

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

OFFICE OF PUBLIC & MEDIA AFFAIRS
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For Immediate Release Contact: Tom Tripp

September 10, 1999 Helaine Klasky

Amy Stilwell

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Statement of United States Trade Representative Charlene Barshefsky

at the Conclusion of the APEC Ministerial Sessions in Auckland, New Zealand

(Auckland, New Zealand, September 10, 1999)

"During the past two days, APEC Ministers conducted a thorough, thoughtful and intensive set of discussions on how APEC can make a contribution to the WTO. From the outset, there was strong shared desire among APEC Ministers to once again make a significant contribution to advancing the work of opening markets in the multilateral trading system. Our chief aim for this meeting was for APEC members to send a strong message of support for the WTO and the launch of a new Round at the Ministerial this November in Seattle. The strong statement we have issued underscores our conviction that continued progress in opening markets and expanding trade opportunities is the best means of securing prosperity and growth for the region, and for the world.

"The result today means that APEC economies -- accounting for nearly half of world trade -- are ready to aggressively pursue accelerated market access and launch a new Round with a focused agenda.

"In particular, our statement goes well beyond the one that APEC Ministers made in June when we endorsed a three-year negotiation, and called for non-agricultural tariffs to be included in the agenda, along with the already agreed areas of agriculture and services. It provides critical impetus to the launch of new WTO negotiations in Seattle. Specifically, our meeting has produced the following concrete results:

Endorsement by all APEC members for the launching of a new WTO round of multilateral trade negotiations in Seattle;

Agreement that the new Round should result in the abolition of agricultural export subsidies, and a pledge to participate constructively in upcoming agriculture negotiations;

Agreement in Seattle to extend the current moratorium on customs duties on electronic commerce;

Endorsement to achieve at Seattle an agreement on transparency in government procurement;

With respect to the eight accelerated tariff liberalization (ATL) sectors, which APEC forwarded to the WTO last year for early agreement, we have agreed to continue to work, as we pledged last year, for agreement on these sectors in 1999, so that we may finalize the details and begin implementing a completed agreement next year. We have also agreed that implementation of ATL should be undertaken on a provisional basis, with final agreement part of the conclusion of the Round. This last point is meant to provide impetus to the ATL initiative by ensuring that it will enhance, rather than undercut, efforts to move the new Round to conclusion.

- We have made clear that the new Round must address the concerns of developing countries by providing timely market access, greater attention to capacity building and technical assistance.

"Each of these areas of agreement will provide real momentum to our efforts to open world trade in the WTO as we approach the Seattle Ministerial. Once again, APEC has proven its ability to be a leading force in the multilateral trading system. We look forward to working with our APEC and other WTO partners in a way that builds on this momentum, to produce an ambitious, forward-looking outcome in Seattle.

"In addition to our statement on the WTO, we have reached agreement in other areas critical to the advancement of our regional and global trade objectives. Specifically:

We have agreed to strengthen and sharpen APEC's own mechanisms for expanding trade, through reform of the Individual Action Plan and Collective Action plan process.

In keeping with New Zealand's theme of "strengthening the functioning of markets," we have agreed on a range of activities to increase transparency and improve corporate governance. These actions go to the root of many of our trade problems in the region and will help maintain the momentum of economic reform in Asia.

We have also affirmed our support for a transparent and science-based approach to the introduction and use of biotechnology products, and agreed to discuss this matter next year based on a report of experts on technical work now underway in APEC."

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For Immediate Release Contact: TOM TRIPP

September 17, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

United States Signs Textile Agreements with Macedonia and Romania

The Office of the United States Trade Representative has signed textile agreements with Romania and Macedonia, two "front-line" border states which suffered economic damage during the Kosovo conflict. Under the agreements, certain wool apparel would be exempt from quota, provided that the garments are made from wool fabric produced in the United States.

"We are pleased to enter into textile agreements with Romania and Macedonia which will be of mutual benefit to these countries and to U.S. workers and industry," stated United States Trade Representative Charlene Barshefsky. "This new initiative was created to serve the dual purpose of encouraging economic development in two countries whose economies were adversely affected by the conflict in Kosovo, while enhancing export growth of our domestic wool fabric producers."

