EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

OFFICE OF PUBLIC & MEDIA AFFAIRS
600 17th Street, N.W.
Washington, D.C. 20508
Phone: 202.395.3230/ Fax: 202.395.7226

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For Immediate Release Contact: Helaine Klasky

July 1, 1999 Amy Stilwell

(202) 395-3230

U.S. AND JAPAN REACH NEW AGREEMENT ON NTT PROCUREMENT

Today, United States Trade Representative Charlene Barshefsky announced conclusion of a new telecommunications procurement agreement covering procurement by the successor companies of the Nippon Telegraph and Telephone Corporation (NTT). The agreement replaces the 1997 agreement -- which expired today upon the restructuring of the NTT -- and will remain in effect for two years.

Ambassador Barshefsky applauded the new agreement, saying: "I am pleased that we have reached agreement that meets all of the U.S. negotiating objectives: coverage of the NTT successor companies; continued government oversight; data collection to monitor progress; and adherence to open, transparent, and non-discriminatory procurement procedures by the NTT successor companies." Ambassador Barshefsky emphasized the importance of annual government consultations, stating: "Regular review by the Governments provides us with a mechanism to ensure that opportunities for foreign suppliers to sell to NTT are maintained and enhanced after its restructuring."

Under the accord, both Governments will meet annually to review the operation of the new procurement procedures, as well as foreign companies' access to these procurement opportunities. This will include a review of procurement data, through which the Governments will evaluate foreign companies' progress in accessing the NTT market.

After restructuring, the four NTT successor companies -- a holding company, two regional companies and a long-distance/international company -- will continue to apply procurement procedures that provide transparent, non-discriminatory and competitive opportunities for both foreign and domestic suppliers with respect to all stages of the procurement process.

The new framework reflects the changes brought about by NTT restructuring, including the different legal status of the long distance/international company. In addition, it takes into account the new business environment in which suppliers, both domestic and foreign, and the NTT successor companies are now operating.

Prior to restructuring, NTT procured over $10 billion worth of telecommunications equipment annually. Foreign companies sold over $1.5 billion in products and services to NTT in 1997, the latest year for which data are available. "The NTT successor companies are expected to significantly upgrade their networks to keep pace with dynamic changes in communications worldwide," stated Ambassador Barshefsky. "U.S. companies, world leaders in the new technologies in demand worldwide, are well positioned to increase their sales to the NTT successor companies."

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For Immediate Release Contact: Helaine Klasky

Thursday, July 1, 1999 Amy Stilwell

(202) 395-3230

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

United States Trade Representative Charlene Barshefsky and Egyptian Minister of Economy Youssef Boutros Ghali signed a Trade and Investment Framework Agreement (TIFA) today in Washington, D.C. Ambassador Barshefsky, who directed the negotiations, said:

"The TIFA clearly demonstrates the importance both the U.S. and Egypt attach to our bilateral economic relationship. Our trade relationship reached nearly $4 billion in two-way trade last year, and the recent exchanges we have had on issues from telecommunications and electronic commerce to plant safety and energy-efficient construction show that this relationship has remarkable growth potential."

"President Mubarak's vision of Egypt as a leader in the world economy and an anchor for peace in the region is one we share and will continue to pursue together with President Mubarak and his government," continued Ambassador Barshefsky. "The TIFA with Egypt marks the first step toward creating freer trade between our countries. It establishes an important legal and institutional foundation for broadening and deepening our relationship, thus creating stronger economic ties that bolster our joint efforts at furthering peace."

The TIFA opens a permanent dialogue on the basic issues of trade in the modern world, including agricultural and industrial standards; intellectual property rights; customs procedures; regulation of service industries; investment; market access; trade-related aspects of labor and environmental policy; and private sector dialogue.

The Agreement, which is effective today, establishes a Council on Trade and Investment composed of representatives of both governments, and chaired by USTR and Egypt's Ministry of Trade and Supply. The Council will meet regularly to discuss specific trade and investment matters, providing a valuable mechanism for promptly addressing these and other issues that may arise between the U.S. and Egypt. The TIFA Council's work will contribute to Egypt's competitiveness at home and abroad.

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For Immediate Release Contact: Helaine Klasky

July 2, 1999 Amy Stilwell

Revised Version (202) 395-3230

EMBARGOED UNTIL 9:30 a.m. (EST)

UNITED STATES WELCOMES PROGRESS IN GLOBAL STANDARDIZATION OF NEW WIRELESS TELECOMMUNICATIONS TECHNOLOGY

The United States Government today called upon the European Union to join it in welcoming a proposal, developed by telecommunications service and equipment suppliers from thirteen countries, that would promote global harmonization of the wireless communications technologies of the next century. The International Telecommunication Union (ITU), at a meeting of experts in Beijing, China that concluded on June 11, 1999, endorsed a proposal from the Operators Harmonization Group (OHG). The United States expects that regional standards organizations in North America, Europe, Japan and elsewhere will complete standards-setting activities within 1999, based on the desire of many countries to begin deploying these services as soon as possible. The United States Government called attention to this significant multilateral achievement in a letter to the European Commission signed by United States Trade Representative Charlene Barshefsky and Department of Commerce Secretary William Daley.

"We believe the OHG framework is a market-driven solution that would maximize the potential growth of an exciting new array of mobile multimedia services delivered over high bandwidth radio-communications networks," said Commerce Secretary William Daley. "The broad multilateral support for this proposal speaks well of its potential for combining the explosive growth already underway in the data and wireless telecommunications fields."

"The trade and growth opportunities created by the OHG framework are enormous and reflect a shared commitment by regulators and industry to the multilateral process of the ITU," stated Ambassador Barshefsky. "We now need to ensure that EU Member States actually license and assign radio spectrum on the basis of all standards approved by the ITU, and honor their WTO commitments with respect to technology-neutral licensing, unlimited market access and unlimited national treatment for U.S. suppliers of wireless telecommunications services and equipment."

