

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

OFFICE OF PUBLIC & MEDIA AFFAIRS
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**FOR IMMEDIATE RELEASE
THURSDAY, JANUARY 14, 1999**

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UNITED STATES TO APPLY ITS WTO RETALIATORY RIGHTS IN BANANAS CASE

Today the United States formally notified the WTO Dispute Settlement Body (DSB) of its intention to exercise its right to suspend concessions to the European Communities (EC) on certain products covering trade of about \$520 million in accordance with WTO procedures. The value of the proposed suspension represents an estimate of the annual harm done to the U.S. economy resulting from the EC's banana regime. This action was taken because the EC implemented measures on January 1, 1999, that perpetuate discriminatory aspects of the regime identified by a WTO panel and Appellate Body as being WTO-inconsistent. "We take this step because of the EC's failure to comply with WTO rulings," United States Trade Representative Barshefsky said.

Ambassador Barshefsky also reiterated the desire of the United States to negotiate a WTO consistent solution. The United States plans to invoke formal WTO consultative mechanisms that require such negotiations. "We proposed to the EC substantive negotiations over 18 months ago to resolve this WTO dispute, and the EC has refused" said Ambassador Barshefsky. "We are now making another attempt to try to work this out while there is still time to do so," she stressed. "After all, the purpose of the WTO is to resolve disputes, not to engage in protracted legal debates," she explained.

BACKGROUND

Since the late 1980's Latin American countries and the United States have urged the member States of what is now the EU to implement the "Single Market" for bananas in a manner consistent with their international obligations under the 1947 General Agreement on Tariffs and Trade (GATT) and the subsequent international agreements under the World Trade Organization (WTO). A group of Latin American countries -- Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela tried twice in the GATT to convince the EU to reform its discriminatory and burdensome banana rules; twice GATT panels found that EU banana rules were GATT-inconsistent (1993, 1994); twice the EU ignored those GATT panels and proceeded to extend and compound unfair and discriminatory trade barriers.

The U.S. economic stake in this case is clear. The EU's licensing system has deprived U.S. banana distribution companies, Chiquita and Dole foods, of half of their business. Likewise, the four Latin

American countries – Ecuador, Guatemala, Honduras, and Mexico -- which were part of this case, are fighting too for fair access to the European market. Panama, a new WTO member, has joined this effort.

On February 5, 1996, the governments of Ecuador, Guatemala, Honduras, Mexico, and the United States jointly and severally requested consultations under Article 4 of the Dispute Settlement Understanding (DSU) concerning the EC banana regime. Both the subsequent panel and Appellate Body proceedings resulted in reports finding the EC regime in violation of numerous provisions of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and the General Agreement on Trade in Services (GATS). On September 25, 1997, over 19 months after the request for consultations, the DSB adopted the report of the panel, as modified by the Appellate Body. Among others, the DSB's resulting recommendations and rulings include the recommendation that the EC bring the measures found to be inconsistent with the GATT 1994 and the GATS into conformity with its obligations under those agreements.

Following the adoption of the DSB recommendations and rulings, the EC declined to discuss their substance with the United States and to engage in any discussions to explore a mutually acceptable solution. During the week of June 22, 1998, the EC Council of Agriculture Ministers agreed, with few modifications, on proposed amendments to the EC banana regime that had been approved by the European Commission on 14 January as a draft regulation. On July 20, the EC Council of Agriculture Ministers formally approved the EC draft regulations. These provisions and those of future implementing regulations adopted in October perpetuate violations of both the GATT and the GATS that had been found by the DSB to be WTO-inconsistent.

The United States tried on several occasions to convince the EC to reconvene the original panel – in July, September and November with the objective of resolving this dispute while preserving our rights. Each time the EC either outright refused or imposed unacceptable conditions.

January 14, 1999

H.E. Mr. Kamel Morjane
Chairman, Dispute Settlement Body
World Trade Organization
Centre William Rappard
154, Rue de Lausanne
1211 Geneva 21

Re: Recourse by the United States to Article 22.2 in EC - Regime for the Importation, Sale and Distribution of Bananas (DS 27)

Dear Mr. Chairman:

Pursuant to Article 22.2 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes*, the United States is requesting authorization from the Dispute Settlement Body (DSB) to suspend the application to the European Communities (EC), and member States thereof, of tariff concessions and related obligations under the *General Agreement on Tariffs and Trade 1994*, covering trade in an amount of US\$520 million. This level of suspension is equivalent to the level of nullification or impairment of benefits accruing to the United States that result from the EC's failure to comply with the recommendations and rulings of the DSB in *EC - Regime for the Importation, Sale and Distribution of Bananas*.

Please inscribe this item on the agenda of the DSB meeting to be held on January 25, 1999 and circulate the attached request to DSB members.

Sincerely,

Rita D. Hayes
Ambassador

cc: H.E. Roberto Betancourt, Permanent Mission of Ecuador
H.E. Roderick Abbott, Permanent Delegation of the European Commission
H.E. Eduardo Sperisen Yurt, Permanent Mission of Guatemala
H.E. Dacio Castillo, Permanent Mission of the Republic of Honduras
H.E. Alejandro de la Peña, Permanent Mission of Mexico
Dr. Alfredo Suescum, Permanent Mission of the Republic of Panama

***EC - Regime for the Importation, Sale and Distribution of Bananas (DS 27):
Recourse by the United States to Article 22.2 of the Understanding on
Rules and Procedures Governing the Settlement of Disputes***

Pursuant to Article 22.2 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU)*, the United States requests authorization from the Dispute Settlement Body (DSB) to suspend the application to the European Communities (EC), and member States thereof, of tariff concessions and related obligations under the *General Agreement on Tariffs and Trade 1994 (GATT)*, covering trade in an amount of US\$520 million. This level of suspension is equivalent to the level of nullification or impairment of benefits accruing to the United States that results from the EC's failure to bring its regime for the importation, sale and distribution of bananas (banana regime) into compliance, by January 1, 1999, with the *GATT* and the *General Agreement on Trade in Services (GATS)* or to otherwise comply with the recommendations and rulings of the DSB in *EC - Regime for the Importation, Sale and Distribution of Bananas*.

The EC's Failure to Implement the DSB's Recommendations and Rulings

On May 8, 1996, the DSB established a panel at the request of Ecuador, Guatemala, Honduras, Mexico and the United States, to examine the EC banana regime. Both the panel and the Appellate Body in this dispute found the EC banana regime in violation of the *GATT* and the *GATS*. On September 25, 1997, the DSB adopted the report of the panel, as modified by the Appellate Body. The resulting DSB recommendations and rulings include, *inter alia*, the recommendation that the EC bring the measures found to be inconsistent with the *GATT* and the *GATS* into conformity with its obligations under those agreements. (WT/DS27/AB/R, para. 257; WT/DS27/R, para. 9.2). A WTO-appointed arbitrator subsequently determined that the "reasonable period of time" for the EC to implement the DSB recommendations and rulings would expire by January 1, 1999.

On July 20, 1998, the EC Council of Agriculture Ministers formally approved amendments to the banana regime and on July 28, those amendments were published in the *EC Official Journal* (EC 1637/98; "Regulation 1637"). On October 31, 1998, the European Commission published additional implementing provisions concerning the administration of import licenses for bananas (EC 2362/98; "Regulation 2362"). Regulations 1637 and 2362 became effective on January 1, 1999. These regulations perpetuate discriminatory aspects of the EC banana regime that were identified in the DSB's recommendations and rulings as inconsistent with WTO agreements. Therefore, these amendments fail to bring the EC's banana regime into conformity with the EC's WTO obligations within the reasonable period of time, as required by the DSB recommendations and rulings, thus perpetuating the nullification or impairment of benefits accruing to the United States, directly and indirectly, under the *GATT* and the *GATS*, that was found by the panel and the Appellate Body in this dispute. The United States thus is entitled to redress under Article 22 of the DSU.

U.S. Recourse to Article 22.2 of the DSU

Article 22.1 of the DSU provides that "full implementation" of the recommendations and rulings of the DSB is the preferred conclusion to a dispute. In the event that implementation is not achieved within the established "reasonable period of time," the parties to a dispute may attempt to negotiate mutually acceptable compensation, if requested by the prevailing party, or the prevailing party may be authorized by the DSB to suspend concessions and obligations. Article 22.2 of the DSU provides that, within 20 days after the "reasonable period" expires, a prevailing party may request DSB authorization to suspend the application of concessions and obligations to the party that has failed to implement the DSB recommendations and rulings. Article 22.6 requires the DSB to grant such authorization within 30 days of the expiry of that period, unless there is consensus to reject the request. If the party that has failed to implement the DSB recommendations and rulings requests arbitration on the level of the suspension proposed by the prevailing party, the matter shall be referred to arbitration under Article 22.6. The text of the DSU is clear that such rights are to be exercised within the time frames set forth in Article 22.

The EC's failure to bring its regime for the importation, sale and distribution of bananas into compliance with the *GATT* and the *GATS*, or to otherwise comply with the recommendations and rulings of the DSB in this matter results in a loss in U.S. exports of US\$520 million, including lost U.S. exports of goods and services used in the production of Latin American bananas for the European market and lost profits of U.S. service suppliers on the distribution and sale of Latin American bananas in the European market. In accordance with the schedule established in Article 22.2, the United States requests authorization from the DSB, at its meeting on January 25, 1999, to suspend the application to the EC, and member States thereof, of tariff concessions and related obligations under the *GATT*, covering trade in an amount of US\$520 million.

In considering what concessions to suspend, the United States applied the principles and procedures set forth in Article 22.3 of the DSU, and makes this request pursuant to Article 22.3(a). As required by Article 22.4 of the DSU, the level of suspension proposed is equivalent on an annual basis to the nullification or impairment of benefits accruing to the United States, resulting from the EC's failure to comply with the DSB's recommendations and rulings. The United States intends to implement this suspension of tariff concessions and related obligations under the *GATT* by directing the U.S. Customs Service to impose duties in excess of bound rates on the products listed in the attachment to this request.

LIST OF PRODUCTS

The imposition of increased duties would apply to products that are both: (1) classified in the subheadings of the Harmonized Tariff Schedule of the United States listed below; and (2) the product of Austria, Belgium, Finland, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, or the United Kingdom. The product descriptions that are provided below are for the convenience of the reader and are not intended to delimit in any way the scope of the products that would be subject to increased duties.

HTS Number	Product Description
02101900	Meat of swine, other than hams, shoulders, bellies (streaky) and cuts thereof, salted, in brine, dried or smoked
04069057	Pecorino cheese, from sheep's milk, in original loaves, not suitable for grating
19053000	Sweet biscuits; waffles and wafers
33073050	Bath preparations, other than bath salts
34060000	Candles, tapers and the like
39202000	Nonadhesive plates, sheets, film, foil and strip, noncellular, not reinforced or combined with other materials, of polymers of propylene
42022215	Handbags, with or without shoulder straps or without handle, with outer surface of sheeting of plastics
42023210	Articles of a kind normally carried in the pocket or handbag, with outer surface of reinforced or laminated plastics
48055000	Uncoated felt paper and paperboard in rolls or sheets
48192000	Folding cartons, boxes and cases of noncorrugated paper or paperboard
49090040	Printed cards (except postcards) bearing personal greetings, messages or announcements, with or without envelopes or trimmings
49119120	Lithographs on paper or paperboard, not over 0.51 mm in thickness, printed not over 20 years at time of importation
61101010	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, wholly of cashmere
63022190	Bed linen, not knit or crochet, printed, of cotton, not containing any embroidery, lace, braid, edging, trimming, piping or applique work, not napped
85072080	Lead-acid storage batteries other than of a kind used for starting piston engines or as the primary source of power for electric vehicles
85167100	Electrothermic coffee or tea makers, for domestic purposes
94051080	Chandeliers and other electric ceiling or wall lighting fittings (other than used for public spaces), not of base metal

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FOR IMMEDIATE RELEASE
Friday, January 15, 1999

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**President Clinton Releases Report to Congress
on the Administration's Comprehensive Trade and
Development Policy Toward Africa**

President Clinton today forwarded to Congress the fourth in a series of five annual reports outlining the Administration's trade and development strategy toward sub-Saharan Africa. The 1998 report is the most comprehensive in the series of reports and provides a detailed overview of new U.S. government initiatives designed to support trade and economic development in sub-Saharan Africa.

"The Clinton Administration has made the goal of stronger economic ties with sub-Saharan Africa a clear economic and foreign policy priority," said United States Trade Representative Charlene Barshefsky. "This report reflects significant progress in meeting key U.S.-Africa trade policy objectives. From expansion of our GSP program to spur development, to technical assistance and on-going negotiations specifically aimed at new trade and investment agreements, we will continue to press ahead with an ambitious agenda in the region."