The textile agreements with Romania and Macedonia were signed on September 10 and September 17, respectively, and will take effect on January 1, 2000. The agreements were concluded under an Outward

Processing Program for Textiles and Apparel. To date, this program has not been used outside the Western Hemisphere and will be limited to certain wool products exported from Romania and Macedonia.

Imports of certain wool products from Macedonia were \$39.1 million for the year ending June, 1999. Imports of such products from Romania were \$25.7 million for the same period.

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For Immediate Release Contact: TOM TRIPP

September 17, 1999 Helaine Klasky

Amy Stilwell

U.S. - South Africa Understanding on Intellectual Property

United States Trade Representative Charlene Barshefsky today announced that the Governments of the United States and South Africa have come to an understanding with respect to South Africa's urgent need to provide better, more affordable health care while ensuring that intellectual property rights are protected. This understanding was reached working through the mechanism of the Council of the Trade and Investment Framework Agreement (TIFA).

"The Government of South Africa is battling a very serious AIDS pandemic," stated Ambassador Barshefsky. "The United States Government fully supports President Mbeki and his Government in their effort to combat this problem and is committed to do whatever it can to help.

Both Governments also have reaffirmed their shared objective of fully protecting intellectual property rights, including their commitment to comply with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement). They recognized that this Agreement is designed to ensure high levels of intellectual property protection while enabling governments to address national social needs.

Between these shared commitments, the two governments have identified common ground with respect to South Africa's implementation of its so-called "Medicines Act." "The United States very much appreciates South Africa's assurance that, as it moves vigorously forward to bring improved health care to its citizens, it will do so in a manner consistent with international commitments and that fully protects intellectual property rights," continued Ambassador Barshefsky. "This will enable us to set aside this issue from our bilateral trade agenda. Moreover, once GSP is re-authorized by Congress, new GSP benefits granted to South Africa in June 1998 will be implemented."

Ambassador Barshefsky also welcomed a September 9 announcement by the Pharmaceutical Manufacturers Association of South Africa that it will suspend litigation over the Medicines Act. Barshefsky observed: "I am hopeful that this suspension, coupled with progress made between our two governments, will enable all interested parties to develop together the best possible approach to addressing this serious situation, while protecting important intellectual property rights."

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For Immediate Release Contact: TOM TRIPP

September 24, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

USTR Welcomes State and Local Support of the 1999 WTO Ministerial

United States Trade Representative Charlene Barshefsky applauded resolutions recently adopted by the National Governors' Association (NGA) and by the Western Governors' Association (WGA) which express support for the 1999 WTO Ministerial Conference and reinforce the importance of trade liberalization. The WTO Ministerial will be held in Seattle, Washington, from November 30 to December 3, and will launch a new Round of global trade negotiations.

"United States Governors are keenly aware that the economic well-being of their constituents increasingly depends upon our ability to sell U.S. goods, services, and farm products to the rest of the world," stated Ambassador Barshefsky. "WTO rules help to do this by lowering trade barriers abroad."

Other state and local associations such as the National Conference of State Legislatures (NCSL), the United States Conference of Mayors (USCM), and the Council of State Governments (CSG) have similarly expressed support for the trade rules of the WTO and the Ministerial Conference in Seattle.

"I believe there is a growing consensus among the elected leaders of our states and localities that America must continue to support open and fair trade, including trade agreements reached in the WTO, if we are to stay on the path of economic growth and prosperity at home," continued Ambassador Barshefsky. "I look forward to working with state and local officials in the coming months and years to achieve these objectives."

The resolutions passed by the NGA and the WGA may be obtained from <http://www.nga.org/Pubs/Policies/EDC/edc-wto.asp> and <http://www.westgov.org/wga/policy/99/99008.htm>, respectively.

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For Immediate Release Contact: TOM TRIPP

September 27, 1999 Helaine Klasky

Amy Stilwell

On September 24, Deputy United States Trade Representative Susan Esserman and MITI Vice Minister Hisamitsu Arai met to launch a dialogue on steel trade issues between the United States and Japan. Reprinted below is the joint U.S.-Japan press statement which sets forth the objectives of these talks.