The OHG framework provides for technical "hooks" and "extensions," to be designed into software and hardware elements of the proposed standards in four stages, that will maximize inter-operability between existing and next generation digital wireless communications networks. It aims to reduce the costs of upgrading and building new networks; to expand the ability of consumers to use third generation (3G) equipment on the networks of different suppliers and in different countries; and, to promote global competition in the supply of wireless telecommunications equipment and services.

"We are pleased with the ongoing industry-led efforts, within the ITU and in regional standards organizations, to achieve a global consensus that would harmonize third generation wireless telecommunications standards to the fullest extent possible," said Federal Communications Commission Chairman William Kennard. "I urge the authors of the OHG framework, who represent major service and equipment suppliers in North America, Europe and the Asia-Pacific region, to embrace fully the challenge issued by ITU experts in Beijing to work cooperatively through their respective regional standards organizations and to complete standards development work based on the schedule set out by the ITU."

Regional standards organizations must move quickly to finalize the details of the OHG framework in time for it to be available when regulators in Europe, Japan and elsewhere make expected early 3G licensing decisions. European Union Member States, under an EU decision, must begin licensing by January 1, 2002. However, U.S. government and industry are concerned that one key European standards body, the European Telecommunications Standards Institute (ETSI), may not complete standardization of the OHG framework in time to meet the ITU schedule and EU member state licensing deadlines. Moreover, there is concern that some EU Member State telecommunications regulators may issue licensing rules that foster relatively greater regulatory certainty for the single 3G standard currently approved by ETSI.

Operators of digital wireless telecommunications systems in the United States, under FCC rules, may upgrade their existing systems to the 3G technology of their choice at any time, based solely on commercial considerations.

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For Immediate Release Contact: Helaine Klasky

July 2, 1999 Amy Stilwell

(202) 395-3230

President Clinton Signs Tariff Elimination Package

United States Trade Representative Charlene Barshefsky today announced that effective July 1, 1999, the United States joined 21 other major trading nations in eliminating tariffs on 642 pharmaceutical items, including products for the treatment of breast cancer, AIDs, diabetes, asthma, and Parkinson's disease.

"The industries affected by this initiative employ over 400,000 American workers, stated Ambassador Barshefsky. "The elimination of tariffs on these products will further expand U.S. overseas market access opportunities in Europe and Asia, and will help to reduce costs and improve productivity in this leading high-technology industry. Consumers in the United States and around the world will benefit from lower pharmaceutical prices and, potentially, wider product choices."

The 21 other participants in the initiative, which includes both finished pharmaceutical products and related chemical intermediates, are the 15 member states of the European Union, the Czech Republic, Japan, Norway, the Slovak Republic and Switzerland. The United States is a leading manufacturer and exporter of pharmaceuticals and chemical intermediaries used in pharmaceutical production. The elimination of tariff barriers is essential to U.S. efforts to expand market access for the U.S. pharmaceuticals industry and to increase the availability of pharmaceutical products throughout the world.

The new tariff cuts build on an agreement concluded during the Uruguay Round of multilateral trade negotiations in which the participants committed to eliminate tariffs on an initial package of over 6,000 pharmaceuticals and chemical intermediates. In an April 1997 agreement, participants eliminated tariffs on 496 additional items.

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The list of products may be found at http://www.usitc.gov/332s/332index.shtml#SECTION. The President's Proclamation is available at http://library.whitehouse.gov/PressReleases.cgi?date=1&briefing=21.

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For Immediate Release Contact: Helaine Klasky

July 12, 1999 Amy Stilwell

(202) 395-3230

WTO FINDS U.S. TRADE DAMAGED BY EU BEEF IMPORT BAN

WTO arbitrators found today that the European Union's ban on U.S. beef and beef products has resulted in lost annual U.S. exports of beef to the EU in the amount of 116.8 million. The EU's ban, which covers beef and beef products from animals treated with growth hormones, was previously found to be unjustified under WTO rules. Decades of scientific research -- by both U.S. food safety regulators and international bodies such as the World Health Organization -- have proven the safety of the growth hormones used in U.S. beef production.

"The arbitrator's decision today confirms that under WTO rules, the EU must pay a price for failing to comply with its WTO obligations," said United States Trade Representative Charlene Barshefsky. "The EU's WTO-inconsistent ban on U.S. beef is harming U.S. farmers and processors, and is denying EU consumers access to the world's highest quality beef. The EU must understand that as a result of its failure to comply with its WTO obligations, the United States will act firmly and swiftly under its WTO rights to sharply raise tariffs on imports from the EU in an amount equivalent to the trade damage. Despite taking this action, the United States remains willing -- as it always has been -- to negotiate a resolution of the issue with the EU."

Ambassador Barshefsky further stated that "This is the second time in the last few months that we have had to exercise our WTO rights to raise tariffs on EU goods. First in the bananas case, and now in the beef hormones case, the EU has refused to comply with its WTO obligations, even after WTO dispute settlement resulted in formal findings that EU actions were WTO-inconsistent. I would urge the EU to reconsider its damaging actions and to demonstrate a real commitment to the rules-based multilateral trading system."

Pursuant to the arbitrators' decision, the United States will exercise its WTO rights by imposing 100 percent tariffs on a list of EU products with an annual trade value of 116.8 million. The list of products and other details regarding the tariff increases will be announced in the near future.

Background

This trade dispute over the EU's beef policies dates back to the 1980s. 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. The EU adopted this policy even though 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.

That EU's 1985 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 reenforce 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 WTO's Dispute Settlement Body ("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. On 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. An Arbitrator determined that the reasonable period of time for implementation was fifteen months, and would expire on May 13, 1999.