The 1998 report is part of the President's *Partnership for Economic Growth and Opportunity in Africa* (Partnership Initiative) which was announced and adopted in June 1997. The Partnership Initiative embodies key policy objectives essential to stimulating economic growth in Sub-Saharan Africa and facilitating Africa's integration into the global economy. Such objectives include support for economic reforms underway in the region, enhanced U.S. economic engagement with sub-Saharan Africa, support for Africa's full incorporation into the multilateral trading system, and support for sustainable economic development.

The Partnership Initiative includes provisions of the African Growth and Opportunity Act, bipartisan legislation introduced in the 105th Congress. "The Administration strongly supports enactment of this legislation, and looks forward to working with the 106th Congress to ensure its swift passage," Ambassador Barshefsky stated. "This bill represents an historic opportunity to promote a mutually beneficial and forward-looking trade policy with the countries of sub-Saharan Africa. Enactment of this legislation will promote U.S. exports and investment and support African efforts toward increased economic development, further supporting the Administration's

policy in the region."

The report highlights accomplishments as well as ongoing challenges and opportunities for the United States in the region. Significant progress was achieved in meeting key U.S. Africa trade policy objectives, including the appointment of an Assistant United States Trade Representative for Africa, the signing of a bilateral investment treaty with Mozambique, increased USAID funding to support economic reform in Africa, the establishment of workshops to assist African countries to participate more actively in the WTO, the expansion of U.S. Export-Import Bank activity in five West African Countries, the signing of new bilateral agreements between the Overseas Private Investment Corporation and nine African countries, and the use of the GSP program to encourage African regional economic integration.

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**FOR IMMEDIATE RELEASE
FRIDAY, JANUARY 15, 1999**

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**CLINTON ADMINISTRATION TO PRESS FOR CONTINUED PROGRESS
UNDER U.S.- CANADA AGRICULTURE AGREEMENT**

United States Trade Representative Charlene Barshefsky and Secretary of Agriculture Dan Glickman today announced the formation of an interagency team to monitor implementation of the recent agricultural trade agreement with Canada. U.S. farmers and ranchers have already begun to see the benefits of the agreement, which was concluded on December 4, 1998.

The interagency team is composed of representatives from the U.S. Trade Representative's office, U.S. Department of Agriculture, National Economic Council, U.S. Department of State, the U.S. Department of Commerce, and the U.S. Customs Service. The team will ensure that Canada meets its obligations to implement the agreement which is intended to eliminate many disincentives to trade in agricultural products. A special subgroup of the interagency task force will monitor imports of Canadian wheat under a new program to collect and scrutinize Canadian wheat import data. That program will be operational by early February and is intended to provide additional insights into pricing practices of the Canadian Wheat Board.

"As we said in December, the Clinton Administration is committed to ensure that agricultural trade is conducted on fair terms for our growers and ranchers," said United States Trade Representative Charlene Barshefsky. "We are going to continue to work with our agricultural industries to address their concerns. I am pleased that we have seen some progress in December, but we view the agreement and the results to date as a work in progress."

"Today's action confirms that the United States' December 4 announcement is just the first step in the ongoing effort to ensure free and fair trade between the two countries," stated Glickman.

Successes to date of the December 4 agreement include:

- Phytosanitary certificates have been issued for over 25.5 million pounds of North Dakota wheat and barley to transit Canada's rail system. Access to the Canadian rails provides

U.S. shippers an important transportation alternative. Montana and Minnesota will be ready to participate in the program in mid-January.

- Canada eliminated its quarantine requirement on U.S. live hogs enabling U.S. producers to ship hogs to Canadian slaughter facilities once market conditions and other factors are conducive to trade.
- Effective January 4, 1999, Canada implemented a new program allowing North Dakota and Montana farmers to truck wheat to Canadian primary elevators. Shipments are expected to start moving soon.

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**For Immediate Release
Friday, January 15, 1999**

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**United States Trade Representative Charlene Barshefsky Names
Robert T. Novick To E-Commerce Advisory Commission**

United States Trade Representative Charlene Barshefsky appointed Robert T. Novick, Senior Counselor, to serve as her delegate to the Advisory Commission on Electronic Commerce established under the Internet Tax Freedom Act.

The Act directs the Commission to study Federal, State and local, and international taxation and tariff treatment of transactions using the Internet and Internet access and other comparable intrastate, interstate or international sales activities. The Act also provides that the study may examine barriers imposed in foreign markets and the effect of such barriers on United States consumers, the competitiveness of United States citizens providing property, goods, services, or information in foreign markets, and the growth and maturing of the Internet.

In making this appointment, Ambassador Barshefsky stated: "USTR will devote to this Commission its full energy and resources as it has to addressing the international tariff treatment of electronic commerce."

At the May 1998 World Trade Organization (WTO) Ministerial, Ambassador Barshefsky secured the support of all 132 member countries for a declaration to continue their current practices of not imposing customs duties on electronic transmissions. Ambassador Barshefsky has announced her intention of seeking to make this declaration permanent at the December 1999 WTO Ministerial meeting.

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FOR IMMEDIATE RELEASE
Monday, January 18, 1999

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WTO APPELLATE BODY CONFIRMS US WIN IN
KOREAN LIQUOR TAXES CASE

The Appellate Body of the World Trade Organization has affirmed the report of a dispute settlement panel last summer that Korean taxes on distilled spirits violate WTO rules against discriminatory taxes. The case was brought before the WTO in late 1997 by the United States and the European Union.

In response to the Appellate Body's decision on Korean liquor taxes, United States Trade Representative Charlene Barshefsky stated: "The Appellate Body reaffirms the strength of the WTO non-discrimination obligations and vindicates the concerns of U.S. exporters about discriminatory taxes in foreign markets. It leaves no doubt that Korea must eliminate the discriminatory system it has applied to U.S. exports of distilled spirits. We look forward to working constructively with Korea as it takes the necessary steps to conform its laws to its WTO obligations."

The Appellate Body report, issued today, supports the U.S. challenge to two Korean laws that apply higher taxes to U.S. distilled spirits exports than to Korea's domestically produced distilled spirit, soju. The decision the panel found, and the Appellate Body agreed, that these taxes violate Article III:2 of the General Agreement on Tariffs and Trade because they afford protection to domestic production of soju, an alcoholic beverage produced in Korea. In affirming the panel, the Appellate Body stressed that the GATT protects "the maintenance of equality of competitive conditions for imported and domestic products."

Background

In 1996, the United States exported \$1.4 million of whiskey to Korea, including \$1.03 million of bourbon whiskey. Despite Korean consumer interest in U.S. whiskey, U.S. exports remain at very low levels and account for less than 1 percent of the total Korean market for distilled spirits because of the exorbitant taxes and tariffs they face. U.S. exports to Korea of other distilled spirits (rum, brandy, gin, vodka, cordials and liqueurs) totaled \$443,000 in 1996. The U.S. industry anticipates that U.S. exports of whiskey and other spirits will grow dramatically if they are accorded tax treatment equal to that granted to soju and other local spirits.

Korea's taxation of alcoholic beverages is based on a two-tiered taxation regime. First, under a general liquor tax law, Korea imposes an ad valorem tax of 100 percent on whiskey and brandy and of 80 percent on vodka, rum and gin. Meanwhile, Korea applies a tax of only 35% to soju, its locally produced distilled spirit which has been compared to vodka. This differentiation is made even more dramatic by the application of an Education Tax that is higher when the liquor tax rates are higher. The result of this tax rate differentiation is a tax burden on U.S. whiskey this is over four times greater than the burden on soju, assuming the actual prices were the same. This case represents the first time a panel and the WTO Appellate Body have found against Korean measures.

In 1996, the United States prevailed in a WTO challenge to a similar discriminatory tax regime in Japan that favored Japanese distilled spirits. Following the WTO rulings, a mutually satisfactory settlement was reached with Japan. Recently U.S. industry representatives estimated that, as a result of the WTO case on Japanese taxes, U.S. exports of distilled spirits to Japan increased by 23 percent in the July 1997-June 1998 period, compared to July 1996-June 1997.

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**FOR IMMEDIATE RELEASE
WEDNESDAY, JANUARY 20, 1999**

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**UNITED STATES WELCOMES EC STATEMENT OF SUPPORT
FOR ITU PROCESS ON
SETTING NEW MOBILE TELECOMMUNICATIONS STANDARDS**

In a letter from Commissioner Martin Bangemann to the United States' top foreign policy, trade and telecommunications officials, the European Commission reaffirmed its support for the outcome of an important, industry-led, multilateral negotiation in the International Telecommunication Union (ITU). The ITU's goal is to produce standards for the next generation of mobile telecommunications equipment. The United States had sought reassurances that European industrial policy would not inhibit efforts to use any standards in the European market that emerge from the ITU's industry-led talks. The European response fell short, however, of addressing several specific U.S. concerns regarding Europe's acceptance of all standards that are adopted by the ITU.

The European position was conveyed in a January 15, 1999 response, by European Commissioner for Telecommunications Martin Bangemann, to an earlier letter from Secretary of State Madeline Albright, United States Trade Representative Charlene Barshefsky, Secretary of Commerce William Daley and Federal Communications Commission Chairman William Kennard.

"I welcome Commissioner Bangemann's indication that forthcoming ITU recommendations will be used as the basis for European standardization of third generation (3G) wireless services, pursuant to European Community (EC) and Member States' international commitments," said Ambassador Barshefsky. "It is critical that Europe's commitment to the ITU process endures for as long as it takes to reach a consensus," she said.

Commissioner Bangemann's letter attempted to allay concerns within U.S. industry that it is Europe's intention to continue its prior practice of promoting the use of a single mandatory wireless standard within Europe. Commissioner Bangemann maintains that the European Community's recently-adopted Common Position to mandate introduction of Universal Mobile

Telecommunications Service (UMTS) is designed to promote Europe-wide service rather than to prevent competition from other 3G systems. "I am concerned that the Common Position could give UMTS an unfair head start on other types of 3G systems, if EC Member States go ahead without awaiting the results of ITU deliberations," said Secretary Daley.

In that regard, the United States remains concerned that the European Common Position does not adequately reflect the advent of competition under the World Trade Organization (WTO) Basic Telecommunications Agreement. "Policies that reflected Europe's former monopolistic environment, such as mandating single standards, may have anti-competitive effects in Europe's newly liberalized telecommunications environment," said Chairman Kennard. "While the stated intention of Europe's recent action may be to assure a minimum level of inter-operability in Europe, the fact remains that the Common Position confers regulatory certainty and therefore a market advantage upon only one type of technology." Ambassador Barshefsky noted that, "There are numerous potential service providers, with many more 3G technologies to offer. In accordance with Europe's WTO commitments, EC Member States should now license and assign radio spectrum to the maximum number of service providers without regard to technology, based on the standards that emerge from the ITU negotiations."

Commissioner Bangemann indicated that the process for standardization of UMTS will operate in parallel with the ITU process, which aims for a decision by March 31, 1999 on key radio characteristics of 3G standards. The ITU has a deadline of December 31, 1999 for the final standardization recommendations. "I welcome Commissioner Bangemann's assurance that European standardization will proceed in concert with the ITU process, recognizing that some key European and American industry participants unfortunately hold differing opinions regarding intellectual property rights," said Secretary Daley. "We would therefore expect that EC Member States will ensure that their 3G licensing processes accommodate, on an equally timely basis, any newly converged standard(s) and all others agreed by industry and recommended by the ITU."

Some United States, European and Asian mobile services operators have been working intensively to resolve the current U.S.-European industry impasse and lower the cost of building 3G networks. "We share Commissioner Bangemann's view that a primary goal of the ITU process must be to enable the evolution of current second generation infrastructures without excessive cost burdens to consumers for upgrading infrastructure," said Chairman Kennard. "In the United States, without mandating standards or national coverage, we have nationwide coverage by networks in place, or under construction, that use four different second generation technologies. The result is that some carriers offer local and long distance wireless service at rates that are competitive with wireline service prices. If the costs of upgrading existing second generation infrastructure can be successfully minimized in the United States, Japan and the Americas, and if Europe and others license multiple technologies and competitors, we can achieve by 2010 a worldwide mobile telecommunications subscribership that will exceed traditional fixed wireline customers."

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**FOR IMMEDIATE RELEASE
THURSDAY, JANUARY 21, 1999**

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U.S. AND CAMBODIA REACH BILATERAL TEXTILE AGREEMENT

The United States and Cambodia reached agreement today on a new bilateral textile agreement, announced United States Trade Representative Charlene Barshefsky. Ambassador Barshefsky applauded the new agreement, saying: "I am very pleased with this agreement. All of our critical objectives have been met: ensuring cooperation between the U.S. and Cambodia on a quota framework covering important product areas; increasing market access for U.S. exporters; preventing illegal transshipment; and obtaining Cambodia's commitment to improve labor rights and working conditions in this important sector."

The three-year agreement provides for specific quota levels on twelve apparel product categories from Cambodia, allowing import growth in the United States at orderly rates and within agreed parameters. Cambodia also has agreed to specific measures to improve cooperation and information sharing to prevent illegal textile transshipment. Under the market access provisions, Cambodia agreed to bind tariffs at applied rates and to reduce them over the term of the agreement, thereby increasing market access opportunities for U.S. exporters, while ensuring that non-tariff barriers are not applied in the textile and clothing sector. Finally, the agreement reflects Cambodia's commitment to improve labor conditions in this sector.