* * * *

September 24, 1999

**Joint Press Release by the Government of the United States and the Government of Japan
on the U.S.-Japan Steel Dialogue**

1. Today the Government of the United States and the Government of Japan have decided to launch a "U.S.-Japan Steel Dialogue." The purpose of the Dialogue is to review conditions of steel industries in the two countries with a view to promoting market-based trade in a competitive environment and to exchange views on possible approaches to global overcapacity through multilateral fora. The Dialogue will be conducted in a manner consistent with international trade rules and without prejudgments

concerning trade practices.

2. The Dialogue will be conducted at the vice minister level, and at the director level. The vice minister level dialogue will be held periodically, as necessary. The director level dialogue will be held twice a year and more frequently, as necessary, alternately in Japan and the U.S., unless otherwise decided; with the results of these discussions to be reported to the vice minister-level dialogue.

3. In principle, the agenda of the Dialogue will be as follows:

- (1) Steel trade patterns;
- (2) Conditions of the steel industries in the U.S. and Japan;
- (3) Policies affecting the steel industries in the two countries; and
- (4) Global steel issues.

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For Immediate Release Contact: TOM TRIPP

Wednesday, September 29, 1999 Helaine Klasky

Amy Stilwell

United States and Turkey Sign Trade and Investment Framework Agreement

United States Trade Representative Charlene Barshefsky and Turkish Minister of Industry and Trade Ahmet Kenan Tanrikulu will sign a Trade and Investment Framework Agreement (TIFA) today in Washington, D.C. This agreement will expand trade and investment opportunities between our two countries and further strengthen our historically close ties with Turkey.

"I am very pleased that we have reached a Trade and Investment Framework Agreement with Turkey. Our trade relationship is strong and growing; this agreement will strengthen it still further" stated United States Trade Representative Charlene Barshefsky. "The TIFA is a remarkable opportunity. Working together, we can make the most of a growing bilateral trade relationship; and we can find consensus on the policies that will help us create an open and prosperous region. I am confident that a closer relationship will boost trade and investment opportunities - - both of which can begin to help the Turkish economy to recover from the damage of the recent earthquake" Ambassador Barshefsky stated.

The TIFA establishes a Council on Trade and Investment, composed of representatives of both governments, and chaired by USTR and Turkey's Undersecretariat for Foreign Trade. The Council will meet regularly to discuss specific trade and investment matters, negotiate agreements where appropriate, and identify and work to remove impediments to trade and investment flows. The TIFA opens a permanent dialogue on the basic issues of trade, 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.

Trade between the U.S. and Turkey since 1993 has doubled. In 1998, Turkey's exports to the United States were valued at \$2.5 billion, consisting principally of textiles, apparel, tobacco and iron and steel. U.S. exports to Turkey that year were \$3.5 billion, mainly aircraft, machinery, tobacco and medical and optical instruments. U.S. direct investment in Turkey in 1998 was \$1.1 billion.

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For Immediate Release Contact: TOM TRIPP

Wednesday, September 29, 1999 Helaine Klasky

Amy Stilwell

UNITED STATES AND BAHRAIN SIGN BILATERAL INVESTMENT TREATY

The United States and Bahrain today signed a Bilateral Investment Treaty (BIT). United States Trade Representative Charlene Barshefsky and Bahraini Minister of Finance and National Economy H.E. Abdullah Hassan Saif signed the treaty in Washington, D.C.

"The United States and Bahrain enjoy a strong and close relationship, with the foundation of our shared commitment to peace and stability in the Gulf, and a bilateral trade relationship whose value now approaches half a billion dollars a year," United States Trade Representative Charlene Barshefsky said. "The U.S.-Bahrain Bilateral Investment Treaty will help us build a still stronger economic relationship, and therefore a broader partnership for the decades ahead. For Americans, these measures will offer additional confidence in Bahrain as a center of business and trade in the Gulf. Our hope is that it will be the first in a series of steps that strengthen and diversify America's commercial relationship with the entire Gulf region," stated Ambassador Barshefsky.

The U.S.-Bahrain BIT guarantees the right to invest on terms no less favorable than those accorded domestic or third-country investors, in most sectors. It also guarantees the free transfer of capital, profits

and royalties, freedom from performance requirements that distort trade and investment flows, access to international arbitration, and internationally recognized standards for expropriation and compensation. In addition, the Treaty obligations ensure maximum transparency in investment. Bahrain has also reaffirmed its commitment to implement all obligations related to the World Trade Organization (WTO) Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000.