The EU took no actions to implement the DSB recommendations and rulings by the May 13, 1999 deadline. Accordingly, on May 17, 1999, the United States exercised its WTO rights by requesting authorization to suspend tariff concessions on EU goods with an annual trade value equivalent to annual lost exports of U.S. beef, estimated by the United States as equal to $202 million. The EU requested arbitration over the amount of lost U.S. beef exports, arguing that the arbitrators should accept the EU's estimate of $53 million.

The arbitrators issued their report within the time provided under WTO rules, which is 60 days after the May 13, 1999 end of the implementation period.

In addition to determining the level of annual lost U.S. exports of beef to the EU, the arbitrators addressed a procedural claim made by the EU. The EU had argued that the arbitration procedure should include an additional, second stage, in which the arbitrator would evaluate the U.S. list of products subject to higher tariffs. The United States pointed out that such a procedure would be inconsistent with WTO rules and would improperly delay the completion of the arbitration. The arbitrators rejected the EU's procedural argument.

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For Immediate Release Contact: Helaine Klasky

July 16, 1999 Amy Stilwell

(202) 395-3230

Ambassador Barshefsky Applauds Action on African Growth and Opportunity Act

"In passing the African Growth and Opportunity Act, the House of Representatives takes a vital step toward promoting further economic growth and reform in Africa" stated United States Trade Representative Charlene Barshefsky. "I am gratified by the significant support for this bill which would increase America's engagement and exports with Africa, while providing trade incentives and policy tools to help African families move from poverty to prosperity. It is the best opportunity in decades to create the right relationship with the Africa of the future."

The African Growth and Opportunity Act offers reforming African economies a set of incentives and benefits that will help them grow and enter the world economy. Such benefits include: expanded duty-free trade benefits; market access for textiles; support for African regional integration efforts; increased commitment by the Ex-Im Bank and Overseas Private Investment Corporation to U.S. investors in Africa; significant debt relief; and enhanced trade and investment dialogue.

"I applaud the leadership and sustained efforts of Congressmen Rangel, Crane and McDermott in achieving House passage of AGOA," continued Ambassador Barshefsky. "This bill is rooted in optimism about Africa and responds to President Clinton's firm commitment to making stronger economic ties with Sub-Saharan Africa a clear priority of our economic and foreign policy."

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For Immediate Release Contact: Helaine Klasky

July 19, 1999 Amy Stilwell

(202) 395-3230

USTR ANNOUNCES FINAL PRODUCT LIST IN BEEF HORMONES DISPUTE

The United States Trade Representative (USTR) today announced the final list of products from the European Union (EU) on which the United States will impose 100 percent *ad valorem* duties in response to the EU's failure to comply with a World Trade Organization (WTO) finding that the EU's import ban on beef produced with growth hormones is inconsistent with WTO rules. On Monday, July 12, WTO arbitrators determined that the EU beef ban results in a significant loss to U.S. beef exports, and that the United States is entitled to suspend tariff concessions covering EU trade in an amount of $116.8 million per year.

A notice announcing the imposition of the 100 percent duties on the products listed below will be published in the *Federal Register*. The imposition of such duties will be effective with respect to goods entered, or withdrawn from warehouse, on or after July 29, 1999.

<u>LIST OF PRODUCTS</u>

The imposition of 100% duties will apply to products that are both: (1) classified in the subheadings of the Harmonized Tariff Schedule of the United States (HTS) listed below; and (2) the product of the specific EU member States indicated below. 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 are subject to increased duties. The product descriptions in the table below are provided for the convenience of the reader and are not intended to delimit in any way the scope of the products, which is to be determined by the HTS number.

Products of Austria, Belgium, Denmark, Finland, France, the Federal Republic of Germany, Greece, Ireland,

Italy, Luxembourg, the Netherlands, Portugal, Spain, or Sweden:

HTS	Description
0201	MEAT OF BOVINE ANIMALS, FRESH OR CHILLED
0202	MEAT OF BOVINE ANIMALS, FROZEN
02031100	Meat of swine (pork), fresh or chilled, carcasses and half-carcasses
02031210	Meat of swine (pork), fresh or chilled, hams and shoulders and cuts thereof, bone in, processed
02031290	Meat of swine (pork), fresh or chilled, hams and shoulders and cuts thereof, bone in, other
02031920	Meat of swine (pork), fresh or chilled, other, processed
02031940	Meat of swine (pork), fresh or chilled, other
02032100	Meat of swine (pork), frozen, carcasses and half-carcasses
02032210	Meat of swine (pork), frozen, hams and shoulders and cuts thereof, bone in, processed
02032290	Meat of swine (pork), frozen, hams and shoulders and cuts thereof, bone in, other
02061000	Edible offal of bovine animals, fresh or chilled
02062100	Edible offal of bovine animals, frozen, tongues
02062200	Edible offal of bovine animals, frozen, livers
02062900	Edible offal of bovine animals, frozen, other
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
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
16022020	Prepared or preserved liver of goose
16022040	Prepared or preserved liver of any animal other than of goose
19054000	Rusks, toasted bread and similar toasted products
20098060	Juice of any other single fruit, (including cherries and berries), concentrated or not concentrated
21013000	Roasted chicory and other roasted coffee substitutes and extracts, essences and concentrates thereof
21033040	Prepared mustard

Products of France, the Federal Republic of Germany, or Italy:

20021000	Tomatoes, whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid

Products of France or the Federal Republic of Germany:

05040000	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof
21041000	Soups and broths and preparations therefor
55101100	Yarn (other than sewing thread) containing 85% or more by weight of artificial staple fibers, singles, not put up for retail sale

Products of France:

15059000	Fatty substances derived from wool grease (including lanolin)
18063100	Chocolate and other cocoa preparations, in blocks, slabs or bars, filled, not in bulk
20079905	Lingonberry and raspberry jams
02101100	Hams, shoulders and cuts thereof with bone in, salted, in brine, dried or smoked
35061050	Products suitable for use as glues or adhesives, nesoi, not exceeding 1 kg, put up for retail sale

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For Immediate Release Contact: Helaine Klasky

July 22, 1999 Amy Stilwell

(202) 395-3230

Ambassador Barshefsky Applauds Selection of Director General of the WTO

United States Trade Representative Charlene Barshefsky welcomed today's consensus decision by the World Trade Organization to appoint the Right Hon.Mike Moore of New Zealand and Dr. Supachai Panitchpakdi of Thailand to consecutive three-year terms as Director General of the WTO.