U.S. imports of textiles and apparel from Cambodia were 92.7 million square meters equivalent in the year ending October, 1998, valued at \$308 million. In the year ending October, 1998, imports of textiles and apparel from Cambodia increased by 305 percent.

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**FOR IMMEDIATE RELEASE
MONDAY, JANUARY 25, 1999**

**CONTACT: 99 - 08
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**Ambassador Barshefsky Expresses Dismay at
European Union Blocking Tactics in WTO**

U.S. Trade Representative Charlene Barshefsky today expressed dismay at attempts made by the European Union (EU) to prevent a meeting of the World Trade Organization (WTO) Dispute Settlement Body from taking place. The agenda of that meeting contained the request of the United States for authorization to suspend concessions in the amount of \$520 million with respect to imports from the EU as a result of the EU's failure to comply with the recommendations and rulings of the Dispute Settlement Body regarding the EU banana regime. Under WTO rules, the Dispute Settlement Body must grant such authorization by January 31 unless the EU seeks arbitration on the proposed amount of \$520 million. If the EU seeks such arbitration, the question of the amount will be referred to arbitration, and the rules require that the arbitration must be concluded before March 2, upon which the Dispute Settlement Body must grant authorization consistent with the amount in the arbitrator's decision.

"Recognizing that the United States had the right to obtain this authorization, the EU today took the extraordinary step of shutting down the work of the WTO by blocking approval of the agenda of the meeting, in an attempt to prevent the United States from exercising its rights," Ambassador Barshefsky said. She added, "I am extremely dismayed that the EU would jeopardize the operation of the WTO in this way. The EU has prevented the WTO from holding a meeting, prevented the United States from exercising its WTO rights, and prevented any other dispute settlement business from going forward." At the WTO today, several other countries expressed concern about the EU's blocking tactics, and urged that the meeting take place tomorrow. Ambassador Barshefsky stated, "Fortunately, we will have another opportunity tomorrow to see if the EU will reconsider this drastic step and permit the WTO meeting to proceed. I certainly hope it will."

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**FOR IMMEDIATE RELEASE
MONDAY, JANUARY 25, 1999**

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1999 World Trade Organization Ministerial to be Held in Seattle

Representatives of the 133-member countries of the World Trade Organization will meet in Seattle, Washington for the 1999 WTO Ministerial Conference Meeting, which will take place November 30th through December 3rd, 1999. This meeting will be chaired by United States Trade Representative Charlene Barshefsky, and it will launch global negotiations to further open markets in goods, services, and agricultural trade.

"This will be the largest trade event ever held in the United States," said United States Trade Representative Charlene Barshefsky, "and it will inaugurate global negotiations which will shape world trade as we move to the next century. President Clinton has called for a new, accelerated negotiating Round to include three different dimensions: global negotiations to open markets in goods, services, and agriculture; a dynamic agenda that delivers results on an on-going basis; and institutional reform to make the WTO more transparent, accessible, and responsive to citizens."

Initially, over 40 U.S. cities expressed an interest in hosting the Ministerial meeting. Seattle, Washington was selected by the Administration as the U.S. site to host the conference among six finalist cities. Among the factors considered in making the selection were capacity and ability to host, security arrangements, proximity of convention facility to hotels, proximity to an international airport, local transportation, logistics, and offers of assistance from the city, the state, and the private sector. The final selection was based on the total package of considerations, rather than on any single criterion.

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**For Immediate Release
Tuesday, January 26, 1999**

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**USTR BARSHEFSKY ANNOUNCES
SUPER 301 and TITLE VII EXECUTIVE ORDER**

United States Trade Representative Charlene Barshefsky today announced President Clinton's decision to re-institute Super 301 and Title VII by Executive Order. The President's Executive Order enhances USTR's ability to open markets, enforce agreements, and promote U.S. trade interests around the world.

In announcing this Executive Order, Ambassador Barshefsky stated, "Super 301 and Title VII have been critical to the successful conclusion of trade agreements and the elimination of foreign trade barriers. Given the state of the world economy, it is now more important than ever that we maintain these tools."

"Last year's successful conclusion of a market access agreement for motor vehicles with Korea demonstrates the effectiveness of Super 301," stated Ambassador Barshefsky. In October 1997, the U.S. identified Korea's barriers to imported motor vehicles as a priority foreign country practice and initiated a section 301 investigation." One year later, the United States entered into a Memorandum of Understanding with Korea that provides substantial opportunities for U.S. automakers by dismantling a range of discriminatory Korean trade barriers in the near term and by establishing a solid basis for steady improvement in the future. Super 301 also was instrumental in successfully addressing Japanese market access barriers in the satellite, supercomputer, wood products, medical technology, telecommunications, and glass sectors.

Super 301 authority -- which expired in 1997 -- enables the USTR to identify the most significant unfair trade practices facing U.S. exports and to focus U.S. resources on eliminating those practices. Title VII authority -- which expired in 1996 -- provides for the USTR to address discriminatory government procurement practices. USTR will report the results of its 1999 Super 301 and Title VII reviews to Congress at the end of April.

"The renewal of Super 301 and Title VII will continue the Clinton Administration's long-standing commitment to opening markets multilaterally where possible and bilaterally where necessary." According to Ambassador Barshefsky, "We are creating opportunities to open markets through the WTO, APEC, and the FTAA. And, we can use Super 301 and Title VII -- as well as other bilateral trade tools such as section 301, Special 301 concerning intellectual property rights, and section 1377 concerning telecommunications goods and services -- to complement and reinforce our multilateral efforts."

BACKGROUND

The re-instituted Super 301 and Title VII processes will work as follows:

- On March 31, the USTR will submit to Congress the *National Trade Estimate Report*, a comprehensive analysis of the trade barriers facing U.S. products and services around the world.
- By April 30, the USTR will report to Congress in its Super 301 report on priority foreign trade practices, which if eliminated, would give the greatest boost to U.S. exports. Also by April 30, the USTR will report to Congress in its Title VII report on foreign countries that engage in discriminatory government procurement practices.
- For the next 90 days (May, June, and July), the USTR will seek a satisfactory resolution of the priority foreign trade practices and discriminatory government procurement practices.
- The USTR will initiate a section 301 investigation for every practice for which a satisfactory resolution is not achieved during the 90-day period. The investigation period will be 18 months for practices involving a WTO agreement to accommodate completion of WTO dispute settlement proceedings; 6 months for other discriminatory government procurement practices and 12 months for other priority foreign country practices.

As with any section 301 investigation, if no agreement is reached, the USTR must determine whether the practice under investigation is actionable under section 301 -- i.e., that it violates a trade agreement, or is unjustifiable, unreasonable, or discriminatory and burdens or restricts U.S. commerce. If the practice is deemed actionable, the USTR must also determine what retaliatory action, if any, should be taken.

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**FOR IMMEDIATE RELEASE
FRIDAY, JANUARY 29, 1999**

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U.S. TRADE REPRESENTATIVE WELCOMES WTO ACTION ON BANANAS

Today United States Trade Representative Charlene Barshefsky announced that, "as a result of a meeting today at the World Trade Organization (WTO), the United States will move forward in exercising its rights arising from the EU's failure to comply with its WTO obligation to implement a WTO-consistent banana regime by January 1, 1999."

Until today, the EU had been using various procedural maneuvers to try to prevent the Dispute Settlement Body from considering the U.S. request, including taking the extraordinary step of trying to prevent the WTO meetings from taking place. The Chairman of the Dispute Settlement Body overruled the EU's procedural objections. At today's meeting in Geneva, the EU decided to exercise its right to request WTO arbitration on the amount of the U.S. proposed suspension of concessions, which the United States estimated at \$520 million. WTO rules allow the EC to question this amount and to submit it to WTO arbitration. Such arbitration is normally conducted by the original panel in the dispute.

According to WTO rules, the arbitration must be completed before March 2, and the WTO Dispute Settlement Body will authorize the U.S. suspension of concessions immediately thereafter.

"We have repeatedly stated that the U.S. suspension of concessions would not take effect until after WTO arbitration on the amount. We hope that the EU will use this time to negotiate a substantive solution to this dispute. Toward this end, we have requested consultations with the EU under WTO consultation procedures," stated Ambassador Charlene Barshefsky.

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**FOR IMMEDIATE RELEASE
MONDAY, FEBRUARY 15, 1999**

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**USTR HAILS WTO ACTION TO OPEN FINANCIAL SERVICES MARKETS
UNDER GLOBAL ACCORD**

U.S. Trade Representative Charlene Barshefsky welcomed today's decision in the WTO to open global financial services markets to U.S. suppliers of banking, securities, insurance and financial data services effective March 1. Today's action resulted from the WTO Financial Services Agreement, which concluded in December 1997 under U.S. leadership.

Ambassador Barshefsky stated, "U.S. financial services providers maintain a competitive edge in the growing world market, and this agreement opens new doors for them and will provide substantial benefits to consumers. Moreover, the agreement covers an overwhelming share of global trade in the sector, including the most important international financial services markets, and encompassing \$38 trillion in global domestic bank lending, \$19.5 trillion in global securities trading, and \$2.1 trillion in worldwide insurance premiums."

She continued: "The Financial Services Agreement rounds out this Administration's triple play of critical global market-opening agreements, including the Information Technology Agreement (ITA) and the global Telecommunications Services Agreement. All three agreements cover sectors in which the United States is the most competitive producer and service provider in the world."

The step taken today in the WTO brings to over 80 the number of WTO member countries with commitments in the financial services sector that are now subject to WTO rules. Commitments from an additional 17 countries will enter into force subsequently.

The 17 countries that so far have been unable to complete their domestic ratification procedures have reported that they will do so, and are working to ensure passage of necessary legislation. Ambassador Barshefsky stated: "We are committed to ensuring that each country that undertook new commitments brings those commitments into force as soon as possible. While the new commitments of the 53 WTO Members entering into force on March 1 represent the lion's share of the global financial services market, we look to every WTO Member to fulfill its obligations."

In Geneva, the United States also expressed serious concern with Japan's implementation of its

bilateral market opening commitments with respect to its insurance sector, now incorporated into the WTO agreement. Ambassador Barshefsky further stated, "The entry into force of the WTO agreement establishes powerful new disciplines to ensure that Japan fulfills its obligations in this critical sector. We will not hesitate to exercise our bilateral and now, new multilateral rights to ensure U.S. insurance providers receive the full market access benefits they are entitled to in Japan."

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**Embargoed For Release
until 10:30 a.m. (EST) Thursday, Feb. 18**

THURSDAY, FEBRUARY 18, 1999

**99-13
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**UNITED STATES AND SOUTH AFRICA SIGN TRADE AND INVESTMENT
FRAMEWORK AGREEMENT AT AFRICA BINATIONAL COMMISSION MEETING**

Vice President Gore and South African Deputy President Mbeki today presided over the signing of a Trade and Investment Framework Agreement (TIFA) between the United States and South Africa. The TIFA, signed in Cape Town, South Africa, at the conclusion of a meeting of the U.S. - South Africa Binational Commission (BNC) is the first TIFA ever concluded with a sub-Saharan African country.

"Today's successful conclusion of the Trade and Investment Framework Agreement between USTR and the South African Department of Trade and Industry represents a new milestone in our growing bilateral relationship with South Africa, and reinforces the shared goal of a long-term economic partnership between our two countries," stated United States Trade Representative Charlene Barshefsky. "We view this agreement as yet another step toward furthering key U.S.-Africa trade objectives. We look forward in the coming weeks to signing a trade and investment agreement with Ghana, and we are in the process of negotiating such an agreement with the West African Economic and Monetary Union," said Ambassador Barshefsky.

The TIFA, which is effective immediately, establishes a Council on Trade and Investment, composed of representatives of both governments and chaired by USTR and DTI, which will meet regularly to discuss specific trade and investment matters, negotiate agreements where appropriate, and identify and work to remove impediments to trade and investment flows. The Council may also consult with the private sectors of both countries. TIFAs also provide a mechanism in which trade, investment, intellectual property, and other issues can be addressed and resolved promptly.

The TIFA was negotiated by USTR and DTI following an executive session of the BNC in

Washington last August in which Vice President Gore and South African Deputy President Mbeki agreed to begin discussions towards such an agreement.

“During a recent meeting, South African Trade Minister Erwin and I had the opportunity to discuss a wide range of issues on which we intend to work together, both bilaterally and in the WTO. I am especially pleased that this agreement is another link in the chain toward a progressively stronger relationship with South Africa,” said Ambassador Barshefsky.

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FOR IMMEDIATE RELEASE
FRIDAY, FEBRUARY 19, 1999

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USTR ANNOUNCES RESULTS OF SPECIAL 301
OUT-OF-CYCLE REVIEWS

United States Trade Representative Charlene Barshefsky today announced the results of out-of-cycle reviews of Hong Kong, Ecuador, Colombia, and Vietnam. In announcing the results of the 1998 Special 301 review last May, Ambassador Barshefsky indicated that USTR would conduct reviews of these countries before the next annual review in April 1999.

