

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: Jay Ziegler

May 3, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

**UNITED STATES WELCOMES PROGRESS UNDER U.S.-JAPAN
ENHANCED DEREGULATION INITIATIVE**

United States Trade Representative Charlene Barshefsky today welcomed substantial new Japanese deregulation commitments secured in the U.S.-Japan Enhanced Initiative on Deregulation. Ambassador Barshefsky issued the following statement:

"This Administration has made securing market access and meaningful deregulation in Japan a priority concern of our overall trade policy," said United States Trade Representative Charlene Barshefsky. "Market access and deregulation are two sides of the same coin from the perspective of U.S. companies operating in Japan. Too often, our industries have found that while they might be able to set up shop, the restrictions of an over-regulated market in Japan made it impossible for them to sell on competitive terms.

"The Enhanced Deregulation Initiative builds upon and expands very substantially what we achieved in Birmingham and our prior efforts under the U.S.-Japan Framework Agreement. This Initiative focuses

on specific sectors and structural issues where over-regulation has undermined domestic and foreign competition in Japan, and stifled economic growth.

"We have achieved substantial gains under a number of our bilateral market access agreements, but unless we can address underlying anti-competitive barriers in Japan, our industries will not be able to fully compete on fair and even terms. The on-going Deregulation Initiative is an important component of the Administration's strategy to further open the Japanese market, along with our enforcement efforts, and our multilateral agenda in the WTO and APEC to create more open, fair, and pro-competition practices in Japan. We will closely monitor results of this Initiative, and will focus our efforts in the year ahead to address areas which require further deregulation."

Second Joint Status Report under the U.S.-Japan Enhanced Initiative on Deregulation and Competition Policy

OVERVIEW

Deregulation of the transportation, telecommunications, energy, financial, aviation and other sectors in the United States since the mid-1970s' has fundamentally repositioned our economy to be the most competitive economy in the world today. Deregulation means changing the way government operates, including the ways it allows for new entrants in the market, and provides incentives to investment. Support for pro-competitive practices is essential to secure new investment, new technology development, entrepreneurship and the creation of new economic opportunities that Japan needs to turn around its economy and restore growth. As Prime Minister Obuchi recently observed of the challenge before Japan today, "We realize that unless we adopt a more flexible economy driven by the market, Japan is doomed to economic and technological decline."

The U.S.- Japan Enhanced Initiative launched in June 1997 in Denver created a bilateral process to address regulatory and anti-competitive barriers for both foreign and domestic firms in Japan. In May, 1998 in Birmingham, England the United States and Japan announced a First Joint Status Report under the Enhanced Initiative detailing a package of measures to substantially deregulate Japan's telecommunications, housing, medical devices, pharmaceuticals, distribution, and financial services sectors. Since Birmingham, teams of American government experts coordinated by Deputy United States Trade Representative Richard Fisher have met throughout the year with Japanese experts from a number of Japanese Ministries coordinated by Deputy Foreign Affairs Minister Koichi Haraguchi to further the process and push the envelope of Japanese deregulation and restructuring.

New deregulation measures unveiled today will substantially expand last year's achievements in these sectors, advance deregulation of Japan's energy sector, and address cross-cutting competition policy and transparency issues. The Initiative is an important component of the Administration's strategy to further open the Japanese market and is designed to complement on-going bilateral enforcement efforts with respect to such issues as steel, insurance, flat glass, autos & auto parts, government procurement; and our multilateral agenda in APEC and the WTO to reduce Japanese trade barriers.

New deregulation commitments announced today include the following key measures, details of which are available in a comprehensive fact sheet from USTR.

Telecommunications

Japan has committed to specific new measures to more effectively introduce competition into its \$130 billion telecommunications sector by:

- Ensuring that interconnection rates -- the rates charged competitors of NTT to access the majority of Japanese customers -- are set below retail rates;
- Defining measures that will assure NTT DoCoMo's (cellular service provider) interconnection rates are more fairly priced by being purely based on costs;
- Authorizing interconnection "clearinghouse" for new entrants in the Japanese market which will dramatically speed market entry;
- Liberalizing the use of flexible network arrangements, thus allowing businesses to build out their networks more rapidly and efficiently;
- Improving methods to ensure that new entrants have fair and non-discriminatory access to international cable landing stations, controlled by KDD (which holds 60% market share of the international telephony market);
- Opening-up Cable TV to one hundred percent foreign investment (and clearly restricting NTT from using its control of fiber optic cable reaching residential customers to distort competition in the cable TV/telephony market); and
- Proposing new regulations by mid-year to facilitate use of electrical wiring systems for communications purposes.

Housing

Currently, U.S. manufacturers supply only \$1.5 billion of Japan's languishing \$42 billion residential building materials industry. New commitments by Japan under the Initiative should create new opportunities by:

- Accelerating the introduction of performance-based standards for three-story, multi-family wood housing in urban residential areas from Japan Fiscal Year 2000 to May 1, 1999;
- Adopting open public comment procedures in the formulation and implementation of revisions to Japan's Building Standards Law;
- Working cooperatively to build acceptance of U.S.-style building materials and methods in Japan through a series of jointly sponsored seminars; and
- Ensuring that imported building materials are not discriminated against from use in any of its government housing programs

Medical Devices and Pharmaceuticals

These are important high-growth areas of Japan's economy where U.S. companies have captured 12% of Japan's \$64 billion pharmaceutical market and 30% of Japan's \$20 billion medical device market. Incredibly, however, 80% of the latest, most effective drugs available in other developed markets are not

available in Japan today. Japanese government policy has discouraged medical advancement by stifling competition. Japan will inaugurate new competition in these areas by:

- Agreeing to recognize the role of the market, as well as the value of innovation, as it continues to study pharmaceutical pricing reform;
- Assuring that the U.S. pharmaceutical industry will have meaningful input into Japan's reform process;
- Developing and implementing new procedures to expedite the establishment of new "by-function" categories for reimbursement for medical devices under Japan's health insurance system;
- Speeding approval processes for pharmaceuticals and expanding these procedures to cover medical devices;
- Expanding the acceptance of foreign clinical in the medical device and pharmaceutical approval processes;
- Improving the transparency of its medical device reimbursement system by issuing requirements in writing and allowing firms to engage in pre-filing consultations with Japanese regulators; and
- Promoting the liberalization of nutritional supplements by treating such products as foods for regulatory purposes. This is a six billion dollar market in Japan in which U.S. companies have less than seven percent market share.

