our negotiating team has been engaged directly on a range of issues including market access for U.S. agricultural goods and manufactured products, enforcement of our 1995 and 1996 IPR agreements, textiles trade, elimination of tariff barriers, and gaining market access for our services industries."

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Webmaster @ USTR - 6 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Monday, March 10, 1997

97-18
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USTR Initiates 301 Investigation of European Union Subsidy Practices

U.S. Trade Representative - Designate Charlene Barshefsky initiated on March 8 a Section 301 investigation of certain subsidies of the European Union (EU) that are adversely affecting U.S. modified starch exports to Europe. Ambassador Barshefsky initiated this investigation in response to a Section 301 petition filed by the U.S. Wheat Gluten Industry Council. Section 301 provides the means for businesses and workers in the United States to seek the aid of the government in gaining relief from foreign unfair trade practices which burden or restrict U.S. commerce.

"I am very concerned about the difficulties that U.S. wheat gluten and starch producers are facing," stated Ambassador Barshefsky. "We intend to investigate the U.S. wheat gluten industry's claim that the EU uses one of its starch subsidy programs to cut off U.S. exports of modified starch to the EU."

On January 22, 1997, the Wheat Gluten Industry Council filed a petition alleging that certain subsidies of the EU and its member States directly or indirectly benefit EU production and export of wheat gluten to the United States. The U.S. wheat gluten industry produces both starch and gluten from wheat.

Ambassador Barshefsky reviewed the allegations in the petition and determined on March 8 to initiate a Section 301 investigation with respect to the EU starch production program to determine whether subsidies granted under that program are causing or threatening to cause serious prejudice to U.S. interests with respect to U.S. exports of modified starch to the EU, or are nullifying or impairing benefits accruing to the United States under WTO agreements.

"The decision to initiate this investigation exemplifies the commitment of this Administration to remain vigilant in monitoring the practices of our trading partners," Barshefsky said.

With respect to the other allegations in the petition regarding subsidized imports of EU wheat gluten into the United States, Ambassador Barshefsky has invited the petitioners to consider seeking additional information through the procedures provided for in section 308 of the Trade Act, and USTR is prepared to continue working with them in the development of information and analysis which may form the basis for further action. Insofar as other U.S. trade laws are designed specifically to address the problems of unfairly traded imports into the U.S. market, Ambassador Barshefsky noted that the petitioners may wish to more fully explore these options. Ambassador Barshefsky also intends to continue to pursue consultations with the EU regarding its wheat gluten exports to the United States, pursuant to a bilateral agreement with the EU on grains signed on July 22, 1996. In light of these circumstances, Ambassador Barshefsky decided at this juncture not to initiate a Section 301 investigation with respect to other allegations in the petition.

In order to verify and improve the petition to ensure an adequate basis for consultations with the EU, Ambassador Barshefsky, pursuant to section 303 (b)(1)(A) of the Trade Act of 1974, has decided to

delay requesting consultations with the EU regarding access to its market for modified starch.

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Webmaster @ USTR - 11 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Tuesday, March 11, 1997

97-19
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USTR Announces Allocation of the Raw Cane Sugar Tariff-Rate Quota Increase of 200,000 Metric Tons

United States Trade Representative-Designate Charlene Barshefsky today announced the country-by-country allocations for the raw cane sugar tariff-rate quota increase of 200,000 metric tons (220,462 short tons) for Fiscal Year 1997. This allocation is based on the countries' historical trade to the United States.

The 200,000 metric ton increase for the raw cane sugar tariff-rate quota is being allocated to the following countries in metric tons, raw value:

Country	Current FY 1997 Allocation	Additional Allocation	New FY 1997 Allocation
Argentina	69,774	8,731	78,505
Australia	134,681	16,853	151,533
Barbados	11,359	0	11,359
Belize	17,849	2,234	20,083
Bolivia	12,981	1,624	14,606
Brazil	235,286	29,442	264,727
Colombia	38,944	4,873	43,817
Congo	7,258	0	7,258
Costa Rica	24,340	3,046	27,386
Cote d'Ivoire	7,258	0	7,258
Dominican Republic	285,588	35,736	321,324
Ecuador	17,849	2,234	20,083
El Salvador	42,189	5,279	47,468
Fiji	14,604	1,827	16,431
Gabon	7,258	0	7,258
Guatemala	77,888	9,746	87,634
Guyana	19,472	2,437	21,908
Haiti	7,258	0	7,258
Honduras	16,227	2,030	18,257
India	12,981	1,624	14,606
Jamaica	17,849	2,234	20,083