Ambassador Barshefsky said, "Hong Kong has taken important steps to address piracy over the past year, including improving its legal regime through the passage of the Prevention of Copyright Piracy Ordinance, significantly increasing raids and seizures against retailers and distributors, seizing approximately 70 pirate CD production lines, closing several notorious retail arcades, and imposing stiffer penalties on pirates. In recognition of these efforts, I am pleased to announce that the Hong Kong Special Administrative Region (HKSAR) will be removed from the Special 301 Watch List. However, in view of the fact that piracy rates remain high, we call upon Hong Kong to take significant new steps in the near future to address the problem."

In reviewing the situation in Ecuador, Colombia, and Vietnam, Ambassador Barshefsky acknowledged progress on certain issues since the 1998 review, but called upon these governments to make greater efforts to resolve outstanding concerns prior to the 1999 review. Ambassador Barshefsky stated that Ecuador will remain on the Priority Watch List and Colombia and Vietnam will remain on the Watch List. Details of these decisions follow below.

Hong Kong will be removed from the Watch List; however, the following observations are made about the need for additional progress to combat piracy.

Hong Kong has taken significant steps over the past year to address the problem of piracy, including passage of the Prevention of Copyright Piracy Ordinance, seizing approximately 70 pirate CD production lines, closing twenty compact disc factories, and closing major retail arcades. Hong Kong has also imposed stiffer penalties on pirates and significantly increased raids

and seizures against retailers and distributors. From January through October 1998, authorities seized 35 million compact discs and arrested 1361 suspects. However, retail piracy remains high in Hong Kong. Significant new steps must be taken in the near future to effectively address the problem of piracy. In addition, steps must be taken to put an end to criminal corporate end user software piracy and criminal hard disk loading piracy. Moreover, we have continuing concerns about the very large volume of optical media production capacity and look to the HKSAR to more effectively ensure that these facilities are only producing legitimate product.

Ecuador will remain on the Priority Watch List.

Ecuador was placed on the Priority Watch List in 1997 for its failure to: comply with its international intellectual property obligations, to act on pending pipeline applications, and to address continuing U.S. concerns regarding the onerous Dealers' Act.

Ecuador has taken some steps toward addressing these concerns. In May 1998, Ecuador passed a comprehensive and significantly improved IPR law that goes a long way towards improving its legal framework for copyright, patent, trademark, and trade secret protection. Although the law represented an important step forward, it is still deficient in a number of areas, particularly with respect to patent protection. We have called on the Government to remedy these concerns through implementing regulations and through new legislative amendments, where necessary. While the Government of Ecuador issued the first approvals of pending pipeline applications in 1998, the vast majority remain pending.

Although Ecuador repealed the onerous Dealers' Act in 1997 with respects to contracts entered into after that date, U.S. companies continue to face problems with the Act on prior contracts. The Dealers' Act prevents U.S. companies from terminating exclusive distributorship contracts without paying substantial compensation. It only applies to foreign companies.

Ambassador Barshefsky said, "We were encouraged by the passage of comprehensive IPR legislation earlier in the year, and call on the new Mahuad Administration to ensure that steps are taken -- either through implementing regulations or new amendments to the law -- to bring Ecuador's IPR laws into full compliance with its bilateral and multilateral commitments. We also remain very concerned about Ecuador's lack of action on the pending pharmaceutical pipeline applications and the problems U.S. companies continue to face from the Dealers' Act. We call on the new Mahuad Administration to move rapidly to address these longstanding problems."

Colombia will remain on the Watch List.

Colombia was placed on the Watch List in May 1998 because of Colombia's failure to license cable television operators, problems with copyright enforcement -- particularly border controls against the importation of pirated CDs -- and inadequate protection for pharmaceutical patents. Colombia currently prohibits U.S. program owners from selling to unlicensed stations, but has not approved the licenses to meet demand. The United States also encouraged Colombia to assume a leadership role in the Andean Community to bring Decisions 344, 345 and 351 into conformity with TRIPS before the January 1, 2000 deadline.

Based on assurances from the Government of Colombia that the restarted cable television licensing process would stay on track, action would be taken against pirate cable operators, and

that the Attorney General's Office had established a unit to prosecute IPR crimes, Ambassador Barshefsky said, "We look to the Government of Colombia to follow through on the commitments it made in December regarding the cable licensing process and actions to fight signal piracy. Progress on this issue will weigh heavily in our Special 301 review this spring." Ambassador Barshefsky noted the Government's recent efforts to improve copyright enforcement, but expressed concern that problems remain "particularly with the flood of pirated CDs entering Colombia." Barshefsky also urged Colombia to bring its level of patent protection up to international standards and to work vigorously within the Andean Community to bring Community Decisions 344, 345, and 351 into full conformity with TRIPS before the January 1, 2000 deadline.

Vietnam will remain on the Watch List.

The Government of Vietnam is still in the formative stages of drafting, enacting and enforcing intellectual property laws, although its 1996 civil code provides a general framework for an intellectual property system. Copyright piracy remains a significant problem as does trademark infringement. On December 23, 1998, the United States and Vietnam completed the formal steps necessary for the U.S.-Vietnam Bilateral Copyright Agreement to enter into force. The agreement grants U.S. copyrighted works such as motion pictures, sound recordings, software and books, legal protection in Vietnam for the first time.

Ambassador Barshefsky today said "the Government of Vietnam continues to take significant steps to bring its IPR regime up to international standards. We now look to Vietnam to vigorously enforce its new copyright law to measurably reduce piracy levels. We also urge Vietnam to provide effective enforcement against trademark infringement, particularly in the area of pharmaceutical trade dress."

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FOR IMMEDIATE RELEASE
Monday, February 22, 1999

Contact: 99 - 15
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**WTO Appellate Body Affirms, Expands Findings that Japanese
Testing Requirements Violate WTO Rules**

United States Trade Representative Charlene Barshefsky applauded a World Trade Organization Appellate Body report released today which upholds and expands initial panel findings against Japanese testing requirements for agricultural products. The dispute concerns access to the Japanese market for apples and several other products. The Appellate Body agreed with an earlier WTO dispute settlement panel that Japan's variety-by-variety quarantine testing requirements are scientifically unjustified.

Ambassador Barshefsky stated, "This case establishes the important principle that testing requirements are to be based on science, not speculation. Thinly-veiled protectionist measures are not acceptable. We are pleased that the Appellate Body affirmed this result and expanded it to cover four additional products. This will help our growers export more than \$50 million a year of apples and other products to Japan."

While the initial panel decision applied only to apples, cherries, walnuts and nectarines, the Appellate Body decision also covers plums, pears, apricots and quinces. The Appellate Body report should result in new market opportunities for U.S. producers of these crops. This is the third successful outcome for the United States in disputes against Japan at the WTO. The earlier cases related to discriminatory taxation policies (distilled spirits) and intellectual property (copyright protection for sound recordings).

Background

Japan is the only country in the world that now requires "varietal testing" of quarantine treatments of imported horticultural products for insect pests. Instead of testing once to see if a quarantine treatment like fumigation effectively eliminates pests on a species of product (such as apples), Japan has insisted that exporting countries repeat separate tests for each fruit and nut variety (for instance, Red Delicious, Jonagold or Gala apples). Testing for each variety requires a minimum of two years

and costs the United States Government and U.S. producers several hundred thousand dollars.

The United States challenged this requirement as inconsistent with the new Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures. A WTO panel, after consulting independent scientific experts, agreed that there is no scientific reason for requiring re-testing for each variety. After both sides appealed, the Appellate Body affirmed the panel's central findings that Japan's varietal testing requirement is not supported by scientific evidence and is not transparent. The Appellate Body reversed one finding on the procedural ground that the U.S. had not argued for it before the panel. The panel decision applied only to apples, cherries, walnuts and nectarines; the Appellate Body decision also covers plums, pears, apricots and quinces.

Japan "liberalized" its trade for apples in 1971. However, since that time, Japanese government officials have repeatedly denied permission for the importation of U.S. apples, allegedly due to phytosanitary concerns. It was only in 1994 that the first apples were actually approved for import.

The Office of the United States Trade Representative worked closely during the WTO litigation with officials of the United States Department of Agriculture and other agencies to achieve this successful outcome.

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**FOR IMMEDIATE RELEASE
FRIDAY, FEBRUARY 26, 1999**

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Trade and Investment Framework Agreement with Ghana

United States Trade Representative Charlene Barshefsky and the Minister of Trade and Industry of Ghana Dr. John Frank Abu signed a Trade and Investment Framework Agreement (TIFA) today in Washington, D.C. during the visit of Ghanaian President Jerry Rawlings. The TIFA with Ghana is effective immediately.

"This historic agreement is only our second TIFA in sub-Saharan Africa and recognizes Ghana's importance as one of the leading economic reformers in Africa," stated Ambassador Barshefsky.

The TIFA establishes a Council on Trade and Investment, composed of representatives of both governments, and chaired by USTR and Ghana's Ministry of Trade and Industry. The council will meet regularly to discuss specific trade and investment matters, negotiate agreements where appropriate, and identify and work to remove impediments to trade and investment flows. The Council may also consult with the private sectors of both countries. TIFAs provide a mechanism in which trade, investment, intellectual property, and other issues can be addressed and resolved promptly. This agreement further develops our ties with Ghana and with Africa.

Ghana is a strong economic reformer and our fourth largest export market in sub-Saharan Africa. Between 1994 and 1997, U.S. trade with Ghana increased by more than 130%. Total direct U.S. investment in Ghana already totals almost \$700 million.

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Washington, D.C.

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99 -17

For Immediate Release Contact: Jay Ziegler

Wednesday, March 3, 1999 Helaine Klasky

(202) 395-3230

United States Takes Customs Action on European Imports

The Office of the U.S. Trade Representative announced that, effective today, the U.S. Customs Service will begin "withholding liquidation" on imports valued at over \$500 million of selected products from the European Union (EU), consistent with U.S. rights under the WTO agreements. Withholding liquidation imposes contingent liability for 100% duties on affected products as of March 3, 1999.

"We are pleased that the WTO arbitrators are clearly focused on the question of economic damages and we respect their desire for more information. We had hoped that the arbitrators would complete their work within the 30-day time schedule called for by WTO rules. Today we are taking steps to protect our interests while the arbitrators complete their deliberations. The measures we are taking today ensure that when the arbitrators reach their final decision, we will be in the same position as if they had rendered their final decision yesterday," said Ambassador Peter Scher, Special Trade Negotiator.

January 1, 1999, was the deadline for the EU to implement a WTO-consistent banana regime. The EU failed to honor this deadline, thereby entitling the United States to suspend tariff concessions as early as February 1st on selected European products with the WTO's blessing. Because the EU requested arbitration to review the U.S.-proposed level of suspended tariff concessions, the United States delayed suspending tariff concessions for thirty days, in accordance with WTO procedures.

The arbitrators' initial decision, issued yesterday, sought further information on harm to U.S. exports caused by the EU's banana regime. Therefore, the arbitrators were unable to conclude their work in the 30-day time frame provided in the WTO Dispute Settlement Understanding, which calls for completion of arbitration by March 2.

The United States will refrain from collecting higher duties until the release of the arbitrators' final decision. When the arbitration is complete, the U.S. will assess 100% duties on selected products imported as of March 3rd as necessary to offset the harm to U.S. interests as determined by the arbitrators. This decision affords the arbitrators time to complete their work, ensures that the EU's failure to implement WTO rulings in accordance with WTO time schedules is not without consequence, and will also prevent surges in imports pending the completion of the arbitration proceeding.

"We do not take these steps lightly, and it is only after exhausting every opportunity thus far to try to resolve this dispute that we have reached this position. We must conclude that it is time for the EU to bear some of the consequences for its complete disregard for its GATT and WTO obligations. We will continue to work with the arbitrators to assist them in reaching a final calculation of economic damages caused by the EU's banana regime. At the same time, our view remains that the best course to resolve our differences with the EU is through direct negotiations in an effort to reach a mutually agreeable WTO-consistent solution.

At a time of global economic uncertainty, we place a premium on building and maintaining confidence in the WTO," Ambassador Scher continued. "To do that, we have an obligation to our industries and the Congress to protect our rights, and that is exactly what we are doing here. The international trading system only works if all countries fulfill their obligations. The United States is the leading user of the dispute settlement system. We have brought more than 40 cases in the WTO and it has delivered important results for our agriculture, manufacturing and services industries. At the same time, we have not won every case. On each occasion when we have lost, we have met our obligations. This is the first time the European Union has lost a case, and the first time any WTO member country has failed to meet its WTO obligation to comply with dispute settlement rulings."