Financial Services

Japan's "Big Bang" reforms of its financial sector (which built upon the undertakings in the U.S.-Japan 1995 agreement) should substantially improve the ability of foreign financial services providers to reach customers in most segments of the Japanese financial system. New reform commitments announced today will expand opportunities by:

- Liberalizing use of securities derivatives;
- Easing the registration process for new securities companies;
- Promoting a more vigorous asset-backed securities market;
- Sharply expanding the scope of financial activities and products allowed to banks and securities firms, including mutual fund products;
- Introducing stock options;
- Fully liberalizing brokerage commissions;
- Substantially widening the scope of activities allowed to banks and bank subsidiaries;
- Allowing investment advisory companies to grant discretionary authority to other fund managers;
- Simplifying the transfer of assets between fund managers; and
- Strengthening accounting and disclosure rules, including a switch to consolidated accounting.

Energy

The cost of energy to Japanese businesses and consumers is among the highest in the industrialized world, and reflects an over-regulated industry. As a result of this year's discussions, Japan will be:

- Amending its Electric Utility Industry Law to shift from a permit and approval system to a notification system for construction or upgrading of all power generating facilities;
- Simplifying regulations and launching work to harmonize various Japanese standards with international standards for energy-related equipment, such as turbines, compressors, and standby generator sets;
- Working toward the harmonization of its standards regarding self-serve gas pumps with international standards and to make other related regulatory changes to ease the costly and time-consuming process required to install self-service gasoline pumps.

Distribution

With respect to cross-cutting regulatory issues which impede foreign and domestic competition in Japan, a number of critical new measures have been agreed upon. Japan's closed and inefficient distribution system has provided pernicious market access barriers to foreign competition in many sectors including glass, paper, and film. Japan's new commitments which address distribution issues and bottle-necks entail:

- Establishing nationally applicable guidelines regarding environmental factors, such as traffic and noise, for use by large-scale retail store operators;
- Actively soliciting public comments and opening the public comment process in order to ensure the transparency and non-discriminatory implementation of the new Law (*Daiten-Ricchi Ho*); monitoring local governments' implementation of the Law so that its purpose of liberalizing Japan's retail sector is not impeded; and ensuring the transparent and fair application of the City Planning Law by local governments;
- Expediting customs clearance processing, and completing a study on linking the Customs Administrations' and Transportation Ministry's computer systems, while supporting multilateral efforts to promote the use of harmonized, simplified and streamlined cargo processing systems; and
- Introducing a maritime container cargo system to expedite the clearance of goods arriving by ship.

Competition Policy

The United States believes that competition ought to be the central organizing principle of the Japanese economy and active deregulation is critical to making this principle a reality. Instead of competition-restricting regulations, market forces should govern business activities in Japan, in keeping with the Obuchi Government's goal of achieving "a more flexible economy driven by the market." Furthermore, vigorous Antimonopoly Act enforcement is critical to preserve and expand the benefits of deregulation. Robust competition policy and deregulation work hand-in-hand in fostering free and open markets. In the area of competition policy, Japan will be:

- Launching proactive steps under competition policy advocacy by creating a model Antimonopoly Act Compliance Program for private firms;
- Using various means, including public hearings, to actively expand public involvement and address deregulation and competition policy issues;
- Reviewing business entry regulations and "supply/demand adjustment" regulations and, where

- appropriate, proposing the removal of such regulations;
- Reviewing competition-restricting regulations on the central and local government level and, in appropriate cases, propose abolishing or revising such regulations;
 - Issuing a JFTC study group report on private remedies by December 1999 (at the latest), which would allow sufficient time to prepare any new legislation by next March;
 - Actively filing criminal accusations with the Prosecutor's Office in anticartel cases; and
 - Amending its Bidding Instructions to make clear that firms bidding on public works contracts cannot consult with competitors about prices.

Transparency

Foreign firms have long been disadvantaged by the lack of transparency in the Japanese regulatory system. As outsiders to the system, foreign firms lack access to the timely, detailed information regarding regulatory matters commonly enjoyed by their Japanese competitors. As a consequence, the United States has long pressed the Japanese Government to make its administrative procedures and practices more open and transparent. With respect to transparency and other government practices, Japan will be:

- Creating formal Public Comment Procedures for Formulating, Amending or Repealing Regulations (a cornerstone of the U.S. regulatory system for more than 50 years);
- Advancing legislation to establish an Information Disclosure Act;
- Reduced the standard processing period for the issuance of licenses, permits and approvals; and
- Providing for the use of, the Overall Greatest Value Methodology (OGVM) by local governments as a method of determining the successful bidder in local government procurement.

Conclusion

The measures announced today should have a significant impact in opening the Japanese telecommunications, housing, medical devices/pharmaceuticals, financial, energy, and retail sectors to competition. The proof of the pudding depends on Japanese implementation of these agreed upon changes and procedures. As the Initiative continues into its third year, the United States and Japanese Governments will closely monitor implementation.

USDA, USTR TO SPONSOR PUBLIC LISTENING SESSIONS ON WTO NEGOTIATIONS

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Tom Amontree (202) 720-4623
tom.amontree@usda.gov
Eric VanChantfort (202) 720-9443
vanchantfort@fas.usda.gov

USDA, USTR TO SPONSOR PUBLIC LISTENING SESSIONS ON WTO NEGOTIATIONS

Washington, May 4, 1999 Agriculture Secretary Dan Glickman and U.S. Trade Representative Charlene Barshefsky today announced that the U.S. Department of Agriculture and the Office of the U.S. Trade Representative (USTR) will hold 11 public listening sessions to solicit public comments on agricultural trade priorities for the upcoming World Trade Organization (WTO) negotiations.

"Because trade is so vital to American agriculture, the Administration is seeking a broad range of advice and ideas to help form U.S. agricultural trade policy in preparation for the next round of the WTO negotiations," said Glickman. "The advice of farmers and ranchers, processors, exporters, and consumers will be critical in establishing U.S. agricultural trade objectives and goals for the upcoming Seattle Ministerial Meeting in late November and for the ensuing WTO negotiations."

Glickman said the public listening sessions are especially important as the United States continues the agricultural trade reform process into the next century. The sessions will give USDA and USTR officials an opportunity to outline general approaches for the next round and to listen to the public and share ideas about critical trade issues, such as market access, export subsidies, tariff reductions, internal support, state trading enterprises, labor and environmental issues, and trade concerns relating to products from new technologies.