Jamaica	17,849	2,234	20,083
Madagascar	7,258	0	7,258
Malawi	16,227	2,030	18,257
Mauritius	19,472	2,437	21,908
Mexico	25,000	0	25,000
Mozambique	21,095	2,640	23,734
Nicaragua	34,076	4,264	38,340
Panama	47,057	5,888	52,945
Papua New Guinea	7,258	0	7,258
Paraguay	7,258	0	7,258
Peru	66,529	8,325	74,854
Philippines	219,059	27,411	246,470
South Africa	37,321	4,670	41,991
St. Kitts & Nevis	7,258	0	7,258
Swaziland	25,963	3,249	29,211
Taiwan	19,472	2,437	21,908
Thailand	22,717	2,843	25,560
Trinidad-Tobago	11,359	1,421	12,780
Uruguay	7,258	0	7,258
Zimbabwe	19,472	2,437	21,908
Total:	1,700,000	200,000	1,900,000

Allocations to countries that are net importers of sugar are conditioned on receipt of the appropriate verifications.

Conversion factor: 1 metric ton = 1.10231125 short tons

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Webmaster @ USTR - 11 March 1997

**OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE**

**Executive Office of the President
Washington, D.C.
20508**

FOR IMMEDIATE RELEASE
Tuesday, March 11, 1997

97-20
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Statement by U.S. Trade Representative Charlene Barshefsky

In response to today's unanimous vote by the House of Representatives on technical legislation enabling her appointment as United States Trade Representative, Ambassador Barshefsky said:

"I am truly gratified at the level of the support for my nomination in the Senate and as reflected in this vote on technical legislation in the House. I look forward to working with Congress in a bipartisan dialogue to strengthen the U.S. position in the global economy."

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Webmaster @ USTR - 12 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Thursday, March 13, 1997

97-21
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Information Technology Agreement on Track Toward March 26 Conclusion

U.S. Trade Representative Charlene Barshefsky affirmed today that technical work on the Information Technology Agreement (ITA) is on track to be completed at a meeting of participating countries in Geneva on March 26. The ITA, which will eliminate tariffs on information technology products by the year 2000 -- with very limited exceptions where staging will be extended -- was put forward by the United States at the WTO's Singapore Ministerial Meeting in December 1996. Under the terms of the Agreement, countries accounting for 90% or more of world trade in information technology products are required to participate for the Agreement to become operational on July 1, 1997. Currently, countries accounting for some 92% of world trade have agreed to join the ITA, and more countries are considering joining.

"We are delighted that seven additional nations have signed on this month," said Barshefsky. "With the addition of key producers such as Malaysia and Thailand we have exceeded the requirements that countries accounting for more than 90% of trade in information technology products participate in the ITA. This agreement reflects the leadership of President Clinton and the United States in making the WTO address important commercial issues on a real-time basis."

Negotiators in Geneva are continuing to work on the technical details of the ITA. After this verification process is completed, a meeting of participants will be held on March 26 where a formal decision on the ITA is expected. Participants in the ITA now include: Australia, Canada, Costa Rica, Estonia, the European Union (15 countries), Hong Kong, Iceland, Indonesia, Japan, Korea, Macau, Malaysia, New Zealand, Norway, Romania, Singapore, Switzerland, Taiwan, Thailand, Turkey and the United States. Details will be released once all the schedules have been verified.

The ITA originated among U.S. companies which worked closely with the Administration to develop the ITA over the past two years. The Agreement is significant because it represents \$500 billion worth of trade worldwide and provides a competitive boost for 1.8 million jobs in the United States. Under the Agreement, duties will be eliminated on products such as semiconductors, telecommunications equipment, computers and information technology products needed for industries to compete in the next century.