This BIT is the first signed with a Gulf nation. The BIT is the 22nd signed during the Clinton administration and the 45th signed overall since the program's inception in 1982. The treaty will be conveyed to the U.S. Senate for ratification.

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For Immediate Release Contact: TOM TRIPP

Thursday, September 30, 1999 Helaine Klasky

Amy Stilwell

**UNITED STATES AND ALBANIA CONFIRM CONCLUSION OF
BILATERAL NEGOTIATIONS ON TERMS FOR WTO ACCESSION**

United States Trade Representative Charlene Barshefsky and Albanian Minister of Economic Cooperation and Trade, the Honorable Ermelinda Meksi, today confirmed conclusion of bilateral negotiations for the terms of Albania's accession to the World Trade Organization (WTO) with an exchange of documents in Washington, D.C. Signaling the importance of this milestone, Albanian Prime Minister Pandeli Majko and Finance Minister Anastas Angjeli also were in attendance. Additionally, Congressman Eliot L. Engel, the Chairman of the Albanian Issues Caucus, attended the bilateral signing, stressing the need for strong U.S. -Albanian relations.

"The United States and Albania enjoy a strong and close relationship, sharing a commitment to peace, democracy, and economic development in the Balkans. Albania's accession to the World Trade Organization (WTO) will further strengthen our bilateral trade relationship," stated United States Trade Representative Charlene Barshefsky. "Albania's commitments in these negotiations are part of the broader accession negotiations that are conducted in Geneva." The promotion of rules-based free

markets and recognition of the important role trade plays in sustainable economic growth is at the core of the WTO and of the international trading system that the U.S. is working to build," continued Ambassador Barshefsky. "Albania is working hard to overcome the problems of its Communist past, to become a part of the world trading system, and to give the Albanian people the prosperity and democracy they desire."

"We look forward to working with Albania within the WTO system on a day-to-day basis and in the new Round of negotiations to be launched later this year in Seattle," stated Ambassador Barshefsky.

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FOR IMMEDIATE RELEASE Contact: Tom Tripp

Friday, October 1, 1999 Helaine Klasky

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USTR ANNOUNCES ALLOCATION OF THE REFINED SUGAR AND SUGAR CONTAINING PRODUCTS TARIFF-RATE QUOTAS FOR 1999-2000

United States Trade Representative Charlene Barshefsky today announced the allocation of the refined sugar and sugar containing products tariff-rate quotas by country today. Ambassador Barshefsky announced that 25,000 metric tons (27,558 short tons) of the 60,000 metric tons (66,139 short tons) for refined sugar will be allocated to Mexico in order to fulfill obligations pursuant to the North American Free Trade Agreement (NAFTA). As a result of an agreement reached with Canada, 10,300 metric tons (11,354 short tons) of refined sugar and 59,250 metric tons (65,312 short tons) of the tariff-rate quota for certain sugar-containing products maintained under "Additional U.S. Note 8 to chapter 17 to the Harmonized Tariff Schedule of the United States" will be allocated to Canada. Separately, an additional 2,954 metric tons (3,256 short tons) of refined sugar will be allocated to Mexico. The remainder of the refined sugar tariff-rate quota will be available on a first-come, first-served basis, including the 14,656 metric tons (16,155 short tons) reserved for specialty sugars. The remainder of the sugar-containing products tariff-rate quota will be available for other countries:

Under the NAFTA, the United States is to provide total access for raw and refined sugar from Mexico of 25,000 metric tons, raw value, for this quota period in conjunction with Mexico's net surplus producer status. Once the raw sugar tariff-rate quota has been established, this allocation is subject to the condition that the total imports of raw and refined sugar from Mexico, combined, is not to exceed 25,000 metric tons raw value. The allocation of the refined sugar and sugar containing products tariff-rate quotas to countries that are net importers of sugar are conditioned on receipt of the appropriate verifications. Conversion factor: 1 metric ton = 1.10231125 short tons.