"Through these listening sessions, USTR and USDA will learn first-hand which issues are most important to farmers, ranchers, and the entire agriculture industry, and what trade policies would be most effective in helping to increase U.S. agricultural exports," Ambassador Barshefsky said. "USTR and USDA negotiators will continuously review the recommendations from these sessions in developing our negotiating objectives for the next round of agricultural negotiations."

Listening sessions are scheduled for Winter Haven, Florida, on June 4; St. Paul, Minnesota, on June 7; Memphis, Tennessee, on June 16; Indianapolis, Indiana, on June 24; Sacramento, California, on June 29; Pullman, Washington, on June 30; Austin, Texas, on July 8; Burlington, Vermont, on July 19; and Newark, Delaware, on July 23. Listening sessions are also planned for Des Moines, Iowa, and Bozeman, Montana, with dates to be announced later.

In order to appear before the USDA-USTR panel, interested persons must register with their State Departments of Agriculture for the regional sessions. Written questions and comments will be accepted in writing from those individuals who cannot attend the listening sessions. Comments must be received no later than July 26 and can be e-mailed to agsec@usda.gov or mailed to: U.S. Department of Agriculture, Trade Policy Comments, Stop 9920, 1400 Independence Ave. SW, Washington, DC 20250-9920.

For more information, contact Marlene Phillips, FAS Outreach Office, at (202) 720-0103 or phillipsms@fas.usda.gov.

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NOTE: USDA news releases and media advisories are available on the Internet. Access the USDA Home Page on the World Wide Web at <http://www.usda.gov>

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For Immediate Release Contact: Jay Ziegler

May 14, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

**UNITED STATES TO REQUEST WTO AUTHORIZATION
TO RETALIATE IN THE AMOUNT OF \$202 MILLION**

The United States will formally notify the WTO Dispute Settlement Body of its intention to exercise its WTO rights to suspend trade concessions to the European Union (EU) with regard to certain products covering trade of about \$202 million in accordance with WTO procedures. The value of the proposed suspension represents an estimate of the annual harm to U.S. exports resulting from the EC's failure to lift its ban on imports of U.S. meat.

"The actions that we are taking here are 100 percent consistent with our WTO rights. We take this course as a last resort," stated United States Trade Representative Charlene Barshefsky. "The EU has again refused to comply with a WTO ruling against its illegal trade policies, just as it did when it lost WTO cases concerning its discriminatory banana regime. In sharp contrast, the United States and every other WTO member faced with a similar situation has met the measure of its international commitments. The EU should meet its WTO obligations, including those resulting from adverse rulings against it. To do anything less is to jeopardize the credibility and integrity of the WTO."

"The European Union has failed to meet the deadline set by the WTO to end its arbitrary and unscientific ban on imports of hormone-treated beef from the United States. The EU's unwillingness to meet its international obligations leaves the U.S. with no choice," stated U.S. Secretary of Agriculture Dan Glickman.

As a result of the EU's refusal to comply with its WTO obligation to lift its ban on U.S. meat for the foreseeable future, the United States will invoke WTO procedures for exercising its right to suspend trade concessions in the amount of \$202 million. The list of products on which the United States will impose a 100 percent duty will be drawn from the preliminary list of products published in the *Federal Register* on March 25, 1999. The final list of products will be published in the *Federal Register* following WTO authorization and will correspond in value to the WTO-authorized damage amount.

"We would still prefer to resolve this long-standing trade dispute in a way that provides access for U.S. meat in the European market," said Ambassador Barshefsky. "However, the European Commission's recent misleading reports have made it all the more difficult to find such a solution."

Background

Under WTO dispute settlement procedures, the U.S. request for WTO authorization to suspend trade concessions must be granted by June 12, 1999, unless the EU claims that the amount of concessions to be suspended exceeds the amount of harm caused to U.S. exports by the EU measures. If the EU makes such a claim, the amount proposed by the United States will be submitted to binding arbitration, which is to be conducted by the original panel that ruled against the EU ban. The rules require such arbitration to conclude by July 12, after which the United States can resubmit its request (adjusting the amount, if necessary, to be consistent with the results of the arbitration), and WTO rules require the WTO to grant the U.S. request in an amount consistent with the arbitrator's report.

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For Immediate Release Contact: Jay Ziegler

May 14, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

UNITED STATES TO FURTHER EXPLORE MEXICAN PRACTICES

AFFECTING HIGH FRUCTOSE CORN SYRUP

United States Trade Representative (USTR) Charlene Barshefsky announced today that the United States will further explore the nature and consequences of efforts on the part of the Government of Mexico to limit the importation and purchases of high fructose corn syrup (HFCS) -- a sweetener largely used in soft drinks and other food products.

"We have reason to believe that the Government of Mexico has supported and encouraged practices by the private sector that undermine the import and sale of U.S. HFCS in the Mexican market," noted Ambassador Barshefsky. "These actions have unfairly restricted U.S. exports of HFCS to Mexico."

Today's announcement grows out of an investigation initiated in May 1998 under section 302 of the Trade Act of 1974, as amended (the Trade Act), in response to a petition by the Corn Refiners Association, Inc., alleging that certain practices of the Government of Mexico deny fair and equitable market opportunities to U.S. HFCS exporters. Specifically, the matters investigated suggest that the Government of Mexico unreasonably encouraged and supported an agreement between representatives of the Mexican sugar industry and the Mexican soft drink bottling industry to limit the soft drink

industry's purchases of HFCS.

"To date, the Mexican Government has failed to refute allegations that it promoted and endorsed conclusion of an agreement to limit purchases of U.S. HFCS," explained Ambassador Barshefsky. "As a result, the United States will further examine Mexican Government involvement in this matter and, as a high priority, continue consultations with the Mexican Government on issues related to trade in HFCS, with the aim of securing fair and equitable market opportunities for U.S. producers."

Mexican practices affecting U.S. exports of HFCS have already given rise to action in the World Trade Organization (WTO) and under the North American Free Trade Agreement (NAFTA). The United States is currently engaged in WTO dispute settlement with Mexico over application of antidumping measures on U.S. exports of HFCS. The United States has alleged that these measures violate the WTO Antidumping Agreement. U.S. exporters are also challenging these Mexican antidumping measures under Chapter 19 of the NAFTA.