One significant result from the ITA is the elimination of tariff barriers on semiconductors in the European Union. This result fulfills a long-standing request from the U.S. semiconductor industry to bring down the tariff walls in Europe. The EU will cut in half its tariffs, that are generally 7% but are as high as 14%, starting in July and accelerate its tariff cuts on semiconductors so that by January 1999, EU duties on semiconductors will be zero.

Following from the Agreement reached at Singapore, the United States and the European Union finalized details of a tariff initiative on distilled spirits. Duties on whisky and brandy now will be

eliminated by 2000, four years ahead of the timetable agreed to in the Uruguay Round. Adding to this package, the duties on "white" distilled spirits such as vodka, gin and liqueurs will be eliminated by 2000, and high-valued rum by 2003. The United States and EU pursued an agreement on "white" spirits during the Uruguay Round, but were unable to achieve it at that time. In 1995, U.S. exports of distilled spirits to Europe totaled nearly \$160 million. Lower-cost rum is excluded from the deal, thereby retaining the existing tariff protection for producers in the Virgin Islands and Caribbean nations.

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Webmaster @ USTR - 13 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Friday, March 14, 1997

97-22
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United States Prevails in WTO Case Challenging Canada's Measures Restricting U.S. Magazine Exports

A dispute settlement panel established under the auspices of the World Trade Organization (WTO) has found that several Canadian measures restricting or discriminating against U.S. magazine exports are inconsistent with GATT 1994. The measures include Canada's import ban on magazines containing advertisements directed to Canadian consumers, Canada's 80% excise tax on "split-run" magazines, and Canadian postal rates (except so-called "funded" rates) that are higher for imported magazines than for Canadian magazines. The panel has recommended that Canada bring these measures into conformity with GATT 1994.

Ambassador Barshefsky said, "While we are supportive of efforts to promote national identity through cultural development, we cannot allow Canadian entities to use 'culture' as an excuse to provide commercial advantages to Canadian products or to evict U.S. firms from the Canadian market. We will continue to vigorously oppose actions of this type that harm U.S. interests, whether taken by Canada or by other countries." Canada had argued that these measures, one of which had the effect of forcing *Sports Illustrated Canada* out of the Canadian market, were necessary to advance Canadian culture.

"I believe this case shows that the United States can get results by going to the WTO," stated United States Trade Representative Charlene Barshefsky.

The panel report was circulated today to all WTO Members. The report, entitled *Canada -- Certain Measures Concerning Periodicals*, is available for copying in USTR's public reading room.

Background

On March 11, 1996, USTR initiated a section 301 investigation and requested consultations under GATT 1994 with the Government of Canada to address certain Canadian measures affecting magazines, including: measures prohibiting or restricting the importation into Canada of certain magazines, tax treatment of so-called "split-run" magazines, and the application of favorable postage rates to certain Canadian magazines. When the consultations failed to produce a mutually satisfactory solution, the United States requested that a WTO panel be formed to consider these issues. A panel was established on June 19, 1996. The panel's interim report was issued to the two parties on January 16, 1997, its final report was issued to the two parties on February 21, and its final report was circulated to all WTO Members on March 14.

The United States initiated the section 301 investigation and requested consultation after Canada's parliament imposed an 80% tax on revenue from advertisements placed in Canadian editions of so-called "split-run" magazines. Split-run magazines are periodicals sold both in Canada and abroad, in which the Canadian edition contains advertisements directed at a Canadian audience. The tax was calculated to put

the Canadian edition of *Sports Illustrated*, published by Time Canada, Ltd., a subsidiary of Time Warner, Inc., out of business.

The tax is the latest in a series of Canadian measures to protect the Canadian magazine publishing industry from U.S. competition. For example, since the mid-1960's, Canada has banned the importation into Canada of magazines that contain even small amounts of advertising directed at Canadian consumers. And for many years Canada has charged higher postage rates for magazines not produced in Canada by Canadian-owned companies.