"I am pleased that the question of leadership for the WTO has been successfully resolved," stated Ambassador Barshefsky. "The decision in Geneva to appoint the Right Hon. Mike Moore and Dr. Supachai Panitchpakdi is excellent and will enable each of these highly qualified gentlemen to take an active role in the further advancement of global trade liberalization."

The Right Hon. Mike Moore will serve as Director General of the WTO from 1 September 1999 to 31 August 2002. Dr. Supachai Panitchpakdi will serve from 1 September 2002 to 31 August 2005. Mr. Moore succeeds Renato Ruggiero in this key post.

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For Immediate Release Contact: Helaine Klasky

July 23, 1999 Amy Stilwell

(202) 395-3230

USTR Convenes Official Advisory Committee of State and Local Officials

The Office of the United States Trade Representative convened a meeting of the Intergovernmental Policy Advisory Committee on Trade (IGPAC) on Tuesday, July 20 in Washington, D.C. The IGPAC, established pursuant to the Trade Act of 1974 as amended, is part of USTR's official advisory committee system and is the only trade advisory committee comprised solely of state and local government officials. The committee provides advice to USTR and the Administration on trade policy matters and their impact upon states and localities. Members are appointed on a bipartisan basis.

"The IGPAC is important to the work of USTR," stated United States Trade Representative Charlene Barshefsky. "State and local officials understand the importance of trade to their constituents in the form of creating better-paying jobs, economic growth, and higher standards of living at home. I value the IGPAC members' advice on trade matters, and I am pleased by the strong participation in our recent meeting."

The meeting, which was also attended by Secretary of Commerce William Daley, Secretary of Agriculture Daniel Glickman, and Assistant to the President and Counselor to the Chief of Staff Karen Tramontano, focused on the upcoming World Trade Organization (WTO) Ministerial and the next Round of WTO trade negotiations. Ambassador Barshefsky will chair the 1999 Ministerial which will be held in Seattle, Washington from November 30 - December 3, 1999.

On a related note, Ambassador Barshefsky applauded the recent resolution by the United States Conference of Mayors (USCM) endorsing the WTO Ministerial in Seattle and the next WTO Round, which was adopted at the USCM annual meeting in June. "We welcome the Mayors' support and will continue to seek their advice as we strive to further advance global market opening."

The following IGPAC members attended Tuesday's meeting: Mayor Dennis W. Archer, Detroit, MI; Mayor Bill Campbell, Atlanta, GA; Mayor Lee Clancey, Cedar Rapids, IA; Mayor Deedee Corradini, Salt Lake City, UT; Majority Leader John Dorso, North Dakota House of Representatives; Chairman Lewis M. Eisenberg, Port Authority of New York and New Jersey; Attorney General Heidi Heitkamp, North Dakota; Delegate Kenneth C. Montague, Jr., Maryland House of Delegates; Mayor Meyera E. Oberndorf, Virginia Beach, VA; Commissioner George M. Reider, State of Connecticut Insurance Department; Governor Pedro Rosselló, Puerto Rico; King County Executive Ron Sims, King County, WA; Governor Don Sundquist, Tennessee. Official IGPAC staff from the National Governors' Association (NGA) and the National Conference of State Legislatures (NCSL) were also present.

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For Immediate Release Contact: Helaine Klasky

July 25, 1999 Amy Stilwell

(202) 395-3230

U.S. And Vietnam Arrive at an Agreement in Principle

U.S. Trade Representative Charlene Barshefsky today announced that negotiators for the United States and Vietnam have arrived at an agreement in principle on the terms of a bilateral trade agreement.

"This agreement in principle, reached between Deputy USTR Richard Fisher and Vietnam's Deputy Prime Minister Nguyen Than Dung and Trade Minister Truong Dinh Tuyen, is an important step forward, addressing a number of concerns across the range of trade issues," said Ambassador Barshefsky. "We will now consult with Congress and others, and work toward completion of a formal Bilateral Commercial Agreement and a mutual grant of Normal Trade Relations."

American negotiators have been working toward such an agreement with Vietnam for over three years. Today's understanding marks Vietnam's agreement in principle to address import quotas, import bans, and high tariffs as well restrictions on financial services, telecommunications, distribution, and other matters relevant to access to the Vietnamese markets of U.S. goods, services, agriculture, and intellectual property rights. Vietnam also agreed to a series of measures to ensure transparency in rules and regulations effecting trade.

"In this understanding, we have taken a major step forward," said Ambassador Barshefsky. "We will be working with the Vietnamese to complete this effort."

Once an agreement is finalized, it will be formally submitted to Congress. Congress would have to approve the agreement by Joint Resolution, after which the President would then be able to make effective Normal Trade Relations with Vietnam. This would be subject to annual renewal under the Jackson-Vanik Amendment.

Coupled with approval of Normal Trade Relations for Laos, this would mark full U.S. economic re-engagement with Indochina, as the U.S. has already reached commercial agreements with Cambodia and Laos, and granted Cambodia NTR.