Background

This action follows a period of over six years in which the U.S. patiently waited for the EU to comply with the rules of the GATT and WTO systems it helped to create. Both organizations have ruled repeatedly against the EU's banana regime: in 1993 and 1994 GATT panels found that EU banana rules were GATT-inconsistent, and in 1997 and 1998 a WTO dispute settlement panel, and then the WTO's Appellate Body, also found the banana regime in violation of WTO rules. After the Appellate Body ruling, the EU responded with a cosmetic change which continues to discriminate against U.S.

distribution companies and Latin American countries in the EU market.

The 1998 import value of European goods subject to prohibitive tariffs exceeds \$500 million -- equivalent to the reduction in U.S. exports resulting from the EU's failure to implement a WTO-consistent banana regime. The United States will assess duties on selected products in accordance with the arbitrators' final decision. Today's action provides the flexibility to make such adjustments.

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LIST OF PRODUCTS

The withholding of liquidation will apply to products that are both: (1) classified in the subheadings of the Harmonized Tariff Schedule of the United States listed below; and

(2) the product of Austria, Belgium, Finland, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, or the United Kingdom. The product descriptions that are provided below are for the convenience of the reader and are not intended to delimit in any way the scope of the products that would be subject to increased duties.

HTS Number	Product Description
02101900	Meat of swine, other than hams, shoulders, bellies (streaky) and cuts thereof, salted, in brine, dried or smoked
04069057	Pecorino cheese, from sheep's milk, in original loaves, not suitable for grating
19053000	Sweet biscuits; waffles and wafers
33073050	Bath preparations, other than bath salts
34060000	Candles, tapers and the like
39202000	Nonadhesive plates, sheets, film, foil and strip, noncellular, not reinforced or combined with other materials, of polymers of propylene
42022215	Handbags, with or without shoulder straps or without handle, with outer surface of sheeting of plastics
42023210	Articles of a kind normally carried in the pocket or handbag, with outer surface of reinforced or laminated plastics
48055000	Uncoated felt paper and paperboard in rolls or sheets
48192000	Folding cartons, boxes and cases of noncorrugated paper or paperboard
49119120	Lithographs on paper or paperboard, not over 0.51 mm in thickness, printed not over 20 years at time of importation
61101010	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, wholly of cashmere
63022190	Bed linen, not knit or crochet, printed, of cotton, not containing any embroidery, lace, braid, edging, trimming, piping or applique work, not napped
85072080	Lead-acid storage batteries other than of a kind used for starting piston engines or as the primary source of power for electric vehicles
85167100	Electrothermic coffee or tea makers, for domestic purposes

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For Immediate Release Contact: Jay Ziegler

Friday, March 5, 1999 Helaine Klasky

(202) 395-3230

**U.S. EXPRESSES CONCERN FOLLOWING DISCUSSIONS
REGARDING EU BEEF BAN**

After meeting with European Union (EU) officials on Wednesday and Thursday, U.S. officials today expressed deepening concern that the EU would not be in compliance with a WTO decision that the EU must open its market to U.S. beef by the WTO-stipulated date of May 13, 1999.

"We are pleased that the European Commission accepted our invitation to consult this week on our trade dispute concerning the European Union's (EU) ban on U.S. beef from cattle treated with hormones," said United States Special Trade Negotiator Peter Scher. " We discussed our proposal to label U.S. beef on the EU market and EU ideas to provide compensation in the form of trade concessions between May 13, 1999 -- the WTO-mandated date for EU compliance with the WTO ruling -- and a future date when the EU's ban on U.S. beef might be lifted. However, we have expressed our very serious concerns with regard to EU proposals which suggest that a resolution of this matter would be conditional on additional risk assessments and bureaucratic hurdles in the EU. This ban has been in place for 10 years with no scientific or health-related justification. The time has come for Europe to accept its responsibilities and lift this unjustified and unwarranted ban on our exports."

The EU has indicated that they intend to discuss this matter in meetings next week. U.S. officials will

consider the results of the EU meetings before determining the United States' next steps. In the meantime, U.S. officials will continue internal preparations to exercise U.S. WTO rights in the event the EU is not prepared to comply with the WTO.

BACKGROUND

The origins of this trade dispute are nearly two decades old. From 1980-89, the EC debated internally prohibitions on the use of hormones. During this period, the United States tried to resolve this issue bilaterally and multilaterally. While the European Union (EU) initially delayed the application of the ban - and the United States suspended retaliatory action -- the EU blocked U.S. attempts to resolve this dispute in the GATT. On January 1, 1989, the EU imposed a ban on imports of animals and beef from animals treated with hormones to promote the animal's growth. Also on that date, the United States suspended trade concessions worth about \$100 million.

During the early 1990s, the United States continued to encourage resolution of this dispute. We used the FAO/WHO Codex Alimentarius to develop four principles that reenforced the pre-eminent role of science. Following entry into force of the WTO Sanitary and Phytosanitary (SPS) agreement on January 1, 1995, the United States and, later, Canada, proceeded with formal WTO dispute settlement procedures. The United States lifted the \$100 million in trade sanctions that had been imposed while the EU blocked the GATT dispute settlement process.

On August 18, 1997, the WTO panel issued its report finding that the EU ban is not based on scientific evidence and was not based on a risk assessment or on the relevant international standards. The Appellate Body report was issued on January 16, 1998. The Appellate Body found that the EU's ban on importation of beef from cattle treated with growth promotion hormones is not consistent with the EU's obligations under the SPS Agreement. The Appellate Body report concluded that the EU measure failed to satisfy the requirements of Articles 3.3 and 5.1 of the SPS Agreement because the risk assessments that had been performed did not support the ban. At its February 13, 1998 meeting, the WTO Dispute Settlement Body adopted the Appellate Body and Panel reports on hormones. As a result of WTO arbitration, the EC was directed to come into compliance with the WTO ruling within 15 months, by May 13, 1999.

The safety of consuming beef from cattle treated with certain hormones has been thoroughly researched since the 1950s. On all occasions of FDA testing, the six hormones subject to the trade dispute have always been found to pose no adverse health effects. The clear international scientific consensus is that these approved and licensed products are safe when used in accordance with good veterinary practice. Even the EU's own scientists have agreed with these findings. At present, U.S. beef is shipped to 138 countries.

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For Immediate Release Contact: Jay Ziegler

Wednesday, March 10, 1999 Helaine Klasky

Amy Stilwell

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United States Trade Representative Releases

1999 Trade Policy Agenda and 1998 Annual Report

President Clinton today transmitted to Congress the 1999 Trade Policy Agenda and the 1998 Annual Report of the President of the United States on the Trade Agreements Program. The report outlines the Clinton Administration's trade policy priorities for the year ahead and reviews the principal trade policy actions and accomplishments of 1998.

"The American economy today boasts the longest peacetime economic expansion in U.S. history and the lowest peacetime unemployment rate since 1957," stated United States Trade Representative Charlene Barshefsky. "Trade and participation in the world economy have played a fundamental role in our economic strength, and the Clinton Administration has asserted global leadership through the negotiation of over 270 separate trade agreements which have helped to open markets and expand opportunities for Americans around the world."

The report also contains the annual review 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. These agreements include five which have fundamentally transformed the global trade environment: the North American Free Trade Agreement; the Uruguay Round; and the three multilateral agreements in the WTO which cover key building blocks of the twenty-first century economy -- information technology, financial services and telecommunications.

Ambassador Barshefsky further stated, "We are committed to an activist and entrepreneurial trade agenda that employs a multilateral, regional, bilateral, and sectoral strategy to achieve the most far-reaching market opening results. As President Clinton indicated by in the State of the Union address, we will seek to further open global markets for our goods, services, and agricultural exports in the new Round of multilateral trade negotiations." The new Round will be launched after the WTO's Third Ministerial Conference, which will be held in the United States November 30-December 3, 1999, and chaired by Ambassador Barshefsky.

"We will also continue to apply all our enforcement tools and aggressively enforce our trade agreements to ensure that U.S. interests are treated fairly in the global economy," Ambassador Barshefsky continued. "This year, we will continue to work with Congress in seeking renewal of traditional trade negotiating authority, Trade Adjustment Assistance (TAA) programs, and to enact legislation to expand our trade relationship with developing countries through GSP reauthorization, Africa trade legislation, and the Caribbean Basin Initiative in particular."

Highlights of the 1999 Agenda include:

o The Global Trade Agenda. The new Round of multilateral trade negotiations must embrace three important dimensions. First, it must move the WTO agenda forward on an accelerated basis, focusing on such key issues as further opening trade in services and agriculture, and address new issues such as electronic commerce and biotechnology. Second, we must strive toward increased cooperation and coordination between the WTO and other important international institutions such as the IMF and the World Bank, and the ILO. Third, the Uruguay Round established the WTO as a forum for on-going liberalization and consultations. For a new Round to be credible, it must enhance the WTO's ability to deliver market opening results as negotiations in the Round proceed.

o FTAA Negotiations. Latin America's commitment to further economic integration and to open market principles is evident in the continued negotiations for the Free Trade Area of the Americas (FTAA). The Administration is committed to concrete progress in the FTAA negotiations by 2000, and in meeting the goal of concluding the FTAA no later than 2005.

o Trade Liberalization in the Asia Pacific Region. The current financial crisis in Asia represents both a challenge for countries affected by the crisis, and for U.S. trade and investment policy. The Asian financial crisis has affected U.S. trade negatively, primarily in the form of reduced demand for U.S. exports, but also through increased U.S. imports in sensitive industrial areas. The United States remains committed to open market principles, rejecting any broad protectionist response to the crisis. The United States is also committed to the market opening objectives within APEC, which includes building consensus within the WTO the APEC sectoral package.

o Africa. The U.S. trade agenda with Africa in 1999 will focus on efforts to ensure the passage of the African Growth and Opportunity Act and continued implementation of the President's Partnership for Economic Growth and Opportunity for Africa. Outlined in 1997, the Partnership initiative aims to support African economic reform efforts, enhance U.S.-Africa economic engagement, support Africa's integration into the world trading system, and provide support for sustainable development. The Administration will also negotiate further trade and investment agreements with African nations.

o Transatlantic Economic Partnership. The United States will pursue completion of the TEP action plan outlined last year, including enhanced U.S.-EU cooperation on technical barriers to trade, services, agriculture, and intellectual property. We will seek meaningful and early commercial results which benefit for our industries, and intend to offer TEP-related work as a model for future WTO negotiations.

o Japan. The United States will actively monitor and enforce the existing 35 bilateral agreements negotiated between Japan and the U.S. In addition, the U.S. will continue to actively pursue our deregulation agenda and seek market opening results in sectors such as telecommunications, construction, energy, and pharmaceuticals and medical equipment. Finally, we will closely monitor Japan's steel exports to the U.S. which must revert to pre-crisis levels.

o China. The United States will continue to enforce our existing agreements on market access, intellectual property and textiles, while continuing our work toward China's accession to the WTO on commercially meaningful terms. At the same time, we will seek to resolve bilateral market access concerns, particularly for agricultural products.

o Enforcement of Existing Trade Agreements. The United States is the most active user of the WTO dispute settlement mechanism, the results of which have created important market opening gains for U.S. manufacturing, services, and agricultural industries. We will continue to enforce U.S. rights in the global economy through multilateral, regional, and bilateral means. Recently, the Administration announced the reinstatement of "Super 301" and Title VII as important market opening tools.

Note: Public copies of the 1999 Trade Policy Agenda and 1998 Annual Report will be available from the Office of Public Affairs, room 103, at USTR. In addition, the report will be posted on the USTR Internet Home Page (<http://www.USTR.gov/>).

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For Immediate Release Contact: Jay Ziegler

Wednesday, march 10, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

UNITED STATES AND EL SALVADOR SIGN BILATERAL INVESTMENT TREATY

The United States and El Salvador today signed a Bilateral Investment Treaty (BIT). United States Trade Representative Charlene Barshefsky applauded this agreement stating:

"We welcome the strength and effectiveness of El Salvador's economic reform which have enabled us to conclude this agreement. We share El Salvador's commitment to fair, transparent, and predictable investment regimes that afford investors a high level of protection."

The BIT guarantees the right to invest on terms no less favorable than those accorded domestic or third-country investors, in most sectors. It also guarantees the free transfer of capital, profits and royalties; freedom from trade- and investment-distorting performance requirements; access to international arbitration; and standards for expropriation and compensation consistent with US practice. In addition, the Treaty obligations ensure maximum transparency in investment.

The investment commitments in this Treaty reflect US policy in investment generally and are similar to those contained in the investment chapter of the NAFTA. The BIT is the 20th signed during the Clinton Administration, the fourth in Central America and the forty-fourth overall.

El Salvador has also reaffirmed its commitment to implement all obligations related to the World Trade Organization (WTO) Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000.

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For Immediate Release Contact: Jay Ziegler

Friday, March 12, 1999 Helaine Klasky

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**UNITED STATES COSPONSORING WTO INITIATIVE TO
ELIMINATE ENVIRONMENTALLY-DAMAGING FISHERIES SUBSIDIES**

The United States, in conjunction with four other countries, today called for the World Trade Organization (WTO) to address the critical problem of environmentally-damaging fisheries subsidies, United States Trade Representative Charlene Barshefsky announced.