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For Immediate Release Contact: Jay Ziegler

May 25, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

**UNITED STATES WINS WTO CASE CHALLENGING
AUSTRALIAN SUBSIDIES FOR AUTOMOTIVE LEATHER**

United States Trade Representative Charlene Barshefsky announced today that a dispute settlement panel of the World Trade Organization has issued a report finding that an A\$30 million grant provided by Australia to its only exporter of automotive leather violates Australia's WTO obligations. The WTO panel affirmed the U.S. argument that the aid constitutes an unlawful export subsidy and urged Australia to withdraw the subsidy within 90 days.

The dispute was triggered by two Australian programs that granted financial benefits to the Australian automotive leather industry that were expressly dependent on increased exports. Following consultations requested by the United States, Australia agreed to halt these WTO-illegal "*de jure*" export subsidies by excluding the automotive leather industry from the programs. Shortly after its agreement, however, Australia announced that it was replacing the benefits of the two export programs with a new package of

equally unlawful "*de facto*" export subsidies.

"The WTO panel's finding will help level the playing field in the automotive leather industry by reining in unfairly subsidized competition from Australian exporters," stated Ambassador Barshefsky. "In addition, the panel's finding strengthens WTO rules on subsidies by underscoring that countries cannot circumvent their obligations through clever packaging or draftsmanship. We welcome this decision and urge Australia to come into compliance within the 90 days recommended by the panel."

Background

This dispute first arose when the Coalition Against Australian Leather Subsidies filed a Section 301 petition against two major Australian export subsidy programs. The United States requested consultations with Australia on two export programs under terms of the Agreement on Subsidies and Countervailing Duties (SCM Agreement), arguing that the Australian programs conferred export subsidies prohibited under the Agreement.

Australia agreed to remove automotive leather from its subsidy programs. Shortly thereafter, however, Australia announced a new subsidy package for Howe Leather, Australia's sole automotive leather exporter: an A\$30 million direct grant and an A\$25 million loan, to be repaid in fifteen years, with the first payment deferred for five years.

The United States told Australia that it considered the new leather funding program to constitute yet another prohibited export subsidy. Following another set of consultations, the United States referred its complaint to a WTO dispute settlement panel. The United States argued before the panel, and the panel agreed, that the grant was a subsidy contingent "in fact" on Howe's export performance.

The WTO panel did not find that preferential loan was contingent on export performance. Although both parties agreed that the loan was a subsidy, the panel reasoned that there was nothing in the terms or design of the loan that could be linked to export performance.

The United States also prevailed on several important issues related to the operation of the WTO dispute settlement system. In particular, the panel set a new precedent by successfully pressing Australia to produce relevant confidential business documents. The panel also found in favor of the United States on the procedural defenses raised by Australia, including the adequacy and timing of the U.S. panel request and the identity of the measures before the panel.

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99-46

For Immediate Release Contact: Jay Ziegler

May 26, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

UNITED STATES AND CANADA RESOLVE "PERIODICAL" DIFFERENCES

United States Trade Representative Charlene Barshefsky today announced that the United States and Canada have successfully resolved outstanding differences relating to Canada's magazine trade practices and its controversial legislation -- Bill C-55. The agreement reached today addresses concerns that led the United States to file and win a WTO case, and includes commitments from Canada in the areas of investment, tax and market access for U.S. periodicals carrying advertisements directed primarily for the Canadian market. In return, the United States has committed not to take action under the WTO, NAFTA or section 301.

"I am pleased that we have negotiated a settlement to this long-standing dispute with our largest trading partner," said United States Trade Representative Charlene Barshefsky. "This is how the dispute settlement system should work. The agreement opens Canada's magazine market and in doing so offers clear benefits to both Canada and the United States."

"This agreement will create new opportunities for U.S. publishers to sell and distribute magazines in Canada," said Ambassador Barshefsky. "It will increase market access in clear and predictable ways, address anti-competitive regulatory concerns, and provide tax and investment benefits and opportunities for foreign publishers in Canada. This agreement will also provide Canadian merchants and service providers with more venues to advertise their wares."

Under terms of the agreement, U.S. magazines exported to Canada will be able to carry 12 percent of total ad space with advertising aimed primarily at the Canadian market - something

C-55 as originally proposed would have prohibited entirely. Within three years, this percentage will grow to 18%.

Canada has also committed to provide non-discriminatory tax treatment under section 19 of their Income Tax Act. Previously, section 19 prohibited advertisers from receiving the standard business deduction if they advertised in foreign-owned publications. Under the agreement,

Embargoed until 2:00 p.m. EST

Canada will eliminate the nationality requirement within one year. In addition, Canadian advertisers will be able to place ads in any magazine regardless of the nationality of the publisher or place of production. Canadian advertisers, merchants and service providers, will be able to deduct one-half of their advertising costs (i.e., a tax deduction) if they place ads in foreign magazines with zero to 79% original editorial content or they will be able to deduct the full costs of their advertising if the magazine contains 80% or more original editorial content.

In addition, Canada has agreed to liberalize its investment regime. Canada will permit 51% foreign equity in an enterprise, up from the current 25%, within 90 days and will permit foreign investors to own 100% of an enterprise after one year. These new investment terms will provide for growth in the Canadian magazine market and create new opportunities for Canadian writers, journalists, editors and photographers.

Background

In 1997, the United States successfully challenged Canada's protectionist magazine regime in the World Trade Organization. A WTO panel found three components of Canada's magazine policies to be illegal under the *General Agreement on Tariffs and Trade* (GATT), a key trade agreement administered by the WTO. The panel condemned (1) a ban, in place since 1965, on imports of magazines with advertising directed at Canadians; (2) a 1995 special excise tax on so-called "split-run" magazines; and (3) discriminatory postal rates for imported magazines. After Canada appealed the panel's report, the WTO's Appellate Body found a fourth violation -- Canada's discriminatory postal subsidy program for Canadian-produced magazines.

Effective October 30, 1998, Canada terminated its longstanding ban on split-run imports, eliminated the 1995 special excise tax on split-runs, and modified its discriminatory postal rates and postal subsidies for magazines. However, Canada introduced Bill C-55, which simply accomplished the same result as the import ban and excise tax, and would have kept U.S. and other foreign-produced split run magazines from competing in the Canadian market.