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For Immediate Release Contact: TOM TRIPP

October 5, 1999 Helaine Klasky

Amy Stilwell

Corrected version

United States' Submission to Japan on Deregulation and Competition Policy Underscores the Need for Japan to Adopt Bold New Measures

United States Trade Representative Charlene Barshefsky today announced that the United States Government's submission to Japan on deregulation and competition policy will be presented formally to Japanese Foreign Minister Kono by Ambassador Thomas Foley in Tokyo on Wednesday, October 6. The 45-page submission, which calls on Japan to adopt bold regulatory reforms in key sectoral and structural areas of the Japanese economy, builds on the progress achieved by both governments under the bilateral Enhanced Initiative on Deregulation and Competition Policy. The key sectors addressed by the U.S. submission include: telecommunications, medical devices and pharmaceuticals, housing, financial services, energy, distribution, legal services, competition policy, and transparency.

"The Japanese Government must continue to vigorously move forward in implementing fundamental regulatory reforms, deregulating broad segments of its economy, and establishing the rules and resources needed to ensure effective competition policy and transparency in its administrative practices," stated

Ambassador Barshefsky. "The United States' experience with deregulation over the past 20 years demonstrates the tangible and positive benefits that result when the interests of consumers are placed at the top of regulatory policy objectives. Japan's challenge, to promote job creation, reward entrepreneurship, and bring the benefits of deregulation to the Japanese consumers, is to take bold actions to further open its economy."

In May 1999, President Clinton and Prime Minister Obuchi announced the Second Joint Status Report under the Enhanced Initiative on Deregulation and Competition Policy, and agreed to continue their efforts for a third year. Both Governments set March 31, 2000 as the target date for the issuance of a Third Joint Status Report which will detail new deregulation measures designed to further open Japan's economy and increase market access for U.S. and foreign firms.

Background: The following highlights key proposals from the United States submission to Japan:

Telecommunications: Pursuant to measures contained in the Second Joint Status Report, it is imperative that Japan further reduce interconnection rates as much as possible and ensure that the relationship between retail rates and interconnection rates does not impair local competition. This year, the United States calls on Japan to adopt a "**Telecommunications Big Bang**," dedicated to fundamentally re-orienting Japan's telecommunications policies and regulatory framework to the needs of a competitive, digital era. At present, Japan's institutional regulatory oversight capabilities in the telecommunications sector are ill-suited to the fast-changing needs of a technology and Internet-driven economy -- as demonstrated by the persistence of high prices and the slow introduction of the technologies and services that are revolutionizing communications and electronic commerce elsewhere. The U.S. seeks to speed the transformation of capital investments into growth-producing services by eliminating the widespread restraints (exercised mainly by NTT and its affiliates) that prevent new entrants from gaining access to essential inputs--facilities, services, rights-of-way--that new entrants need to deliver next-generation services to Japanese consumers.

Medical Devices and Pharmaceuticals: Under the Enhanced Initiative, the Government of Japan recognized the value of innovation of pharmaceuticals so as to allow such pharmaceuticals to be introduced into Japan for the benefit of Japanese patients, and to shorten the approval process for new drug applications to 12 months by April 2000. In addition, the United States' proposals this year call on Japan to introduce concrete measures to: (1) increase the availability of innovative pharmaceutical products; (2) further improve the predictability of Japan's medical device and pharmaceutical approval and reimbursement processes; (3) reward performance enhancements for medical devices; and (4) ensure transparency in the development of new medical device and pharmaceutical pricing rules.

Energy: Per the Second Joint Status Report, Japan will implement in July 2000 amendments to the Electric Utility Industry Law to adopt certain performance-based standards and allow self-inspection for standards conformity for electrical equipment used in power facilities. The U.S. proposals in the energy sector in this year's submission to Japan are designed to further assist in the successful transition from a monopolistic to a competitive energy sector in Japan by: (1) reducing regulatory and other barriers that discourage investment and market entry; (2) implementing appropriate incentives and disciplines for pro-competitive behavior; and (3) providing for full transparency in setting and implementing rules and procedures so that appropriate and fair rules are set and rational business decisions can be made.

Housing: As agreed under the Enhanced Initiative, by June 2000, Japan must establish and implement a system to allow nationwide acceptance and evaluation of test data for building methods and materials. This year, in addition to continued focus on core forest products issues, the United States has put forward proposals to address land use policy and building code issues, including proposals to revise Japan's Land and House Lease Law (*Shakuchi Shakka Ho*), the Building Standards Law, and housing finance policies in order to promote home renovation and construction of quality rental housing. In addition, the United States has proposed new measures addressing barriers to non-wood housing materials.