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Contact: Helaine Klasky

For Immediate Release Amy Stilwell

July 26, 1999 (202) 395-3230

CLINTON ADMINISTRATION REACTS TO PANEL DECISION IN FSC DISPUTE

In response to press reports regarding the dispute in the World Trade Organization involving the Foreign Sales Corporation ("FSC") provisions of U.S. tax law, the Office of the United States Trade Representative confirmed that the WTO panel has ruled against the United States.

The confidential draft dispute settlement report addresses an EC complaint against the FSC provisions, which allow a portion of the foreign-source income earned by FSCs (which are foreign corporations), to be exempt from U.S. income tax. The EC contends that the FSC provisions violate U.S. obligations under the WTO Subsidies and Agriculture agreements.

"The panel appears to have systematically disregarded the history of this issue, the applicable WTO legal rules concerning income tax measures, and the facts of record before it," said Ambassador Barshefsky.

The WTO panel ruled that the FSC tax exemption constitutes a prohibited export subsidy under Article 3.1(a) of the WTO Agreement on Subsidies and Countervailing Measures. The panel also ruled that the

FSC tax exemption constitutes an export subsidy for purposes of the WTO Agreement on Agriculture, and violates provisions of that agreement.

The Administration is in the process of reviewing this highly technical report, and is considering next steps.

Background

The FSC was introduced in the early 1980s after its predecessor provisions, the Domestic International Sales Corporation (DISC) rules, were found to be a prohibited export subsidy under General Agreement on Tariffs and Trade (GATT) subsidy rules. In adopting the ruling against the DISC and certain European tax provisions, the GATT Council expressed an understanding (now also reflected in the WTO Subsidies Agreement) encompassing the following principles:

- economic processes (including transactions involving exported goods) located outside the territorial limits of the exporting country need not be subject to taxation;
- such processes should not be regarded as export activities in terms of GATT Article XVI:4 (which essentially prohibits export subsidies on sales of industrial goods);
- arm's length pricing should be observed for tax purposes in transactions between exporting enterprises and related foreign buyers; and
- Article XVI:4 does not prohibit the adoption of measures to avoid double taxation of foreign source income.

The FSC rules permit a portion of income generated outside the territorial limits of the United States to be exempt from U.S. income tax. To qualify for these exemptions, the FSC must have a foreign presence, meet certain management requirements and meet certain economic process requirements addressing both the extent and nature of the sales activities undertaken abroad as well as requiring that a minimum level of direct costs be incurred abroad with respect to certain sales activities (*e.g.*, advertising, order processing, etc.). If export property is sold to a FSC by a related person (or a commission is paid by a related person to a FSC with respect to export property), the taxable income of the FSC and related person is based on transfer pricing rules designed to conform to the arm's length pricing standard in the Subsidies Agreement. (Another qualification limits the tax exemption to a portion of export income resulting from the sale of products of which at least 50 percent of the "fair market value" is attributable to domestic content.)

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For Immediate Release Contact: Helaine Klasky

Tuesday, July 27, 1999 Amy Stilwell

(202) 395-3230

U.S. and Taiwan Reach Agreement on Pesticide Standards

United States Trade Representative Charlene Barshefsky announced today that the United States and Taiwan have reached agreement on a system that will allow the continued flow of U.S. fresh fruits and vegetables to Taiwan. Adoption of new inspection standards by Taiwan had threatened to disrupt trade in these U.S. export products. The agreement provides U.S. producers with a 12-month transition period to meet new Taiwan pesticide residue standards.

"I'm very pleased that U.S. exports of fresh fruits and vegetables will not be disrupted as Taiwan moves to implement new pesticide residue standards," Ambassador Barshefsky said. "We have been able to reach agreement on a system that recognizes Taiwan's legitimate interests in ensuring safety of its food imports while permitting U.S. producers, particularly on the West Coast, to continue supplying Taiwan's market."

The new Taiwan system, which provides for inspection of all imports of fruit and vegetables, sets out maximum residue limits (MRLs) for pesticides used on these products. During the next twelve months, fruit and vegetable imports from the United States will continue, provided they meet U.S. or international (CODEX) MRLs. Beginning on July 16, 2000, Taiwan will apply its own domestically developed permanent MRLs which will be based on scientific evidence, unless applications from foreign companies are on file as of that date. U.S. companies are thus urged to begin applying for pesticide tolerances at soon as possible.

Taiwan is currently the fourth largest market for U.S. fresh fruits and vegetables.

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For Immediate Release Contact: Helaine Klasky

Wednesday, July 28, 1999 Amy Stilwell

(202) 395-3230

The United States Applauds Progress at the First Trade and Investment Framework Agreement Council Meeting with South Africa

Today United States Trade Representative Ambassador Charlene Barshefsky and South Africa Minister of Trade and Industry Alec Erwin co-chaired, by video-conference, the first US-South Africa Trade and Investment Framework Agreement (TIFA) Council meeting.

Ambassador Barshefsky stated, "Today's meeting, our first trade discussion with the new government of South Africa under the TIFA, was very productive. I am particularly pleased with the progress made on our nations' cooperative work in the WTO, pending intellectual property issues and our on-going efforts to enhance trade and investment linkages. The United States and South Africa share many common goals. I look forward to continued progress on our bilateral trade agenda."

The US and South Africa identified a number of areas of possible cooperation in the World Trade Organization (WTO) Ministerial and the new negotiating round, including agriculture, services, e-commerce and institutional reform. The U.S. will host the next WTO Ministerial in Seattle in November. The US intends to work closely with South Africa and other African nations to ensure that the new WTO round benefits all WTO members.

Ambassador Barshefsky and Minister Erwin had a friendly and constructive dialogue on a range of intellectual property protection topics including several related to pharmaceuticals. Ambassador Barshefsky underscored the U.S.'s strong support and appreciation of South Africa's efforts to provide affordable healthcare for its people. She emphasized that there should be no conflict between intellectual property protection, sound public health and access to affordable drugs.