In its report, the Panel found that:

- Canada's import ban violates GATT Article XI, and is not justified as an exception under Article XX.
- Canada's 80% excise tax violates Canada's national treatment obligations under GATT Article III:2. The Panel found that the tax drew an artificial distinction between split-run and non-split-run magazines, which are "like products," and applied the excise tax only to split-runs.
- Canada's discriminatory postal rates for magazines mailed in Canada accord less favorable treatment to imported magazines than to like Canadian magazines, in violation of GATT Article III:4. However, the Panel found that this violation was excused in the case of Canada's so-called "funded" postal rates, because these rates qualify as a subsidy within the meaning of GATT Article III:8(b).

Either Party may appeal the Panel's decision to the WTO Appellate Body. WTO rules provide that the Appellate Body normally is to issue its decision within 60 days of the filing of a notice of appeal.

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Webmaster @ USTR - 17 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Thursday, March 20, 1997

97-23
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Joint Statement of Trade Ministers at the Fourth NAFTA Commission Meeting Washington, D.C., March 20, 1997

United States Trade Representative Charlene Barshefsky, Canadian Trade Minister Arthur Eggleton, and Mexico's Secretary of Commerce and Industrial Development Hermino Blanco Mendoza today issued the following joint statement in conjunction with the fourth meeting of the NAFTA Commission:

Today we reaffirmed our strong commitment to the NAFTA and its value in promoting trade, investment, economic growth and jobs in all of our countries. In this regard, we note that since the implementation of the NAFTA our trade with each other has increased by approximately 45 percent, with trade growing from significantly less than \$300 billion in 1993 to well over \$400 billion in 1996. It was acknowledged that the growth in trade is a clear indication of the success of the agreement and the benefits it brings to the companies and workers involved in North American free trade. We look forward to more trade, investment, economic growth and jobs as the NAFTA opens new opportunities. The NAFTA has also helped North American firms to become more competitive in the increasingly competitive global economy. We also emphasized the importance of the continued implementation of the NAFTA. We reiterated our view that Commission meetings serve as an invaluable method to ensure NAFTA implementation is proceeding in an appropriate manner.

We concluded the first round of tariff acceleration talks, and agreed to implement it by July 1, 1997. With this implementation, we will be eliminating tariffs more quickly than is called for under the NAFTA on a specified list of several dozen items (attached). We noted the substantial interest of the private sector of all three countries to conduct a more comprehensive second tariff acceleration round. As a result, we instructed our officials to initiate the second round of tariff acceleration by May 1, and to conclude negotiations by December 15, 1997.

We adopted a recommendation from the trilateral Advisory Committee on Private Commercial Disputes that supports the utilization of alternative dispute resolution. This Committee was established pursuant to NAFTA Article 2022, and comprises both private sector members and government officials of each party, whose main task is to evaluate and promote the use of alternative means of dispute resolution for private commercial disputes. In accordance with Article 513 we agreed to implement certain technical modifications to the NAFTA rules of origin (Annex 401) to facilitate trade in response to a recommendation from the trilateral Working Group on Rules of Origin. These rectifications do not constitute substantive changes to the NAFTA and have the sole purpose of establishing consistency between Annex 401 of the NAFTA and the Parties' tariff laws.

We approved rules for remuneration of expenses to panelists regarding NAFTA Chapter 19 and 20 dispute settlement cases. We agreed that our officials will meet in April to discuss the steps necessary to establish by September 1997 the NAFTA Coordinating Secretariat to assist the NAFTA Commission on

technical matters. We also received and adopted reports regarding the work of the over 20 trilateral Committees and Working Groups addressing a broad range of NAFTA implementation issues. Noting that their work advances the objectives of the NAFTA, we directed them to continue their work in a manner that is forward looking as established in the NAFTA and its objectives. Ministers authorized release of the report of the NAFTA Trade Remedies Working Groups and noted that their work has been completed, in accordance with their mandate. The Governments will continue to consult, as appropriate under the NAFTA, on issues related to trade remedies with the objective of promoting fair trade and reducing the possibility of disputes, such as common problems posed by steel imports into the NAFTA countries.

We also discussed certain aspects of telecommunications standards setting (in Mexico) and agreed that this issue should be resolved promptly. We discussed a range of cross border transportation issues and reiterated our interest in resolving outstanding matters while recognizing our transportation officials are specifically addressing that agenda.