Bill C-55 would have prohibited U.S. and other non-Canadian publishing companies, on pain of criminal fines, from using the magazines they produce to advertise directly to Canadian readers. Among the four measures the WTO condemned was a confiscatory 80% tax imposed by the Canadian Government on imported magazines carrying this type of advertising. The tax put U.S. and other imported magazines at a significant commercial disadvantage by comparison to Canadian-produced magazines. Having finally agreed to eliminate the tax on these advertisements, the Canadian Government had proposed to ban these advertisements altogether.

Canada will continue, in a slightly modified form, its postal subsidy for Canadian-produced magazines. The United States will monitor closely the effects of that modification.

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USTR FACT SHEET

May 26, 1999

The U.S.-Canada Agreement on Magazines

Key Amendments to Bill C-55 include the following key provisions:

- Canada agreed to amend C-55 to narrow its scope by exempting foreign-owned magazines that: 1) are published in Canada, or 2) are exported to Canada and carry advertisements directed primarily at the Canadian market within the permissible level.
- Initially, foreign magazines exported to Canada that carry less than 12 percent of "Canadian ads" will not be subject to C-55 penalties, after 18 months the level grows to 15 percent and after 36 months it is 18 percent.

Terms incorporated in the agreement will provide new opportunities for foreign investment:

- Effective 90 days after the signing of this agreement, Canada will permit up to 51% foreign ownership in the establishment and acquisition of businesses to publish, distribute and sell periodicals except for the acquisition of Canadian-owned businesses. After one year, Canada will permit up to and including 100% foreign ownership. Of course, partnerships of foreign investors with majority Canadian ownership will be permitted.
- Investments, however, will continue to be subject to a net benefits review under section 38 of the Investment Canada Act. Under the review, among other things, Canadian investment officials will consider contributions to the Canadian economy, the effect of the investment on competition, and compatibility with cultural policies. Publishers may be asked to undertake substantial levels of original editorial content in periodicals published in Canada.
- Original editorial content means non-advertising content that is: (a) authored by a Canadian, including but not limited to, writers, journalists, illustrators and photographers; or (b) created for the Canadian market and does not appear in any other edition of one or more periodicals published outside Canada.

Key tax provisions of concern to U.S. publishers include the following terms:

- Within one year of the signing this agreement, section 19 of the *Income Tax Act* will be amended so as to allow advertisers deductions for advertisements in periodicals regardless of the nationality of the publisher or place of production.
- Canada will further amend the *Income Tax Act* to modify the amount of the allowable

deduction and original editorial content requirement to permit: a) half the deduction of advertising costs for advertisers in publications with zero to 79 percent original editorial content; and b) a full deduction of advertising costs for advertisers in publications with 80 percent or more original editorial content.

- Current tax deductions were not available to advertisers if the foreign owned magazines was published under a licensing arrangement with a Canadian. As a result of the agreement, periodicals published under such licensing arrangements will be not be excluded under the Income Tax Act.

Consultations:

- A consultation clause is included in the agreement so that Canada and the United States can consult annually on any matter regarding the agreement.

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For Immediate Release Contact: Jay Ziegler

June 3, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

**STATEMENT BY U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY AND
COMMERCE SECRETARY WILLIAM M. DALEY UPON**

RELEASE OF U.S.-JAPAN AUTOMOTIVE AGREEMENT MONITORING REPORT

United States Trade Representative Charlene Barshefsky and Commerce Secretary William Daley today issued the following joint statement concerning the sixth semi-annual monitoring report of the U.S.-Japan Automotive Agreement which covers the period of September, 1998 - March, 1999:

"This report comes at a time of broad restructuring in the automotive industry and while Japan's recession is continuing unabated. To ensure that this restructuring serves to enhance competition in the automotive market in Japan, the Administration believes that improving market access and undertaking substantial deregulation must be a priority for Japan. Japan's over regulation of this sector has served to preserve the status quo, hurting auto and auto parts companies, including foreign firms. Indeed, sales of U.S.-based auto manufacturers declined 35 percent in 1998, while U.S. auto parts exports fell more than 7 percent in 1998, the first decline since the 1995 Automotive Agreement was signed.

"We are determined to continue working to improve market access for U.S. auto and auto parts manufacturers and we strongly urge the Japanese Government to further open and deregulate its auto and auto parts market to achieve the goals of the Agreement and to help spur Japanese economic growth. We have discussed our concerns over recent trends with our Japanese Government counterparts and have provided Japan with concrete proposals for generating further progress under the Agreement, including measures to eliminate unnecessary regulations in the auto parts market and to strengthen competitive prospects for auto dealerships selling foreign cars. Japan has responded positively to some of these proposals. For example, Japan has agreed to streamline new car registration procedures and to create a new class of certified mechanics, increasing the competitiveness of smaller, independent garages, which are more inclined to use foreign auto parts. However, Japan needs to take significant additional actions. In particular, Japan should streamline its vehicle and inspection repair system and remove additional items from the critical parts list. We urge Japan to implement these proposals expeditiously and will continue to consult closely with the Japanese Government on these issues in the weeks and months ahead."

The full report can be found on the U.S. Trade Representative's homepage at www.ustr.gov and on the U.S. Department of Commerce's Office of Automotive Affairs homepage at <http://www.ita.doc.gov/auto>.

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For Immediate Release Contact: Jay Ziegler

Friday, June 4, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

**USTR EXPECTS CONCRETE STEPS IN JAPAN TO ADDRESS
TELECOMMUNICATIONS CONCERNS OUTLINED IN SECTION 1377 REVIEW**

United States Trade Representative Charlene Barshefsky today announced that the United States is seeking concrete action by Japan to address market access impediments in its telecommunications market consistent with steps pledged in May under the "Enhanced Initiative on Deregulation and Competition Policy." These actions are necessary to address issues raised in the 1999 review of telecommunications trade agreements under section 1377 of the 1988 Trade Act.

"The commitments made by Japan under the Enhanced Initiative are critical markers in Japan's deregulation efforts," said United States Trade Representative Charlene Barshefsky. "We want to ensure that Japan adopts pro-competitive market-opening reforms consistent with its obligations. We will closely monitor Japan's implementation of these measures to ensure that the Japanese government effectively addresses the two concerns we raised in this year's 1377 review."