U.S. and South African officials also discussed mechanisms to enhance US-South Africa trade -- which totaled approximately $7 billion in 1998. The agenda also included investment issues. The US is the largest source of foreign direct investment in post-apartheid South Africa.

The US-South Africa Trade and Investment Council was created in the bilateral Trade and Investment Framework Agreement, concluded in February 1999.

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For Immediate Release Contact: Helaine Klasky

Thursday July 29, 1999 Amy Stilwell

(202) 395-3230

OUT-OF-CYCLE REVIEW HIGHLIGHTS PROGRESS ON CURRENT TELECOMMUNICATIONS ARRANGEMENTS IN MEXICO

AND CONCERN REGARDING END-OF-YEAR POLICY DECISIONS

The Office of the United States Trade Representative today announced the extension of an out-of-cycle review of Mexico's compliance with telecommunications trade agreements under Section 1377 of the Omnibus Trade and Competitiveness Act of 1988. The review, initiated on March 30, 1999, found that Mexico is undertaking a consultative policy review in which U.S.-affiliated carriers have been able to participate, and which provides a credible basis for expecting improved implementation of WTO commitments upon conclusion of the review later this year.

"U.S.-affiliated carriers in Mexico have reported that they are meeting regularly in Canieti (the National Chamber for Telecommunications, Electronics and Informatics Industries) with Mexican government officials on key regulatory issues, including liberalized international service arrangements, competition-neutral universal service policies, and implementation of dominant carrier regulation vis-a-vis Telmex," stated Ambassador Barshefsky. "As a result, I expect that the Mexican regulator will promulgate recommendations late this year which will remove doubts about Mexico's implementation of its commitments under the WTO agreement. USTR will extend its out-of-cycle examination until these recommendations are known, and thereafter 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."

AT&T and Telmex, the dominant Mexican carrier, announced agreement on June 21, 1999 regarding a new international accounting rate for the U.S.-Mexico route. The agreement cut the rate to 19 cents per minute, from its previous level of 39.5 cents per minute.

"We understand that private sector negotiators recently concluded an agreement that, when implemented, should reduce retail prices for telephone calls between the United States and Mexico," continued Ambassador Barshefsky. "Nevertheless, in keeping with its WTO commitments, Mexico must respond positively to the request from all its new entrant carriers, and all concerned U.S. carriers, that the bilateral route be opened to full competition, or International Simple Resale (ISR). On other routes where ISR has been implemented, retail prices have reached 10 cents per minute and lower. Telecommunications customers and suppliers at both ends of the U.S.-Mexico route, the world's second busiest, would benefit greatly from the lower prices and increased traffic that ISR would bring."

Background

In March 1999, USTR announced an out-of-cycle Section 1377 review of Mexico, based on the mid-year status, and year-end outcome, of an eleven month policy review by the regulator. USTR specified it would conclude an interim review by July 30, 1999, to consider possible initiation of WTO dispute settlement proceedings, if the progress of the Mexican policy review was dissatisfactory at the mid-year point. The Mexican regulator is meeting regularly with U.S.-affiliated and all other Mexican carriers on international service and domestic regulatory issues being studied in its 1999 policy review, which is expected to conclude before the end of the year.

AT&T and Telmex on June 21, 1999 finalized an agreement to bring accounting rates down to 19 cents/minute immediately, from 39.5 cents/minute (which was the last agreed level in the contract which expired on December 31, 1997). Other U.S. carriers also will benefit from the 19 cents/minute rate. The accounting rate is the factor that determines settlement payments from U.S. carriers to Telmex and other Mexican carriers, for completing more calls from the United States than are originated from Mexico. These payments currently total approximately $800 million annually.

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.

Interconnection and dominant carrier regulations in Mexico have yet to produce lower net domestic interconnection costs for new entrants. Nor has the regulator created 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.

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For Immediate Release Contact: Helaine Klasky

July 29, 1999 Amy Stilwell

(202) 395-3230

USTR Requests Consultations with Canada on Sport Fishing

United States Trade Representative Charlene Barshefsky today requested consultations with Canada, pursuant to Chapter 20, Article 2006, of the North American Free Trade Agreement (NAFTA), on certain measures and practices by Ontario and Canada affecting sports fishing and tourism services.

In requesting consultations, Ambassador Barshefsky said "We are concerned by Canada's failure to end discriminatory practices that have a severe negative economic impact on Minnesota's sport fishing and tourism industries. It is my hope, however, that we can achieve a negotiated settlement of this dispute."

Since 1994, the Province of Ontario, Canada, has sought to induce U.S. recreational fishermen to use Ontario resort facilities and services (lodging, fishing guides, boats, etc.) by limiting the amount of certain fish they can catch and keep unless they lodge on the Ontario side of certain lakes that straddle the U.S.-Canadian border. Canada's restrictions, which now apply to150 miles of the border, unfairly discriminate against U.S. resorts, fishing guides, and other businesses tied to sport fishing. These consultations are the next step in the section 301 investigation that USTR initiated on April 29, 1999, pursuant to a petition filed by the Border Waters Coalition.

Minnesota has already indicated to Ontario its willingness to work cooperatively to manage the shared resources of these lakes and rivers. We do not believe these Ontario measures are necessary for that purpose, because the measures simply redirect capital towards Ontario resorts and away from Minnesota resorts. The main issue is the differential and discriminatory treatment based on whether U.S. anglers stay over night in Ontario or otherwise use or purchase Ontario services or goods.