We noted the trade facilitating value of trilateral mutual recognition agreements in professional services, and discussed the status of work by professional associations including engineers, lawyers and architects. We discussed the implementation of the temporary entry provisions of the NAFTA and matters related to the government procurement provisions of the NAFTA. We reviewed sanitary and phytosanitary issues, particularly involving the U.S. and Mexico, and directed our officials to work with our Agriculture Ministries to resolve within the NAFTA outstanding issues promptly.

We discussed the value of effective cooperation with our respective Environment and Labor Ministers, and have directed our officials to pursue further cooperation with their Environment and Labor counterparts. We welcomed the progress to date in the Hemisphere and at the sub-regional level to liberalize trade. In the context of the Free Trade Area of the Americas (FTAA), we reiterated the importance of meeting the commitments set forth by the 1994 Summit of the Americas and subsequent hemispheric Trade Ministerial meetings. We discussed preparations for the FTAA Trade Ministerial meeting scheduled for May 1997 in Belo Horizonte, Brazil, recognizing its importance in determining how and when the FTAA negotiations should be launched.

We agreed that the next NAFTA Commission meeting at the Ministerial level will be held in Mexico in the first quarter of 1998.

Agreed NAFTA Tariff Acceleration Lists United States Acceleration List

Product Descriptions

- Processed Artichokes
- Tahini
- Hexamethylenetetramine
- Polyethylene plastic tape laminated with thermoplastic adhesive
- Wooden venetian blinds
- Spandex monofilaments
- Metallized yarn
- Polypropylene woven fabric coated or laminated with plastic on one side only
- Printed cotton towels
- Barbecue briquettes
- Aircraft fasteners, threaded
- Aircraft fasteners, of nickel
- Casting-grade zinc, containing by weight less than 99.99% of zinc
- Aircraft fasteners, of titanium
- Electric switches, other than motor starter switches, for use in electrical products
- Certain bicycle parts
- Appliance timers
- Parts for appliance timers
- Brushes constituting parts of machines

**Agreed NAFTA Tariff Acceleration Lists
Mexico Acceleration List**

Product Descriptions

- Processed Artichokes
- Tahini
- Sodium Cyanide
- 2-Ethyl-hexanol
- Lovastatin and simvastatin
- Trimethorpin and enalapril maleate
- Sulphamethoxazole and sulphamerazine
- Vitamin C and its derivatives
- Dexamethasone and gentamycin
- Tetracycline chlorohydrate
- Certain film products
- Polyethylene plastic tape laminated with thermoplastic adhesive
- Wooden venetian blinds
- Paper for masking tape
- Spandex monofilaments
- Metallized yarn
- Polypropylene woven fabric coated or laminated with plastic on one side only
- Printed cotton towels
- Ceramic tableware, other than of porcelain or china
- Aircraft fasteners
- Casting grade zinc
- Blanks and blades for scissors and shears
- Tobacco drying, pressure cleaning and excavating machines and their parts
- Dishwashers, clothes dryers and their parts
- Metal casting machines and certain metal processing machines

**Agreed NAFTA Tariff Acceleration Lists
Canada Acceleration List**

Product Descriptions

- Tahini
- 2-Ethyl-hexanol
- Lovastatin and simvastatin
- Enalapril maleate
- Hexamethylenetetramine
- Sulphamerazine
- Tetracycline chlorohydrate
- Gentamycin
- Polyethylene plastic tape laminated with thermoplastic adhesive
- Wooden venetian blinds
- Spandex monofilaments
- Imitations of catgut
- Metallized yarn
- Barbecue briquettes
- Ceramic tableware, other than of porcelain or china
- Aircraft fasteners
- Blanks and Blades for scissors and shears
- Parts of tobacco drying machines
- Machines for cleaning by pressure
- Parts for excavating machines
- Bicycle components

- Appliance timers
- Parts for appliance timers
- Brushes constituting parts of machines

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Webmaster @ USTR - 21 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Friday, March 21, 1997

97-24
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U.S. Raises Concerns on Proposed EU Shipbuilding Subsidies

U.S. Trade Representative Charlene Barshefsky today expressed dismay at the recent announcement by the EU Commission that it is proposing \$2.1 billion in subsidies for shipyards in Spain, Germany and Greece.