The two issues affecting access to the Japanese telecommunications market identified in the section 1377 review which, if not addressed, could warrant WTO action are: excessively high interconnection rates and restrictions on the use of leased facilities to supply telecommunications services. In the review, the Office of the United States

Trade Representative noted its expectation that Japan would take credible measures to address these issues before June 4, 1999.

The measures Japan agreed to take in the context of the May 1999 "Enhanced Initiative on Deregulation and Competition Policy," represent a credible commitment to address these issues. Specifically, Japan agreed to (1) take action to ensure that interconnection rates do not impair local competition; and, (2) permit carriers to combine owned and leased facilities to provide services. Ambassador Barshefsky stressed, "While we welcome these commitments, we will work to ensure that implementation efforts effectively address our concerns."

Based on Japan's May 3 commitment, the United States expects that NTT's proposal for revising its interconnection tariff (expected this Fall) will reflect substantial reductions in interconnection

rates for all types of phone calls. The standard Japan agreed to—that local interconnection rates should not impair competition—should result in discounts off retail rates sufficient to ensure that vigorous competition is possible. "If NTT's proposed tariff does not achieve this, we will look to the MPT, as the independent regulator, to use its authority to require the necessary changes," said Ambassador Barshefsky. Should NTT file such a tariff, the Office of the United States Trade Representative will begin preparing for a possible WTO dispute settlement case to be initiated in the event that the MPT's final decision does not resolve concerns outlined by the U.S. Government.

The Office of the U.S. Trade Representative will also closely monitor telecommunications carriers' ability to flexibly use a combination of leased and owned facilities—options that are essential to a truly competitive market. "We will immediately raise our concerns with the government of Japan in relation to any difficulties carriers face in gaining speedy approval for the use of leased facilities," concluded Ambassador Barshefsky, "and if Japan is not responsive, USTR will be prepared to reopen the Section 1377 investigation."

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For Immediate Release Contact: Jay Ziegler

Wednesday, June 9, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

**STATEMENT BY U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY AND
COMMERCE SECRETARY WILLIAM M. DALEY UPON
RELEASE OF MONITORING REPORT ON FOREIGN ACCESS
TO JAPAN'S FILM MARKET**

United States Trade Representative Charlene Barshefsky and Commerce Secretary William M. Daley today issued the following joint statement concerning the second semi-annual report assessing Japan's implementation of the representations it made to the World Trade Organization (WTO) regarding the openness of its photographic film and paper market. The report covers the period of September 1998 - April 1999.

"Our second Japan film monitoring report welcomes the steps the Japanese Government has taken to date, but underscores the need for additional progress to make Japan's photographic film and paper market truly competitive. We are pleased that the Japanese Government has responded to several specific U.S. concerns in directing Japan's domestic film manufacturers to cease potentially anti-competitive data exchanges and improving the transparency of its Premiums Law, which will help

ensure that the law is not improperly used to restrict retail competition. Despite these steps, however, competitive conditions in Japan's photographic film and paper sector are substantially short of the Japanese Government's representations to the WTO.

"In particular, this report highlights the need for additional Japanese Government action to address business practices that unreasonably restrain trade in this sector, particularly in two areas. First, we continue to receive reports of Fuji distributors halting or disrupting deliveries to retailers who promote competing brands of photographic film and paper. Second, we are concerned about reports of Fuji distributors conditioning low wholesale film prices on exclusive sales of Fuji film.

"The report also calls on Japan to open its distribution system to imports and to prohibit practices that discourage the opening of large stores. The report details U.S. Government concerns related to the implementation of the new Large-Scale Retail Store Location Law, which will become effective in June 2000. In particular, the United States asked the Japanese Government to address its concern that the new Guideline, which provides detailed environmental criteria for consideration by large-scale retail stores and local governments, will lead to a more costly and less competitive retail sector in Japan.

"We believe that our monitoring initiative has contributed to some improvements in foreign access and are determined to continue working to open this market in line with Japan's WTO representations. We will urge the Japanese Government to take the specific market access and competition policy steps identified in this report, such as bolstering JFTC resources to investigate anti-competitive practices and actively promoting MITI and JFTC guidelines regarding business and distribution practices. In addition, we will continue to work with Japan under the Enhanced Initiative on Deregulation and Competition Policy to reform its distribution structure, ensure that its new Large-Scale Retail Store Location Law does not restrict competition, improve its anti-monopoly enforcement regime, and promote more robust competition in the Japanese market. Eliminating market access barriers and anticompetitive practices is critical not only to improving market access in this and other sectors, but ultimately to ensuring the success of Japan's economic revitalization efforts."

This report was drafted by the interagency Monitoring and Enforcement Committee, co-chaired by the Office of the U.S. Trade Representative and the Department of Commerce. This Committee was established in February 1998 to review implementation of formal representations made by Japan to a WTO panel regarding the openness of its market to imports of photographic film and paper. The next report, which we expect to release in late 1999, will include an update on the results of the survey of availability of foreign film discussed in the first monitoring report.

The full report can be found on the U.S. Trade Representative's homepage at <http://www.ustr.gov> and on the Department of Commerce's homepage at <http://www.ita.doc.gov>.

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For Immediate Release Contact: Jay Ziegler

Thursday, June 10, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

UNITED STATES, JAPAN, EUROPEAN UNION, KOREA AND TAIWAN ANNOUNCE

NEW ACCORD ON SEMICONDUCTOR TRADE PRACTICES

The United States, Japan, Korea, Taiwan and the European Commission announced today a new, multilateral, Joint Statement on Semiconductors designed to ensure fair and open global trade in semiconductors. The new Joint Statement follows on the 1996 bilateral U.S.-Japan Joint Statement on Semiconductors which expires July 31, 1999, and includes the essential elements of the 1996 accord such as regular meetings among governments and between governments and representatives of semiconductor industries from different countries.

"Our 1996 bilateral agreement with Japan has worked well and led to an unprecedented level of cooperation between Japanese semiconductor users and U.S. suppliers," said United States Trade Representative Charlene Barshefsky. "In addition, the foreign share of the Japanese semiconductor market has exceeded 30% in every quarter since the beginning of 1997. The 1996 bilateral accord, which mandated the expeditious elimination of semiconductor tariffs as a condition for participation by third countries, proved to be an essential building block for the Information Technology Agreement, which substantially eliminated semiconductor tariffs globally."