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For Immediate Release Contact: Helaine Klasky

August 11, 1999 Amy Stilwell

(202) 395-3230

OUT-OF-CYCLE REVIEW HIGHLIGHTS PROGRESS ON CURRENT TELECOMMUNICATIONS INTERCONNECTION ARRANGEMENTS IN GERMANY

AND CONCERN REGARDING ARRANGEMENTS IN 2000

United States Trade Representative Charlene Barshefsky today announced the extension of an out-of-cycle review of Germany's compliance with telecommunications trade agreements under section 1377 of the Omnibus Trade and Competitiveness Act of 1988. The review, initiated on March 30, 1999, found that recent German regulatory decisions did not reflect restrictive and potentially WTO-inconsistent proposals made by the dominant German telecommunications carrier. However, the review also concluded that the favorable effects of those decisions could be short-lived in preventing anti-competitive behavior by Deutsche Telekom, the former monopoly, as new interconnection arrangements applicable from January 1, 2000 are yet to be finalized. Germany committed to prevent such anti-competitive behavior as part of the WTO Basic Telecom Agreement.

"We welcome recent decisions by the German telecommunications regulator to reject most of the unreasonable rates, terms and conditions that Deutsche Telekom has sought to impose immediately on new entrants to the telecommunications market," said Ambassador Barshefsky. "Further action by the regulator is essential to secure market access for U.S. industry in the newly-liberalized German telecommunications services market."

Deutsche Telekom, on December 31, 1998, gave a twelve month advance notice of termination of all interconnection agreements with its competitors. German telecommunications regulatory officials have indicated their intention to announce in the early fall of 1999 a new interconnection policy, to take effect on January 1, 2000 or shortly thereafter. At the same time, Deutsche Telekom reportedly is negotiating potentially precedent-setting interconnection contracts with one or more competitors. However, in public comments filed with USTR regarding the out-of-cycle review, U.S. carriers expressed strong concern about the possible outcomes of both processes. Moreover, they expressed concern that Deutsche Telekom would be allowed to continue delaying the supply of interconnection facilities to its competitors and that it would not be compelled to inform its competitors of when and where such interconnection facilities would be most promptly available.

"German regulatory authorities must take concrete steps to ensure that Deutsche Telekom provides timely interconnection at fair rates, terms and conditions for prospective entrants," said Ambassador Barshefsky. "We will monitor upcoming decisions on interconnection arrangements for 2000 and beyond to determine whether Germany has met its WTO obligations, and we are prepared to take WTO action thereafter if the outcome is not consistent with those obligations."

Background

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 consistent with its WTO commitments. A pair of favorable regulatory decisions, issued in May, declined to allow excessive requirements that Deutsche Telekom sought to impose regarding the scale of competitors' facilities, minimum/maximum traffic requirements, or surcharges for "atypical traffic". "Atypical traffic" is the change in traffic patterns caused by new entrants moving traffic between their own networks and the DT network to obtain the lowest cost in completing customer calls. The regulator indicated it will reconsider the surcharge proposal if Deutsche Telekom can provide better empirical cost justification. However, competitors to Deutsche Telekom would remain unable directly to rebut the claimed cost justification, due to a continuing blanket claim of business confidentiality by Deutsche Telekom.

For this reason and due to continuing uncertainty regarding interconnection arrangements for 2000 and beyond, U.S. competitors to Deutsche Telekom requested, in comments received by USTR, that the out-of-cycle Section 1377 review be continued, with a view to assuring that upcoming decisions by the German regulator receive prompt scrutiny for consistency with Germany's WTO commitments. The commenters also indicated that, even after interconnection agreements are reached, Deutsche Telekom has been slow in providing necessary facilities and unwilling to share advance information about what interconnection facilities will be available and when.

In consultations with the German regulator held in June, an inter-agency U.S. government team conveyed the U.S. carriers' concerns, and called upon the regulator to compel Deutsche Telekom to provide advance information on availability of interconnection facilities, as is done in the United States.

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For Immediate Release Contact: Helaine Klasky

August 23, 1999 Amy Stilwell

(202) 395-3230

WTO Appellate Body Confirms That Indian Import Restrictions Violate WTO Rules

United States Trade Representative Charlene Barshefsky applauded the report released today by the Appellate Body of the World Trade Organization, which confirmed that India's quantitative restrictions on imports violate the WTO Agreement. The Appellate Body rejected India's appeal of a panel report that had ruled that India's balance-of-payments situation did not justify import restrictions.

"The Appellate Body report once again confirms that countries must act responsibly in utilizing WTO procedures, such as the balance-of-payments provisions, that restrict access to their markets," Ambassador Barshefsky stated. "I hope that India will now adhere to its WTO obligations and open its market. Eliminating these quantitative restrictions will provide market access opportunities for U.S. producers in sectors such as agriculture, textiles and consumer goods, and at the same time will stimulate investment, competition, and economic activity in India."

This Appellate Body ruling reaffirms several important precedents established by the panel report. It confirms that balance-of-payments measures are not immune from review by WTO dispute settlement panels. It also makes clear that countries are obliged to eliminate balance-of-payments restrictions when their balance-of-payments position no longer justifies such measures.

Background

India prohibits or severely restricts imports of various industrial, textile and agricultural products. India maintains a "Negative List" of products whose imports are banned, unless an importer gets a case-by-case license from the Indian government. The Negative List includes almost all consumer goods, including food, clothing and household appliances. India also channels imports of some agricultural products through state trading monopolies or "canalizing agencies." In addition, a government requirement banning imports by anyone except "actual users" prevents any imports for resale.

India claimed that this extremely restrictive import regime is permitted by the balance-of-payments provisions of the GATT. In this dispute, the United States challenged India's claim. In a report issued on April 6, 1999, a WTO panel ruled that India's balance-of-payments situation did not justify these restrictions. Among other things, the panel report noted that during India's 1997 consultation with the WTO Balance-of-Payments Committee, the International Monetary Fund stated that India no longer had a balance-of-payments problem that justified these restrictions.

India appealed the panel's findings to the WTO Appellate Body. In its report released today, the Appellate Body rejected each of the arguments that India had raised in its appeal.