"The Clinton Administration is committed to expanding trade in a manner that benefits the environment. Clearly, this is an area in which doing the right thing for the environment is also doing the right thing for the trading system," Ambassador Barshefsky stated.

Ambassador Barshefsky went on to say that, "We are excited by the opportunity to take action within the WTO that could provide clear benefits for the global environment, and we encourage other governments to join us in these efforts."

The United States was joined by Australia, Iceland, New Zealand and the Philippines in urging other members of the WTO "to make an early commitment to progressively eliminate fisheries subsidies that contribute to fisheries overcapacity, in view of their environmentally damaging and trade distorting effects, and to pursue work in the WTO aimed at achieving the reduction and elimination of such subsidies." The call for action was issued on the eve of a March 15-16 High Level Symposium on Trade and Environment being convened by the WTO in Geneva, which will be attended by representatives of WTO governments, environmental groups, and business representatives from around the world. The U.S. delegation will include Susan Esserman, Deputy U.S. Trade Representative Designate; Frank Loy, Undersecretary of State for Global Affairs; Peter Robertson, EPA Acting Deputy Administrator; and Terry Garcia, Assistant Secretary of Commerce for Oceans and Atmosphere; as well as other senior agency and White House Officials.

Assistant Secretary of Commerce for Oceans and Atmosphere Terry Garcia said, "Fisheries stocks are in decline worldwide. Put simply, too many boats are chasing too few fish. We need to improve the balance between the fishing industry's productive capacity and the availability of fish. This must be done by eliminating government subsidies that contribute to overfishing worldwide."

Background

The World Trade Organization's High-Level Meeting on Trade and Environment will be held in Geneva on March 15-16, 1999. President Clinton called on the WTO to organize such a meeting during his address to the May 1998 Ministerial Conference of the WTO. The High-Level Meeting will consist of a dialogue among senior officials from trade and environment ministries, as well as representatives of non-governmental organizations, the business community, relevant international organizations (such as UNEP, UNCTAD, UNDP, and the World Bank), and invited academic speakers. Participants will engage in an open exchange of views on the trade and environment relationship, environmental protection, and sustainable development. The meeting will be chaired by WTO Director-General Ruggiero, and will be followed by a High-Level Meeting on Trade and Development on March 17-18, 1998.

There are many indications that fishing efforts and harvesting capacity are at excessive levels, and must be restrained to avoid depleting global fisheries stocks. It is also clear that government subsidies that increase harvesting operations and capacity are a major contributing factor in these problems. A recent study published by the World Bank estimates that \$US 11-20 billion of environmentally-harmful subsidies are being granted each year by governments around the world to the fisheries sector. This amounts comprises 20 to 25 percent of global fisheries revenues

The UN Food and Agriculture Organization, as well as a number of environmental groups, have highlighted the need to eliminate subsidies that contribute to overfishing. Because such subsidies also distort trade by reducing harvesting costs and placing downward pressure on world seafood prices, U.S. trade and environmental officials believe that the WTO could play a constructive role in encouraging governments to reduce or eliminate these subsidies.

1. The first part of the document discusses the
 2. importance of maintaining accurate records
 3. of all transactions. It states that this is
 4. essential for the proper functioning of the
 5. system. The second part of the document
 6. describes the various methods used to collect
 7. and analyze data. It notes that the most
 8. effective way to do this is through the use
 9. of computerized databases. The final part
 10. of the document provides a summary of the
 11. findings and recommendations. It concludes
 12. that the current system is largely
 13. satisfactory, but that there are several
 14. areas where improvements can be made.
 15. These include the need for more
 16. comprehensive training for staff and
 17. the implementation of more robust
 18. security measures.

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For Immediate Release Contact: Jay Ziegler

Monday, March 15, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

U.S. Signs Trade and Investment Framework Agreement with Jordan

United States Trade Representative Charlene Barshefsky and the Ambassador of the Hashemite Kingdom of Jordan Marwan Muasher signed a Trade and Investment Framework Agreement (TIFA) today in Washington, D.C. The TIFA with Jordan is effective immediately.

"This is the United State's first Trade and Investment Framework Agreement in the Middle East, stated Ambassador Barshefsky. "The agreement enhances our strong relationship with Jordan and will open a permanent dialogue between the United States and the Kingdom on the basic issues of trade in the modern world: agricultural and industrial standards; intellectual property rights; investment; market access, and much more."

The TIFA establishes a Council on Trade and Investment, composed of representatives of both governments, and chaired by USTR and Jordan's Ministry of Industry and Trade. The Council will meet regularly to discuss specific trade and investment matters, negotiate agreements where appropriate, and identify and work to remove impediments to trade and investment. TIFAs provide a mechanism in which trade, investment, intellectual property, and other issues can be addressed and resolved promptly.

U.S. exports to Jordan totaled \$353 million in 1998. Imports from Jordan totaled \$16 million. Trade between the United States and Jordan is expected to increase as a result of the designation of two Qualifying Industrial Zones in Jordan. Goods produced as a result of Israeli-Jordanian cooperation in these zones may enter the United States duty free.

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For Immediate Release Contact: Jay Ziegler

Monday, March 15, 1999 Helaine Klasky

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**U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY DESIGNATES SECOND
DUTY-FREE ZONE WITH JORDAN AND ISRAEL**

United States Trade Representative Charlene Barshefsky today designated the Gateway Industrial Park along the border between Israel and Jordan as the second "qualifying industrial zone" (QIZ) from which goods can enter the United States duty-free. Ambassador Barshefsky also approved expansion plans for the QIZ at Irbid, Jordan, which she designated on March 6, 1998. Visiting Israeli Minister of Industry and Trade Natan Sharansky and Jordanian Ambassador to the United States Marwan Muasher participated in the designation ceremony.

"One year ago, we met here to inaugurate the first Israelei-Jordanian qualified industrial zone," said Ambassador Barshefsky. "Today's designation of a new QIZ, in tandem with the expansion of the Irbid zone, underscores the profound contribution that economic cooperation can play in strengthening peace and promoting prosperity in the Middle East."

Groundbreaking for the Gateway QIZ is expected to take place within the next few months, with the first phase of Gateway's development likely to be complete early in the year 2000. At present, seventeen companies are engaged in negotiations to begin operations at Gateway. It is estimated that the zone will employ 3,000-4,000 people in its first phase.

The Israel-Jordan request for expansion of the Irbid zone demonstrates the success of the initial QIZ project, which is expected to grow from its current 104 acres to over 200 acres and from 4,000 workers to approximately 10,000 when the expansion is complete. Eighteen new companies have reserved space in the expansion, joining the fifty companies already operating at Irbid.

The Irbid industrial park, designated by Ambassador Barshefsky on March 6, 1998, was the first qualifying industrial zone. The first shipments of "QIZ goods" produced at Irbid began entering the United States in January 1999.

Background:

Legislation passed by the Congress in October 1996 authorized the President to proclaim elimination of duties on articles produced in the West Bank, Gaza Strip and qualifying industrial zones in Israel and Jordan and Israel and Egypt. In November 1996, President Clinton issued a proclamation which provided duty-free treatment to products of the West Bank and Gaza and delegated the authority to designate qualifying industrial zones to the USTR.

Israeli Minister of Industry and Trade Natan Sharansky and Jordanian Minister of Industry and Trade Hani Mulki signed an Agreement on the Irbid zone in November 1997 at the Doha Economic Conference. On November 23, 1998, amending protocols to that agreement were signed by Minister Sharansky and Jordanian Minister of Industry and Trade Mohammed Saleh Hourani, in which the designation of Gateway and the expansion of Irbid were agreed. The 1997 Agreement created a Joint Committee to identify businesses located within the zones that involve substantial economic cooperation between Israel and Jordan. Goods processed in the zones by businesses identified by the Committee are eligible for duty-free entry into the United States if they meet the requirements of the legislation and proclamation. The legislation requires articles to be produced in the zone and specifies that value added in the zone, Israel, the West Bank and Gaza Strip must be no less than 35 percent of the total value of the product. An Israeli Customs Station located at the Sheikh Hussein Bridge between Israel and Jordan is part of the Irbid and Gateway zones and monitors the flow of inputs from Israel to the Jordanian portions of the zone.

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For Immediate Release Contact: Jay Ziegler

Tuesday, March 16, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

USTR REACHES AGREEMENT WITH TAIWAN

ON IMPLEMENTATION OF THE APEC TELECOM MRA

The American Institute in Taipei, the Taipei Economic and Cultural Institute, and United States Trade Representative concluded an agreement today to implement Phase I of the Asia Pacific Economic Cooperation (APEC) Telecommunications Accord. (Mutual Recognition Arrangement for Conformity Assessment of Telecommunications Equipment) Chinese- Taipei (Taiwan) became the first APEC economy to implement a telecom Mutual Recognition Arrangement with the United States. This agreement will permit U.S. authorities to accredit labs in the United States to test telecommunications equipment to Taiwan's requirements.

"This will greatly simplify procedures U.S. firms undertake when exporting American telecommunications and information technology products to Taiwan. It will permit U.S. exporters to lower their costs and get their products to market faster in Taiwan. I expect this agreement to further stimulate the growth of our exports of information technology products to Taiwan, which now exceed one billion dollars annually," stated United States Trade Representative Charlene Barshefsky.

Taiwan will gain similar rights for its exports to the United States.

Background

This first step in implementation of the APEC Telecom MRA permits accreditation of laboratories and exchange of test data for mandatory tests for equipment designed to be attached to the telecommunications network (e.g. phone handsets, modems, switches, Internet routers) and for information technology equipment such as computers, which is subject to electro-magnetic compatibility (EMC) requirements. EMC requirements are intended to prevent information technology equipment from causing harmful interference with other equipment.

Under the provisions of the agreement, the National Institute of Standards will be able to accredit U.S. private-sector labs to test to Taiwan requirements, and Taiwan authorities will be able to do likewise for U.S. telecommunications requirements.

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For Immediate Release Contact: Jay Ziegler

Wednesday, March 17, 1999 Helaine Klasky

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(202) 395-3230

United States Trade Representative Charlene Barshefsky Applauds

WTO Trade and Environment Conference

Today United States Trade Representative Charlene Barshefsky applauded the WTO High Level Symposium on Trade and Environment which concluded this afternoon in Geneva, Switzerland. The two day meeting, which was called for by President Clinton at the May 1998 WTO Ministerial, brought together for the first time high level trade and environment officials, environmental NGOs, and the business community.

"We welcome this unprecedented meeting and the important momentum it has brought to the WTO's work on trade and the environment," stated Ambassador Barshefsky. "The discussions that took place at this meeting lay the groundwork for further constructive dialogue on these issues both in the context of the WTO's ongoing work, and the new Round of trade negotiations that will be launched at the 1999 WTO Ministerial in Seattle."

At this meeting, the United States pressed for increased transparency and openness of the WTO and for WTO action to eliminate subsidies that contribute to over-fishing. The United States also proposed the establishment of a WTO mechanism to ensure that the environmental implications of the new Round are taken into account from the beginning to the end of the negotiations.

The U.S. delegation consisted of Susan Esserman, Deputy U.S. Trade Representative Designate; Frank Loy, Undersecretary of State for Global Affairs, Peter Robertson, EPA Acting Deputy Administrator; and Terry Garcia, Assistant Secretary of Commerce for Oceans and Atmosphere; as well as other senior agency and White House officials.

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embargoed for release until 1:00 p.m. Contact: Jay Ziegler

Monday, March 22, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

USTR PUBLISHES PRELIMINARY LIST OF PRODUCTS

IN PREPARATION TO EXERCISE WTO RIGHTS ON BEEF TRADE ISSUE

The Office of the United States Trade Representative today announced preliminary actions in response to on-going uncertainty about whether the European Union (EU) will comply with WTO rulings which call for it to end its ban on imports of U.S. beef from animals treated with any of six scientifically-proven safe hormones. The Office of the U.S. Trade Representative outlined a preliminary list of products which would be subject to prohibitive tariffs if the EU does not comply by the WTO-mandated deadline of May 13, 1999.

Under WTO rules, the United States is supposed to seek authorization to suspend concessions within 30 days after May 13, 1999. U.S. law requires adequate notice and comment of such action. The final list of products that could be affected by possible suspension of concessions will be drawn from the preliminary list.

"The EU's ten-year, arbitrary, and scientifically unjustified ban on U.S. beef has had a substantial negative impact on U.S. beef producers," said United States Trade Representative Charlene Barshefsky. "Our hope is that we can reach a mutually acceptable solution with the EU that provides access for U.S.

beef producers in Europe consistent with WTO rules. At the same time, we must also begin preparations to protect our rights if the EU does not comply with its obligations. The publication of this preliminary list is fully consistent with WTO rules, and reflects the transparency of the U.S. process. We will continue to abide by the WTO schedule as we prepare to exercise our WTO rights."