Under the new Joint Statement, industry CEOs will continue to meet in the World Semiconductor Council (WSC) to discuss and engage in cooperation concerning global issues such as standardization, environmental concerns, worker health and safety, intellectual property rights, trade and investment liberalization, and worldwide market development. As under the 1996 Joint Statement, governments and other authorities will meet at least once a year to receive and discuss the recommendations of the WSC regarding policies of governments and authorities which may affect the future outlook and competitive condition within the global semiconductor industry.

The 1999 Joint Statement also provides that other governments or authorities whose national/regional industry associations have joined the WSC may become parties, if they support the objectives of the Joint Statement. Under this provision, Taiwan endorsed the objectives of the of the Joint Statement and became a party to the agreement.

This Joint Statement will be subject to review after five years (August 1, 2004) from the date of issuance. It may also be modified in whole or in part at any time by mutual consent of the parties.

Key pro-competitive provisions of the new Joint Statement include a commitment by all parties to:

barrier-free trade in semiconductors in markets worldwide; the principle that competitiveness of companies and their products, not the intervention of governments and authorities, should be the key determinant of industrial success; government and authorities' measures should be fully consistent with the letter and spirit of the WTO Agreements and governments and authorities should avoid any form of discrimination; and the parties recognize that the GATT 1994 condemns injurious dumping, and reaffirm the need to avoid the problem of injurious dumping through fair and effective antidumping measures consistent with GATT 1994 and the WTO Agreement on Implementation of Article VI of GATT 1994 (Antidumping Agreement).

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For Immediate Release Contact: Jay Ziegler

June 18, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

Ambassador Barshefsky Cites Progress in Vietnam Negotiations

United States Trade Representative Charlene Barshefsky applauded progress made this week in the negotiation of a bilateral trade agreement with Vietnam. "We have significantly narrowed the number of remaining issues in this negotiation, which would set the stage for the normalization of trade relations between our two countries. Nonetheless, some key issues remain related to market access for some goods and services. We will continue to pursue an equitable and mutually beneficial agreement with Vietnam."

In 1995 President Clinton normalized diplomatic relations with Vietnam and directed agencies to begin the process of normalizing economic relations, including trade relations, in accordance with U.S. law. Discussion of a bilateral agreement began in 1996. Vietnam is one of six countries that does not receive "normal trade relations" treatment from the United States. Under U.S. law, in order to receive such treatment, a bilateral trade agreement must be concluded, and approved by Congress. The United States is seeking a comprehensive agreement which includes substantive provisions on market access for agricultural and industrial goods, services, intellectual property, and investment, which would then move Vietnam toward adoption of WTO and other international norms in the area of trade.

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For Immediate Release Contact: Helaine Klasky

Monday, June 21, 1999 Amy Stilwell

(202) 395-3230

U.S. Trade Representative Announces Progress in Transatlantic Trade

United States Trade Representative Charlene Barshefsky, in Bonn, Germany, with President Clinton to attend the semiannual U.S.-EU Summit meeting, announced the conclusion of the first set of agreements under the Transatlantic Economic Partnership (TEP) trade dialogue, begun one year ago in London.

"The steps we announce today are the first in a series of those designed to create new opportunities for American manufacturing and service industries, give both parties more confidence in regulatory processes, and help us strengthen guarantees of food safety," said Ambassador Barshefsky. "They will also help us develop new areas of consensus as we approach a new Round of trade negotiations at the WTO."

"These steps will help reduce unnecessary transatlantic trade barriers, open new areas for negotiation," Ambassador Barshefsky concluded, "and help us strengthen the world's largest economic relationship in years to come."

Trade Ministers and Leaders from the United States, the European Commission and Germany (holding the current EU presidency) were pleased to report that a year after its inception, the TEP has produced milestones in several areas. These include:

- A finalized text of a precedent-setting U.S.-EU framework agreement for negotiating mutual recognition in services that will ease trade for firms in the fastest growing sector of the U.S. economy. US-European services trade is already \$130 billion a year, and services will be a central focus of the new WTO Round. This text is now being reviewed by both sides.
- Agreement to initiate negotiations to add a new sector, marine safety equipment, to the existing sectors covered by the U.S.-EU Mutual Recognition Agreement of 1998.
- Establishment of a joint pilot project aimed at acceptance by regulatory authorities on both sides of the common data requirements that could underlie each other's decisions regarding approval of biotechnology products. This could reduce uncertainty faced by U.S. firms wishing to export medical and agricultural products developed through biotechnology.
- Finally, agreement by the U.S. and EU to establish an early warning system on food safety to alert one another to proposed regulatory changes in food safety; and a rapid alert system to ensure that third countries have timely warning of threats to food safety.

USTR Fact sheet attached.

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TRANSATLANTIC ECONOMIC PARTNERSHIP

FACT SHEET ON PROGRESS ACHIEVED

The United States and European Union (EU) have the world's largest trade and investment relationship, supporting millions of jobs on both sides of the Atlantic, creating growth for Americans, Europeans and the world, and generating investment and scientific research in virtually all industrial and agricultural

sectors. Bilateral discussions and advice from the private sector and civil society groups, however, identify significant areas in which the U.S. and EU can realize mutual interests, promote mutually beneficial trade, and advance shared values.

Thus, at the Summit in London on May 18, 1998, we agreed to establish the Transatlantic Economic Partnership (TEP). The TEP builds on the New Transatlantic Agenda, adopted in 1995, to reduce persistent trade barriers. One year later, the TEP has achieved significant progress in standards and regulatory barriers, biotechnology and food safety. This work will lead to more transparent regulation; reduced paperwork; and enhanced trade in manufacturing, services and agriculture, while ensuring high standards of product and food safety.

TEP Services - Framework MRA

In the area of services, we aim to make it significantly easier for U.S. professionals and firms to operate in the European marketplace. To support this goal, we have finalized the text of mutual recognition framework agreement, which is being reviewed on both sides. This agreement provides for the necessary principles and rules under which to conduct mutual recognition, that will potentially facilitate trade in services, from professional services to financial services.

Services represent 75% of the U.S. GDP and is the fastest growing sector of our economy. The framework agreement will create mutually beneficial new business opportunities in a bilateral relationship that already exceeds \$130 billion in bilateral services trade and help build consensus for the next WTO round of negotiations on services. At the same time, the agreement protects our environmental, health, safety and consumer protection concerns.