These restrictions are the largest barrier to increasing U.S. exports to India. In addition, the Indian restrictions hurt trade from India's developing country trading partners, since they significantly restrict developing country products and tropical products which would be very competitive in the Indian market.

The Office of the United States Trade Representative has worked closely during this WTO litigation with officials of the U.S. Departments of Agriculture, Commerce, and the Treasury.

The Appellate Body report is available on the WTO website at http://www.wto.org.

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For Immediate Release Contact: Helaine Klasky

August 26, 1999 Amy Stilwell

(202) 395-3230

U.S. and Canada Settle Dispute Over British Columbia Timber Pricing

The Office of the United States Trade Representative today announced that the United States and Canada have agreed to a settlement resolving U.S. complaints over a major timber pricing reduction that British Columbia put into effect last year. The United States considered the price reduction to be a violation of the 1996 U.S.-Canada Softwood Lumber Agreement (the SLA), which requires Canada to impose a system of graduated fees on its lumber exports to the United States from certain provinces when they exceed specified quantities. Shortly after the reduction took effect, the United States brought the dispute before an arbitration panel, arguing that the B.C. timber price reduction undermined the effectiveness of the export fee system.

"British Columbia's pricing reduction last year violated the terms of the 1996 lumber agreement," stated United States Special Trade Negotiator Peter L. Scher. "We are pleased we were able to reach a settlement that will both restore the balance of the Agreement and provides a measure of restitution," he said.

The settlement announced today will ensure that the export fee system works as intended and will serve to offset British Columbia's 1998 lumber price reduction over the past year. The settlement calls for Canada to impose a new, higher fee on B.C. lumber exports when they exceed recent average annual shipments to the United States from the province. The settlement also requires Canada to begin imposing what was, until now, the highest export surcharge called for under the SLA at lower lumber export levels than previously was the case.

The settlement will not affect most B.C. lumber shipments to the United States, which will continue to be exempt from fees. Moreover, the settlement does not apply to lumber from Alberta, Ontario or Quebec, the three other provinces covered by the SLA.

British Columbia's June 1, 1998 pricing change applied to all timber grown on provincially-owned lands, which accounts for the overwhelming majority of timber harvested in the province. The province reduced its timber harvesting fees by an average of C$8.10 per cubic meter, or 24%, for timber harvested in coastal areas and by C$3.50 per cubic meter, or 14%, on average for inland timber. Estimates are that the new, lower fees resulted in an overall price reduction of some C$234 million during the first year they were in effect and will lower harvesting fees by approximately C$640 million over three years. The SLA expires in May 2001.

The settlement covers exports from British Columbia for the remaining two years of the SLA. The SLA currently provides for two levels of export fees applicable when exports from covered provinces exceed specified levels. This year, year four of the SLA, exports from British Columbia subject to the lower fee will be limited to 272 million board feet, while upper-fee exports will be limited to 110 million board feet. All B.C. exports beyond those amounts will be subject to a new fee of US$146.25/thousand board feet. In year five, the export volumes triggering fees will be the same or lower, and the new fee will be adjusted for inflation.

Based on the settlement announced today, the United States agreed to terminate its arbitral proceeding against Canada. The arbitral panel had been scheduled to release its decision later this week.

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For Immediate Release Contact: Helaine Klasky

August 27, 1999 Amy Stilwell

(202) 395-3230

USTR Disappointed in Japan's Proposal to Address High Telecommunications Rates

The Office of the United States Trade Representative and other U.S. agencies (the Departments of Commerce and State and the Federal Communications Commission) expressed disappointment with the Ministry of Posts and Telecommunications' (MPT) proposed system for reducing telecommunications rates in Japan, in comments filed on August 26.

"The system Japan is proposing would continue to keep interconnection rates up to eight times higher than those available in competitive markets, like the United States" said United States Trade Representative Charlene Barshefsky. "It is simply not credible that costs in Japan are that much higher. This proposal leaves serious doubts that Japan is implementing a truly market-based approach for determining access costs, which it agreed to develop in the May 1998 U.S.-Japan Deregulation Report."

"We urge MPT to revise its access charge system to reflect true market-based costs - the only costs competitors should bear. By failing to do so, MPT would continue to protect NTT by approving excessive interconnection charges. Inflated interconnection rates impose a significant burden on new service providers, stifle new investment and innovative services, and will ensure that Japan lags behind other advanced countries in growth areas such as Internet usage and electronic commerce."

Background

The proposed system, which Japan agreed to develop in May 1998 under the U.S.-Japan Enhanced Initiative on Deregulation and Competition Policy, is intended to introduce market-based prices for access to telecommunications networks dominated by government owned carrier, Nippon Telegraph and Telephone Company (NTT). Japan agreed to develop a system to set rates that competitors pay for completing calls onto NTT's network based on market-oriented prices, through a methodology known as Long Run Incremental Cost (LRIC). Japan pledged to introduce such rates in the year 2000. A Working Group under the Ministry of Posts and Telecommunications announced a preliminary version of the model for determining the such rates in early August. While the model suggests costs for some forms of access should decline moderately, other reductions are negligible.

Comments on MPT's proposal were due on August 26. Experts from the United States and other countries, after extensive analysis of the proposed system, have provided constructive comments on the proposal. These comments are available on the USTR Website at www.ustr.gov. These experts have identified numerous flaws in the model contributing to these excessive rates, which, if corrected, would yield more credible results.

A key suggestion in the U.S. comments was that MPT should revise its model to ensure that competitors do not have to pay for NTT's fixed costs, which do not vary with the amount of traffic they send to NTT. The U.S. also suggested that, where open data about market based costs is not available in Japan, MPT should use data available from other markets, rather than relying on proprietary data provided by NTT.

The U.S. also urged MPT to reject an alternate model proposed by NTT, which would have almost no effect of reducing rates and would clearly be inconsistent with Japan's 1998 pledge.