"The EU and all signatory parties to the OECD Shipbuilding Agreement have clear obligations they must adhere to under this accord," said U.S. Trade Representative Charlene Barshefsky. "We are seeking an immediate explanation given the EU's commitments under the Agreement."

At last week's meeting of the signatory parties (countries) in Paris, the U.S. made clear that it remained committed to securing passage of implementing legislation and planned to present a revised legislative package to Congress in the very near future. The U.S. Delegate informed the other Parties that we would be able to report more definitively on prospects for ratification within the next two to three months.

The United States has formally requested an explanation from the EU Commission of their subsidies proposal and how it comports with their commitments under the Agreement. We will be reviewing our course of action in light of their response. The Commission proposal must be approved by the EU Council (which consists of Ministers from the 15 member countries) before it can go into effect.

Background

The OECD Shipbuilding Agreement, which was concluded in late 1994, would eliminate government subsidies granted to aid the shipbuilding industry; set common rules for government financing programs for ship purchases; establish a mechanism to address the dumping of ships; and set an effective, binding dispute settlement mechanism to enforce these rules. Entry into force of the Agreement (originally scheduled for 1/1/96) has been delayed by the failure of the last Congress to enact the implementing legislation needed to enable the U.S. ratify the Agreement. All other Signatories to the Agreement (the EU, Japan, Korea, and Norway) -- which account for over 80 percent of world commercial shipbuilding -- have ratified it. USTR has long been concerned that this inaction could lead to renewed resort to subsidization by foreign governments.

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Webmaster @ USTR - 21 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Executive Office of the President
Washington, D.C.
20508

FOR IMMEDIATE RELEASE
Wednesday, March 26, 1997

97-25
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ITA A DONE DEAL! 39 Countries and More Than 92% of Information Technology Products Covered

U.S. Trade Representative Charlene Barshefsky today announced that negotiators in Geneva have finalized the landmark Information Technology Agreement (ITA) which now includes 39 countries accounting for 92.3% of world trade in information technology products. The Agreement will demonstrably increase global sales opportunities in the \$500 billion information technology market.

In announcing the agreement, U.S. Trade Representative Charlene Barshefsky said, "I want to express my sincere appreciation to the 39 participating countries (participant list attached) for concluding this historic and far-reaching agreement. For U.S. workers and companies - which lead the world in information technology - the ITA takes down foreign trade barriers and levels the international playing field."

"The enthusiasm and support for the ITA underscores the recognition of countries at all levels of development that barriers to trade in the information technology sector are incompatible with economic growth. Combined with the recent agreement on telecommunications services, we have established a solid foundation for the global economic infrastructure needed for trade expansion as we look to the next century."

Ambassador Barshefsky noted that the ITA is a major accomplishment for the WTO. "The significance of the agreement is without comparison. At no time in the history of the trading system have so many countries united to open up trade in a single sector by eliminating duties across the board."

The ITA was concluded at the WTO's first Ministerial Conference at Singapore in December 1996. At that time, 28 countries accounting for over 80 percent of trade agreed in information technology products agreed to in the ITA. Since that time, negotiators have been working to finalize the agreement and to work with other countries interested in joining the ITA. The Agreement provides for the elimination of tariffs on information technology products by the year 2000. Countries will stage the overwhelming majority of their tariff reductions to zero by 2000, and in very limited circumstances, extended staging of commitments up to 2005 was agreed for a few countries. The Agreement also provides for a review of product coverage and a continuing opportunity to pursue non-tariff measures that impede market access for information technology products.

Ambassador Barshefsky noted that she will continue to press the European Union on further market opening commitments related to technology trade. "While we do not intend to delay enactment of the ITA, I must convey my deep concern that the European Union has been unwilling to address its recent tariff increases on certain computers and LAN equipment in violation of its Uruguay Round commitments," Ambassador Barshefsky said. "The United States has already begun to pursue these issues in the WTO dispute settlement process and consider what other actions might be appropriate to

ensure that the EU meets its obligations."