"We would like to resolve this issue with the EU," Secretary of Agriculture Dan Glickman noted, "and we have offered a proposal to do just that. But if a reasonable solution cannot be agreed to, we are prepared to protect our rights."

Background

The safety of consuming beef from cattle treated with certain hormones has been thoroughly researched since the 1950s. On all occasions of FDA testing, the six hormones subject to this trade dispute have always been found to be safe. The clear international scientific consensus is that these approved and licensed products are safe when used in accordance with good veterinary practices. Even the EU's own scientists have agreed with these findings. At present, U.S. beef is shipped to 138 countries.

The origin of this trade dispute is nearly two decades old and began in 1980 with the EU's debate on the use of natural and synthetic hormones in livestock. In December 1985, the EU adopted a directive on livestock production restricting the use of natural hormones to therapeutic purposes, banning the use of synthetic hormones, and prohibiting imports of animals, and meat from animals; to which hormones had been administered. That directive was later declared invalid by the European Court of Justice on procedural grounds and had to be re-adopted by the Council, unchanged, in 1988 ("the Hormone Directive"). These measures became effective January 1, 1989, notwithstanding U.S. attempts to resolve this issue bilaterally and multilaterally, including through dispute settlement under the General Agreement on Tariffs and Trade (GATT).

On December 24, 1987, the President of the United States announced an increase in duties on selected European products in response to the Hormone Directive and related measures, but immediately suspended this action to promote a negotiated solution of the issue. The USTR enacted the increase in duties in January 1989 when the EU began implementing the hormone ban against imports from the United States. The USTR subsequently modified the application of increased duties on a number of occasions. During the early 1990s, the United States continued to encourage resolution of this dispute and worked in the FAO/WHO Codex Alimentarius to develop principles that reinforce the pre-eminent role of science in establishing high food safety standards.

Following entry into force of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures ("SPS Agreement") on January 1, 1995, the United States and, later, Canada, proceeded with formal WTO dispute settlement procedures against the hormone ban. On May 20, 1996, the DSB established a dispute settlement panel ("the WTO panel") to examine the consistency of the EU's hormone ban with the its WTO obligations. (Prior to the establishment of the WTO panel, the EU replaced the Hormone Directive with another directive that re-codified and expanded the hormone ban.)

On August 18, 1997, the WTO panel issued its report finding that the hormone ban is not based on scientific evidence, a risk assessment, or relevant international standards in contravention of the EU's obligations under the SPS Agreement. The Appellate Body issued its report on January 16, 1998 affirming that the hormone ban is not consistent with the EU's obligations under the SPS Agreement. At its February 13, 1998 meeting, the DSB adopted the Panel and Appellate Body reports on hormones. The EU subsequently requested four years to implement the DSB recommendations and rulings, two years to conduct additional risk assessments and two years to revise its measures to reflect the results of those risk assessments. The WTO Arbitrator appointed to determine the reasonable period of time observed that the compliance period should not be used to "demonstrate the *consistency* of a measure already judged to be *inconsistent*," in response to the EU's arguments that it would need a substantial period of time to conduct additional risk assessments. The Arbitrator determined that the reasonable period of time for implementation was fifteen months and would expire on May 13, 1999.

To date, the EU has taken no action to implement the DSB recommendations and rulings. The EU has made no modifications to the hormone ban, but rather initiated seventeen new risk assessments. In its status report for the March meeting of the WTO Dispute Settlement Body, the EU indicated that it does not expect to be in compliance by the May 13, 1999 WTO-mandated deadline.

On March 3-4, 1999, U.S. and EU officials held discussions in Washington to explore options to resolve this dispute. The United States presented a proposal for labeling U.S. beef as a way to address European consumers' concerns. However, the EU indicated that a resolution of this matter would be conditional on the completion of the additional risk assessments, which may not be completed until sometime in late 1999 or 2000, and other bureaucratic hurdles in the EU. Resolution of this issue depends on overcoming uncertain and lengthy procedural hurdles, and addressing the substantive requirements of the WTO hormones decisions.

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PRODUCT LIST

Increased duties of 100 percent *ad valorem* may be applied to articles that are classified in the headings and the subheadings of the Harmonized Tariff Schedule of the United States (HTS) listed below and that are products of the member States of the European Union. In the instances where a 4-digit HTS heading appears in the left column of this list, products classified in any of the 8-digit subheadings appearing in the HTS under those 4-digit headings may be subject to increased duties. The product descriptions in this press release are for information purposes only; they are not intended to delimit in any way the scope of the products that would be subject to increased duties.

HTS	Description
0201	MEAT OF BOVINE ANIMALS, FRESH OR CHILLED
0202	MEAT OF BOVINE ANIMALS, FROZEN
0203	MEAT OF SWINE (PORK), FRESH, CHILLED OR FROZEN
0206	EDIBLE OFFAL OF BOVINE ANIMALS, SWINE, SHEEP, GOATS, HORSES ETC., FRESH, CHILLED OR FROZEN
0207	MEAT AND EDIBLE OFFAL OF POULTRY (CHICKENS, DUCKS, GEESE, TURKEYS AND GUINEAS), FRESH, CHILLED OR FROZEN
02101100	Hams, shoulders and cuts thereof with bone in, salted, in brine, dried or smoked
02101200	Bellies (streaky) and cuts thereof of swine, salted, in brine, dried or smoked

02102000	Meat of bovine animals, salted, in brine, dried or smoked
02109020	Meat and edible offal of chickens, ducks, geese, turkeys and guineas, salted, in brine, dried or smoked; flour and meal of these animals
02109040	Meat and edible offal nesoi, salted, in brine, dried or smoked; flour and meal, nesoi
04064020	Roquefort cheese in original loaves, not grated or powdered, not processed
04064040	Roquefort cheese, other than in original loaves, not grated or powdered, not processed
05040000	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof
06039000	Cut flowers and flower buds, suitable for bouquets or ornamental purposes, dried, dyed, bleached, impregnated or otherwise prepared
06049100	Foliage, branches and other parts of plants without flowers or flower buds, and grasses, suitable for bouquets or ornamental purposes, fresh
06049930	Foliage, branches, parts of plants without flowers or buds, and grasses, suitable for bouquets or ornamental purposes, dried or bleached
07020020	Tomatoes, fresh or chilled, entered during Mar.1 to July 14, or the period Sept.1 to Nov.14 in any year
07020040	Tomatoes, fresh or chilled, entered during July 15 to Aug.31 in any year
07020060	Tomatoes, fresh or chilled, entered from Nov. 15 thru the last day of Feb. of the following year
07031040	Onions, other than onion sets or pearl onions not over 16 mm in diameter, and shallots, fresh or chilled
07095200	Truffles, fresh or chilled
07129010	Dried carrots, whole, cut, sliced, broken or in powder, but not further prepared
07129074	Dried tomatoes, in powder
07129075	Dried tomatoes, whole, cut, sliced, broken or in powder, but not further prepared
07129078	Dried tomatoes, whole, cut, sliced or broken but not further prepared
08024000	Chestnuts, fresh or dried; shelled or in shell
09042020	Paprika, dried or crushed or ground
10040000	Oats
11041200	Rolled or flaked grains of oats
11042200	Grains of oats, hulled, pearled, clipped, sliced, kibbled or otherwise worked, but not rolled or flaked
15059000	Fatty substances derived from wool grease (including lanolin)
1601	SAUSAGES AND SIMILAR PRODUCTS, OF MEAT, MEAT OFFAL OR BLOOD; FOOD PREPARATIONS BASED ON THESE PRODUCTS
16021000	Homogenized preparations of meat, meat offal or blood, nesoi
16022020	Prepared or preserved liver of goose
16022040	Prepared or preserved liver of any animal other than of goose
16023100	Prepared or preserved meat or meat offal of turkeys, nesoi
16023200	Prepared or preserved meat or meat offal of chickens, nesoi
16023900	Prepared or preserved meat or meat offal of ducks, geese or guineas, nesoi
16024110	Prepared or preserved pork ham and cuts thereof, containing cereals or vegetables
16024120	Pork hams and cuts thereof, not containing cereals or vegetables, boned and cooked and packed in airtight containers
16024190	Prepared or preserved pork hams and cuts thereof, not containing cereals or vegetables, nesoi
16024220	Pork shoulders and cuts thereof, boned and cooked and packed in airtight containers
16024240	Prepared or preserved pork shoulders and cuts thereof, other than boned and cooked and packed in airtight containers
16024910	Prepared or preserved pork offal, including mixtures
16024920	Pork other than ham and shoulder and cuts thereof, not containing cereals or vegetables, boned and cooked and packed in airtight containers
16024940	Prepared or preserved pork, not containing cereals or vegetables, nesoi
16024960	Prepared or preserved pork mixed with beef
16024990	Prepared or preserved pork, nesoi
16025005	Prepared or preserved offal of bovine animals

16025009	Prepared or preserved meat of bovine animals, cured or pickled, not containing cereals or vegetables
16025010	Corned beef in airtight containers
16025020	Prepared or preserved beef in airtight containers, other than corned beef, not containing cereals or vegetables
16025060	Prepared or preserved meat of bovine animals, not containing cereals or vegetables, nesoi
16025090	Prepared or preserved meat of bovine animals, containing cereals or vegetables
17041000	Chewing gum, not containing cocoa, whether or not sugar-coated
17049025	Sugar confectionary cough drops, not containing cocoa
18063100	Chocolate and other cocoa preparations, in blocks, slabs or bars, filled, not in bulk
19054000	Rusks, toasted bread and similar toasted products
20021000	Tomatoes, whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid
20029000	Tomatoes, other than whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid
20029040	Tomatoes, in powder, prepared or preserved otherwise than by vinegar or acetic acid
20029080	Tomatoes (including paste and puree) prepared or preserved otherwise than by vinegar or acetic acid, nesoi
20079905	Lingonberry and raspberry jams
20083042	Satsumas, prepared or preserved, in airtight containers, aggregate quantity n/o 40,000 metric tons/calandar yr
20083046	Satsumas, prepared or preserved, in airtight containers, aggregate quantity o/40,000 metric tons/calandar yr
20084000	Pears, otherwise prepared or preserved, nesoi
20087000	Peaches (excluding nectarines), otherwise prepared or preserved, nesoi
20096000	Grape juice (including grape must), concentrated or not concentrated
20098060	Juice of any other single fruit, nesoi, (including cherries and berries), concentrated or not concentrated
20099040	Mixtures of fruit juices, or mixtures of vegetable and fruit juices, concentrated or not concentrated
21013000	Roasted chicory and other roasted coffee substitutes and extracts, essences and concentrates thereof
21033040	Prepared mustard
21041000	Soups and broths and preparations therefor
22011000	Mineral waters and aerated waters, not containing added sugar or other sweetening matter non-flavored
23099010	Mixed feed or mixed feed ingredients used in animal feeding
35061050	Products suitable for use as glues or adhesives, nesoi, not exceeding 1 kg, put up for retail sale
55041000	Artificial staple fibers, not carded, combed or otherwise processed for spinning, of viscose rayon
55101100	Yarn (other than sewing thread) containing 85% or more by weight of artificial staple fibers, singles, not put up for retail sale
85102000	Hair clippers, with self-contained electric motor
87112000	Motorcycles (incl. mopeds) and cycles, fitted w/recip. internal-combustion piston engine w/capacity o/50 but n/o 250 cc
87113000	Motorcycles (incl. mopeds) and cycles, fitted w/recip. internal-combustion piston engine w/capacity o/250 but n/o 500 cc

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For Immediate Release Contact: Jay Ziegler

Tuesday, March 23, 1999 Helaine Klasky

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United States Wins WTO Case Challenging

Canadian Dairy Practices

United States Trade Representative Charlene Barshefsky today welcomed a WTO panel decision which determined that Canada's dairy programs are inconsistent with its WTO obligations. The panel report affirmed the United States' challenge that the pervasive involvement of Canada's federal and provincial governments in a system that provides low cost milk to processors for export in fact constitutes an export subsidy.

"This is an important decision for the U.S. dairy industry and for all our agricultural industries," Ambassador Barshefsky said. "The panel's finding will have positive ramifications for the world trading system that go beyond the immediate trade effects of this dispute. This decision reinforces the disciplines on agricultural export subsidies which bind all WTO members. The decision should deter further attempts to circumvent those commitments and provide a strong basis for entering a new Round of trade negotiations on agriculture. We also look forward to finally opening the border for commercial shipments of milk."

The panel report upheld U.S. arguments that Canada's system of providing low-cost milk to processors for exports is an export subsidy. The Uruguay Round Agreement on Agriculture obligated WTO members to limit the quantity of products exported with subsidies. Canada's exports of subsidized dairy products, such as cheese and butter, exceed the limits that Canada agreed to in the Uruguay Round. For some products, Canada's subsidized dairy exports were more than twice the level that Canada had committed to in the Agreement on Agriculture. products

The panel's finding will help U.S. dairy product exports by reining in unfairly-subsidized competition from Canadian exporters. The decision will benefit world agricultural trade generally, by preventing other exporters of these and other agricultural products from evading their WTO export subsidy limits through copycat schemes modeled on Canada's. The panel report strengthens the basis for entering a new round of negotiations on agriculture, by ensuring that the existing rules on agricultural trade will not be undercut.