Under the framework, the U.S. and the EU will agree to recognize the licenses or certifications granted in each other's regulatory systems in selected services sectors. Through such European recognition, this agreement will significantly expand market opportunities and lower costs for U.S. firms and professionals.

In the coming months, once agreement is reached on the framework, we hope to achieve concrete results in important sectors such as engineering, insurance, and other sectors in which U.S. firms and professionals set the international standard for competitiveness.

TEP Biotech - Pilot Project

In a continuation of U.S. and EU efforts to improve the review process of transgenic plants prior to commercialization, the U.S. and the EU adopted a TEP pilot project, which will enable a comparison of certain U.S. and EU environmental review processes for transgenic plants. Under one component of the

project, U.S. and EU regulators will compare certain aspects of their scientific review of biotech product applications. Under the second aspect, U.S. and EU regulators will monitor the other's processing of an application filed simultaneously in the United States and the EU by a willing participant. The proposed pilot project would focus on the technical and scientific issues which are part of the regulatory approval process. More timely and transparent regulation in the EU will remove a growing trade irritant and contribute to potentially increased sales of innovative American biotechnology products in the EU.

Food Safety

Food safety is an important issue in both the United States and the EU. Both are committed to providing their citizens the highest levels of protection. At the same time, both want to reduce potential trade problems in this area. To that end, the U.S. and EU committed to several initial but important steps.

The U.S. and EU have agreed to pursue the establishment of an early warning system on food safety. The U.S. and the EU are exchanging information on their respective legislative and regulatory initiatives in food safety which could relate to transatlantic trade. Both sides are also exchanging information on their systems for a rapid alert system to inform third countries of food safety problems. Also, the two sides are pursuing a formal arrangement to cooperate in the exchange of information and education in the risk assessment area.

Standards and Regulatory Barriers

Sectoral Initiatives

U.S. and EU officials have also been working on a first package of sectors in which technical barriers to trade can be eliminated. We agreed to intensify work in the following sectors.

On marine safety equipment (e.g., lifejackets, lifebuoys, rescue boats, lifeboats, life rafts, evacuation systems, deck coverings), we expect to begin negotiations to add this sector to the existing Mutual Recognition Agreement (MRA). Negotiations will cover conformity assessment procedures - i.e., testing or certifying for each other's regulations - and possibly recognition of each other's technical requirements. We hope to conclude negotiations this year.

On cosmetics, we will implement the quadrilateral (U.S., EU, Canada, Japan) work program, which will aid in a better understanding of our respective systems. This work program covers the basic safety of ingredients and products, exchange of data and scientific reviews, an alert system for dangerous goods, UV filters for sun screens, preservatives, colours, and animal testing. Work will be done on each of these areas in advance of a second full meeting early next year.

On calibration, we are conducting work on the link between the technical and trade aspects of the recognition of measurements underlying specific tests conducted to assess conformity with regulatory

requirements. In general, the U.S. and E.U. ensure measurement accuracy and quality through periodic calibration of test equipment.

On road safety equipment (e.g., traffic barriers, crash cushions and breakaway signposts), we have already undertaken considerable preparatory work. We agreed to complete this necessary work in the near future, with a view to possibly adding this sector to the EU/US MRA next year.

On elevators, we agreed to initiate a new regulatory dialogue to identify and understand current regulations and procedures on manufacturing and installation. We agreed to continue working in the International Organization for Standardization, which is developing an international standard establishing essential technical requirements for this equipment.

Cooperation and Transparency

Technical barriers to trade -- duplicative regulation, unnecessary paperwork, incompatible standards and so forth -- may reduce trans-Atlantic trade by up to \$3-5 billion, and impose especially severe burdens on small and medium-sized companies.

To address these problems, the U.S. and EU conducted a thorough review of the transparency of our respective regulatory procedures. Both sides prepared papers, which were subjected to detailed questions and comments. On the basis of the final papers, which are available to the public, we will begin developing principles and guidelines to improve participation and openness of our regulatory procedures. We hope, by enhancing the ability of both sides to consult and provide views on standards and regulations, to identify potential problems early and prevent them from emerging as serious disputes.

We have also examined ways our regulatory agencies have been cooperating, both bilaterally and multilaterally. On this basis, we will begin developing principles and guidelines to improve further our cooperation.

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For Immediate Release Contact: Helaine Klasky

June 30, 1999 Amy Stilwell

(202) 395-3230

APEC Advances Global Trade Liberalization

United States Trade Representative Charlene Barshefsky lauded progress made this week at the APEC Trade Ministers meeting in Auckland, New Zealand.

"APEC Trade Ministers made concrete progress in advancing APEC's agenda to open world markets, both regionally and in support of the WTO," stated Ambassador Barshefsky. "This Ministerial demonstrates that APEC continues as a leader and catalyst for global market opening and trade liberalization."

"As host of the 1999 WTO Ministerial in Seattle, Washington, I am particularly pleased that the APEC Ministers expressed strong support for new WTO negotiations to be launched in Seattle," stated Ambassador Barshefsky. At this meeting, APEC Ministers gave support to the WTO by agreeing that market access, including agriculture, services and industrial tariffs, should form the core of new WTO negotiations, and that they should be completed within three years.

APEC Ministers also indicated their clear continuing support for the "accelerated tariff liberalization" (ATL) initiative by endorsing further work to build support for an ATL agreement this year in the WTO (covering eight sectors: chemicals, forest products, medical equipment and scientific instruments, environmental goods, energy, fish, gems and jewelry, and toys). "I am pleased that the APEC Ministers sent a strong signal both that they support industrial tariff negotiations in the WTO and that an early "accelerated tariff liberalization" agreement would give impetus to these negotiations," Ambassador Barshefsky said.

APEC Trade Ministers also agreed that APEC proposals to cut or eliminate tariffs in five other sectors (fertilizer, civil aircraft, rubber, oilseeds and food) should be pursued in upcoming WTO negotiations on agriculture and industrial tariffs.

Concrete progress was also made in advancing a new APEC initiative to "strengthen the functioning of markets," an important effort which will bolster economic reform in the region and help ensure against future crises. APEC Ministers approved a framework for developing this initiative, which will focus on such areas as greater transparency (e.g. transparency in government procurement), improved corporate governance and electronic commerce.

* * * *

Additional information on the APEC Trade Minister's meeting may be obtained from the USTR Public Reading Room, 600 17th Street, N.W., Washington, DC.

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