The United States is the largest single exporter of information technology products, accounting for nearly one quarter of global trade, and representing 1.8 million technology manufacturing jobs in the United States. The ITA covers a broad range of information technology products such as semiconductors, computers, telecommunications equipment and software. In addition to tariffs, the Agreement sets out procedures that will enable countries to improve the ITA product coverage to take into account new developments in this dynamic industry, as well as assure that non-tariff measures do not undermine the commitments achieved in the ITA. An initial review is already scheduled to begin in the Fall of 1997. Domestic authority for the ITA was provided in the Uruguay Round Agreements Act.

Ambassador Barshefsky praised the U.S. information technology industry for having the vision and determination to pursue the ITA, despite repeated delays and disappointments, including the inability to secure an agreement in the Uruguay Round to eliminate duties in this sector. "The ITA reinforces the importance of the Presidential authority to negotiate agreements that enhance U.S. competitiveness in global markets," Ambassador Barshefsky said. "With U.S. leadership and determination we can continue to make use of the negotiating tools in our arsenal to bring down barriers to trade in areas of interest to the United States. Agreements of this magnitude traditionally only were secured as part of lengthy rounds of trade negotiations. We have achieved an important breakthrough in securing trading opportunities on a real time basis."

Additional information is available on the USTR and WTO home pages.

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LIST OF PARTICIPANTS

1. Australia
2. Canada
3. Chinese Taipei
4. Costa Rica
5. Czech Republic
6. Estonia
21. European Communities (15)
22. Hong Kong
23. Iceland
24. India
25. Indonesia
26. Israel
27. Japan
28. Korea
29. Macau
30. Malaysia
31. New Zealand
32. Norway
33. Romania
34. Singapore
35. Slovak Republic
36. Switzerland and Liechtenstein
37. Thailand
38. Turkey
39. United States

Panama and Poland submitted ITA schedules which will be subject to further review. The Philippines announced its intention to submit a schedule by April 1. Provisions have been made to review these schedules and any others submitted the week of April 14. If approved by consensus, these countries will be considered original participants to the ITA.

Related documents:

- [ITA Implementation Text](#) 
- [ITA Product Landscape](#) 

Webmaster@ USTR - 27 March 1997

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20506

USTR Press Releases are available on the USTR home page at WWW.USTR.GOV.
They are also available through the USTR Fax Retrieval System at 202-395-4809.

FOR IMMEDIATE RELEASE
Monday, March 31, 1997

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USTR RELEASES 1997 INVENTORY OF FOREIGN TRADE BARRIERS

The Office of the U.S. Trade Representative released today the twelfth annual U.S. report on foreign trade barriers. *The 1997 National Trade Estimate Report on Foreign Trade Barriers* (NTE) lists a wide range of foreign trade barriers that restrict U.S. exports as well as those of other nations.

The NTE report plays a crucial role in President Clinton's trade policy. The President said in the 1997 State of the Union address, "The American people must prosper in the global economy. We've worked hard to tear down trade barriers abroad so that we can create jobs at home." Using the NTE as a vital source of information, the Administration has identified barriers to U.S. exports, negotiated agreements to reduce them, and diligently monitored and enforced those agreements, as well as our trade laws.

U.S. Trade Representative Charlene Barshefsky said, "We can not afford to retreat. Increasingly, we see new trade alliances in Asia and our own hemisphere forming around us rather than with us. These alliances have the potential to reduce U.S. export opportunities. At the same time, we will not allow our trading partners to take advantage of our open market while maintaining closed markets at home. We have relentlessly pursued an agenda of opening foreign markets, and breaking down foreign market barriers -- multilaterally, regionally and bilaterally."

The NTE report lists all significant trade barriers, whether or not they are consistent with international trade rules. Examples of major remaining barriers include policies restricting the import of goods and services, export subsidies, deficiencies in intellectual property protection, and investment barriers. Many such barriers are inconsistent with trade agreement obligations, including those under the World Trade Organization (WTO) agreements. In response, the U.S. has vigorously enforced our trade laws and agreements using every tool possible and making it clear that our trade agreements will be enforced. In the past four years, USTR has brought 48 trade enforcement actions. The U.S. has utilized the WTO dispute settlement procedures more than any other WTO member, filing 23 cases to enforce U.S. rights -- 15 of which were filed last year alone.