In addition, the panel found that Canada's limitation of market access for fluid milk was inconsistent with its obligations under the WTO. This decision will necessitate that Canada for the first time provide market access for meaningful commercial shipments of fluid milk from the United States.

BACKGROUND

The National Milk Producers Federation, U.S. Dairy Export Council and International Dairy Foods Association petitioned USTR on September 5, 1997, to challenge Canada's dairy trade policies as inconsistent with its WTO obligations on export subsidies and market access. After bilateral consultations, the United States referred its complaint to a WTO dispute settlement panel. New Zealand joined in the WTO challenge to Canada's export subsidies.

Canada agreed to specific export subsidy limits on dairy products as part of its Uruguay Round WTO obligations. However, on August 1, 1995, Canada replaced its system of direct payments on dairy product exports that were financed by a levy on producers with a new permit system. The new permit system allowed Canadian processors to purchase lower priced milk for sales to export destinations. Canada claimed the new system was no longer an export subsidy, and as such, Canada was no longer subject to any limitations on its dairy product exports. The United States disagreed with Canada's position.

The second part of the U.S. complaint focused on Canada's refusal to allow commercial shipments of fluid milk from the United States. Canada established an annual tariff-rate quota for fluid milk as part of its Uruguay Round market access commitments. However, Canada maintained that the tariff-rate quota was limited to imports of fluid milk for personal use by the importer and the importer's household and would not permit other shipments of milk to be entered under the tariff-rate quota. The United States believed that Canada's prohibition on fluid milk shipments valued at over \$20 per entry from the United States was inconsistent with Canada's market access commitment in the Uruguay Round.

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For Immediate Release Contact: Jay Ziegler

Monday, March 29, 1999 Helaine Klasky

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**United States Calls for Continued Access to Japanese Rice Market
Consistent with Current Levels**

United States Trade Representative Charlene Barshefsky issued the following statement as a result of actions the Government of Japan is taking to modify its rice import regime. On December 21, the Government of Japan notified the WTO that it would reform its rice import regime by imposing tariffs on rice imports that exceed Japan's WTO minimum access commitment.

"In light of the impressive efforts by the U.S. rice industry to meet the demands of the Japanese market, we have held a number of discussions with the Japanese Government to examine the effects of its new policies on market access for rice," Ambassador Barshefsky stated. "Through these talks, we have made it clear that we expect the U.S. rice industry to achieve continued access to Japan's rice market in line with that of the past four years. We will work with Japan in 1999 and beyond to that end, and we will closely monitor Japan's rice purchases. If circumstances change, we reserve the right to consider *all* of our options to respond to Japan's rice policy, including the WTO. At the same time, the United States and Japan plan to hold periodic consultations on a number of agricultural issues, including access to Japan's rice market. As a result of these discussions, we have decided not to object to Japan's new rice import regime in the WTO at this time."

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For Immediate Release Contact: Jay Ziegler

March 30, 1999 Helaine Klasky

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**ANNUAL REVIEW OF TELECOMMUNICATIONS TRADE AGREEMENTS
HIGHLIGHTS US/EC PROGRESS ON THIRD GENERATION MOBILE SERVICES -
MARKET ACCESS CONCERNS IN MEXICO, JAPAN AND GERMANY**

United States Trade Representative Charlene Barshefsky announced today the completion of the annual review of foreign countries' compliance with telecommunications trade agreements under section 1377 of the Omnibus Trade and Competitiveness Act of 1988. This year's review, which was completed on March 30, 1999, focused on WTO members' compliance with the WTO Basic Telecommunications Agreement, particularly the European Community and Member States, Mexico, Japan and Germany. The review indicated that the WTO agreement has increased market access for U.S. telecommunications companies in foreign markets, but that ongoing enforcement of the agreement is needed to ensure continued growth in world-wide competition for telecommunications services.

"U.S. exports of telecommunications services and equipment have increased significantly following the entry into force of the WTO telecom agreement in February 1998, as well as the Information Technology Agreement," said Ambassador Barshefsky. "U.S. firms are building new networks and offering competitive services in Africa, the Americas, Asia and Europe. In turn, U.S. consumers are benefitting from rates as low as 10 to 20 cents per minute for international telephone calls on a growing list of routes. Finally, greater overseas competition in services has helped to keep telecommunications

equipment exports strong. For example, exports were up by 16 percent to Western Europe in 1998, countering the effects of recession in other regions that led to a 5 percent global decline."

"Our Section 1377 review this year highlights important progress between the U.S. and the European telecommunications industries in developing standards for third generation mobile telecommunications systems," stated United States Trade Representative Barshefsky. "We now need to ensure that EU Member States actually license and assign radio spectrum on the basis of standards that emerge from the ongoing negotiations at the International Telecommunication Union."

The review showed that Mexico has recently made strides toward more satisfactory implementation of its WTO telecom agreement commitments, including the removal of a discriminatory surcharge on inbound international calls. Concerns remain, however, that ongoing regulatory processes are non-transparent and potentially ineffective. "I have doubts about Mexico's implementation of its commitments under the WTO agreement with respect to international services and interconnection rates," Ambassador Barshefsky said. "The Mexican government has stated its intention to review its international service and interconnection/universal service regulations in 1999, and we expect that it will respond favorably to the requests from all the new entrants to permit ISR immediately. USTR will conduct an out-of-cycle examination by July 30 regarding the progress of Mexico's ongoing regulatory process, and will take appropriate action including, if warranted, the initiation of WTO dispute settlement proceedings, to assure that new competitors in the market are treated fairly."

Japan came under close scrutiny in the 1377 review for over-priced interconnection rates that effectively prevent competition in Japan's local market, as well as a prohibition on the routing of both domestic and international traffic via combinations of owned and leased network facilities. "Despite assurances from Japan that it would seek the maximum possible reductions in interconnection rates, the negligible reductions achieved in 1998 were a major disappointment," said Ambassador Barshefsky. "We look to Japan to take credible measures to remedy these two problems by June 4, 1999. If Japan fails to do so, we will consider appropriate options, including initiation of WTO dispute resolution proceedings."

The review also established that Germany's delay in assuring non-discriminatory and cost-oriented interconnection rates, terms, and conditions raises serious doubts about Germany's compliance with its WTO telecom agreement commitments. At the same time, Ambassador Barshefsky said, "Regulatory proceedings in Germany during April and May are expected to set important precedents in determining interconnection rates, terms, and conditions for all competitors to Deutsche Telekom. We will monitor the outcome of these proceedings to determine whether Germany has met its WTO obligations, and are prepared to take WTO action thereafter if the outcome of the proceedings is not consistent with those obligations."

Background

European Community: Decisions by the European Telecommunications Standards Institute (1/98) and the European Council of Ministers (12/98) suggested a strategy to promote Pan-European and global adoption of a standard for third generation mobile telecommunications systems that would disadvantage U.S. competitors in European and third country markets. In a January 1999 letter to the top U.S. foreign policy, trade and telecommunications officials, Commissioner Martin Bangemann reaffirmed the Commission's support for the outcome of the important multilateral third generation standards negotiations in the International Telecommunication Union (ITU), but his response fell short of

addressing several specific U.S. concerns regarding Europe's timely acceptance of all standards that are ultimately adopted by the ITU.

In mid-February 1999, representatives of U.S. and European telecommunications industries arrived at a recommendation on a multi-mode standard which could resolve U.S. concerns. Subsequently, Finland, the first Member State to award 3G licenses, selected four third generation service licensees known to favor the European mode of the proposed ITU multi-mode standard. However, Finland did not stipulate use of the European mode as a license condition, and the United States expects that other Member States will similarly avoid stipulating the use of any specific technology at least until the ITU standards-setting process is completed later this year.

Mexico: In November 1998, all six competitors to Telmex, Mexico's dominant former monopoly supplier of local, long distance, and international service, requested regulatory permission to provide ISR on Mexico's international routes. Such a step would dramatically lower the retail price in Mexico, the United States, and elsewhere of approximately 3 billion minutes of calls, mostly among family members. Cofetel, the Mexican regulatory agency, has indicated it is studying this request.

In December 1998, Cofetel terminated Mexico's discriminatory inbound international surcharge and announced a range of steps regarding interconnection and dominant carrier regulations. At least one carrier is still being billed for the surcharge and the interconnection and dominant carrier regulations have yet to produce lower net domestic interconnection costs for new entrants. Nor have the new regulations generated greater confidence that Telmex is not engaging in anti-competitive cross-subsidization of different telecom services. For example, the regulator has yet to identify a universal service program under which Telmex would be required to fund universal service on the same basis as its competitors. The Mexican regulator has announced a detailed work program in an effort to remedy these concerns, which are crucial to the viability of a competitive market in Mexico.

Japan: It appears that Japan has yet to ensure that NTT, a dominant supplier, provide interconnection at cost-oriented rates or that it not engage in anti-competitive cross-subsidization of telecom services. The fact that local interconnection rates meet or exceed retail rates on a broad range of calls (and are priced at up to ten times the rates of competitive markets) is evidence that either the interconnection rates are set above cost or that the retail rate is being cross-subsidized.

Japan also restricts facilities-based carriers from using leased lines, but did not schedule such a limitation in its WTO commitments. There is no prohibition on facilities-based carriers using leased lines in Japan's telecommunications law. In fact, the MPT permits facilities-based carriers to complete their networks through leasing arrangements in exceptional cases. It should be the rule, not the exception, that facilities-based carriers are permitted to augment their networks through leasing arrangements. In contrast to Japan, there is no need for carriers to seek special regulatory permission to assemble a mixed facilities-based and leased network in the United States, Europe, or other competitive telecommunications markets.

These policies have had a disturbing impact on competition in Japan: NTT, the world's largest ex-monopoly carrier, actually gained market share last year in its core telephone services market.

NTT's interconnection regime is the subject of an ongoing review in Japan.

Germany: Starting in the second quarter of 1998 and after concluding a number of satisfactory interconnection agreements with early new entrants to the German telecommunications market, Deutsche Telekom (DT) slowed the pace of interconnection negotiations and sought tougher rates, terms and conditions for subsequent prospective entrants. All new entrants need to interconnect with the DT network to access the German market, and Germany committed to assure fair interconnection rates, terms and conditions in adopting the WTO Reference Paper.

The German regulator recently has begun to take action that may remedy the situation. A favorable regulatory decision, published on March 10, set forth a definition of operators that qualify for interconnection. The definition is comparable with practices in other competitive markets, resolving one of the most troublesome conditions for which DT had sought regulatory agreement. Other DT-proposed interconnection conditions, regarding facilities requirements and surcharges that DT wishes to impose on new entrants, await regulatory review in the coming months.

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beijing, china

For Immediate Release Contact: Jay Ziegler

March 30, 1999 (202-395-3230)

**STATEMENT OF AMBASSADOR CHARLENE BARSHEFSKY CONCERNING THE
STATUS OF NEGOTIATIONS ON CHINA'S WTO ACCESSION**

I first want to acknowledge the extraordinary dedication and perseverance of our negotiating teams led by Assistant United States Trade Representative Robert Cassidy and Vice Minister of Trade Long Yongru. When I was here last, I left my team to continue its work. They have since participated in multilateral talks in Geneva and returned to Beijing about a week ago.

As you know, a few weeks ago I indicated that I would return to Beijing if my involvement in negotiations here would facilitate progress. It was on that basis at the request of the Chinese Government that I flew to Beijing yesterday, and I have just concluded constructive meetings with State Council member Wu Yi and Premier Zhu Ronji on the issue of China's WTO accession.

I am pleased to report that we have made some important progress today in narrowing the issues before us. Substantial gaps remain, however, in critical areas of trade, and there are complex issues in front of us. As a result of our discussions today, China and the United States have agreed to further discussions. These discussions will occur at the expert level, led by Robert Cassidy on our side, and Vice Minister Long for the Chinese. The United States will set no artificial deadlines in these negotiations; progress will only be driven by substance.

Our commitment to these negotiations and the tireless work of our team demonstrate that the United States supports China's membership in the WTO. But China's accession must be on the basis of a broad, commercially-meaningful package that opens China's markets to our goods, services and agricultural providers. This requires enforceable market-access commitments, transparency, non-discriminatory regulatory systems, and effective national treatment at the border and within China's economy. Of course, this also requires addressing our bilateral trade concerns. And finally, it will also require agreement on all WTO rules.

I want to applaud the seriousness of purpose with which the Government of China has approached these negotiations: China has evidenced substantial understanding of the level of reforms necessary for it to join the WTO. We believe that the reforms that we are outlining in these negotiations will complement China's domestic economic reforms and promote more substantial growth in the future. For the rest of the world, these negotiations are important in bringing China into the international trading community with all of the responsibilities which that membership conveys.

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