The Clinton Administration has negotiated over 200 trade agreements, all designed to advance our economic and trade interests. These negotiations and enforcement actions have resulted in significant progress in many areas of the world. Indeed, this year's NTE once again notes many examples where our trade partners have reduced or eliminated trade barriers described in previous years.

A key area addressed in the NTE is trade barriers to U.S. agricultural products -- the United States' leading export. "We have successfully opened foreign markets to U.S. agricultural products throughout the world," said Barshefsky. "In 1995, the U.S. set a historical record by exporting \$54.6 billion worth of agricultural goods; in 1996 agricultural exports did even better by climbing to \$59.8 billion, another new record. This represents a 40.4 percent increase in agricultural exports since 1992. Specifically, citrus exports are now entering Thailand, Brazil and Mexico, and U.S. apples are now being sold in Japan. U.S. pork exports have increased 60 percent globally, and last year beef and veal exports to Mexico alone jumped nearly 80 percent. These recent achievements are good news. But persistent barriers exist that must be removed to guarantee U.S. agricultural exports full and fair access to foreign markets."

This year's report provides a detailed account of trade barriers in **Japan**. The Clinton Administration has reached 24 agreements with Japan since 1992, increasing U.S. exports to Japan by 43%. But problems remain, from copyright protection of software to barriers to photographic film to government procurement practices. "Despite recent progress with procurement among some Japanese government agencies, I am particularly concerned that the results U.S. companies have achieved with NTT compared with the private Japanese telecommunications sector suggests that NTT is still captive to its monopoly legacy and not fully responsive to market principles," said Ambassador Barshefsky. "NTT's favoring of its 'family companies' for the bulk of its telecommunications equipment, its tendency to over-engineer and under-document specifications, and its allocation of supplier market share for products based on non-transparent criteria raise costs to NTT and its customers and pose significant market access barriers."

China is another critically important country where the United States has led the battle in setting tougher standards for trade, but where significant barriers remain. Since 1992, the United States has successfully negotiated landmark agreements with China that have resulted in increased market access in a range of areas including intellectual property and textiles. However, China's market is far from being sufficiently open to U.S. exports. Ambassador Barshefsky said, "China's growing economic strength, coupled with its focus on boosting competitiveness in certain export-oriented industries, requires continued vigilance by the Administration to ensure China's policies and practices are consistent with existing bilateral agreements and are in line with international rules."

The **European Union** continues to maintain barriers to U.S. exports in many key areas through its import policies, government procurement practices and widely differing standards, testing and certification procedures. "I am particularly concerned by the EU's pervasive discrimination against U.S. agricultural exports -- including rice, wheat, wheat flour, beef, dairy products, and

certain fruit," said Barshefsky. "We have been working aggressively on all these issues to ensure the EU's full compliance with its international commitments to provide fair access to U.S. agricultural products."

The NTE report is directly related to the implementation of two other U.S. trade laws. Under the "Special 301" provision, thirty days after the release of the NTE report, the USTR must identify those countries that deny adequate and effective protection for intellectual property rights or deny fair and equitable market access for persons that rely on intellectual property protection. In addition, under the "Super 301" executive order, within six months of the submission of the NTE report the USTR is to review U.S. trade expansion priorities, and identify those priority foreign country practices, the elimination of which is likely to have the most significant potential to increase U.S. exports. No country was dropped from this year's report, but the following four countries were added: Ecuador, Ethiopia, Panama and Paraguay.

"While many barriers to U.S. exports have been reduced, we continue to face challenges," said Barshefsky. "Many markets around the world remain closed to U.S. exports and, to the extent our trade deficit is the result of these barriers, particularly on a bilateral basis, they must be reduced."

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Note: The report was prepared by the Office of the U.S. Trade Representative with contributions from other government agencies, the private sector, and U.S. embassies overseas. It is required annually by the Trade and Tariff Act of 1984, as amended. One copy of the 1997 National Trade Estimate Report is available to news organizations from the USTR Office of Public Affairs. In addition, the report can be located at USTR's Internet Home Page address, which is: <http://www.ustr.gov/index.html>]