Financial Services: Japan's Financial Services Big Bang initiative is fundamental to raising the efficiency and competitive of Japanese financial markets, and supporting Japan's future growth. We have welcomed and taken an active interest in this initiative, following on from our 1995 financial services agreement, and as a part of the Enhanced Initiative. As Japanese financial markets become more open and competitive, ensuring a transparent regulatory and supervisory process becomes even more critical. The financial services proposals in this year's U.S. submission will both support the development of financial markets and allow Japan to take maximum advantage of the expertise that has been built up world-wide.

Distribution: Japan agreed under the Enhanced Initiative to closely monitor local governments' implementation of the Large-Scale Retail Store Location Law (*Daiten-Ricchi Ho*) to ensure that the purpose of the new Law is not impeded, to establish a contact point in MITI to facilitate resolution of complaints, and to take appropriate measures to facilitate resolution of complaints from any interested party regarding the application of the Law. In the U.S. submission this year with regard to implementation of the *Daiten-Ricchi Ho*, the United States urges Japan to: (1) ensure maximum transparency by using public comment procedures when adopting or issuing implementing measures; (2) take concrete measures to receive and facilitate resolution of complaints from any interested party regarding the application of the *Daiten-Ricchi Ho*; (3) undertake a broad education campaign of local government officials responsible for implementing *Daiten-Ricchi Ho*; and (4) ensure that MITI and the relevant local governments take all necessary and appropriate measures to remove obstacles faced by any store opener in opening a large-scale retail store during the transition phase from the old *Daiten-Ho* to the *Daiten-Ricchi Ho*. With respect to import processing, in order to achieve processing times comparable to other major countries, the United States urges Japan to continue to modernize and expedite its customs clearance procedures by, among other things, (1) improving pre-clearance procedures between Japanese customs administration and all other relevant Japanese Government agencies; and (2) establishing a "one-stop office" to coordinate simultaneous processing of all legal permits required for importation.

Competition Policy: In the Second Joint Status Report, Japan acknowledged that *min-min kisei* or "private regulations" must not become substitutes for former government regulations and agreed to actively eliminate market entry restrictions by trade associations or other entities when they violate the Antimonopoly Law. In addition, the United States proposes that Japan strengthen its competition policy regime by: (1) ensuring the continued independence of the JFTC following Japan's central government reorganization in 2001; (2) strengthening the JFTC's criminal investigative powers and procedures; (3) increasing efforts by the National Policy Agency to investigate criminal big rigging, i.e., *dango*, in local government procurement; and (4) introducing legislation to permit private parties to seek court orders to stop illegal anticompetitive conduct.

Transparency: Following strong U.S. advocacy, Japan adopted public comment procedures designed to increase the transparency of its regulatory processes, and agreed to follow-up on the implementation of these procedures to ensure that they are being properly implemented. This year, the United States calls on Japan to institute a government-wide policy requiring a "Regulatory Impact Analysis," including the application of cost/benefit analyses, on proposed regulatory changes which have a significant economic impact. The U.S. is also putting forward detailed proposals to improve and streamline Japan's cumbersome licensing and approvals processes.

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For Immediate Release Contact: TOM TRIPP

October 7, 1999 Helaine Klasky

Amy Stilwell

CANADA OPENS DOORS TO U.S. HOGS

The Office of the United States Trade Representative and the U.S. Department of Agriculture announced today that, effective immediately, Canada has opened its market to U.S. hogs. In response to urging by the U.S. government and extensive consultations between U.S. and Canadian officials, the Canadian Food Inspection Agency issued a directive which amends the Canadian regulations on how to import U.S. hogs.

"The United States is pleased that Canada has finally made the necessary regulatory changes to facilitate trade in U.S. hogs between our two countries," stated U.S. Trade Representative Charlene Barshefsky. "Combined with the opening of slaughter facilities in Canada, these new regulations, will not only help to avoid serious bottlenecks in processing and distribution, but will provide U.S. producers with additional market outlets for their production."

"We expect that these regulatory changes and new processing facilities opening in Canada may result in U.S. producers exporting as many as 50,000 hogs in the year 2000, worth about \$4 million at today's market prices, with significant growth in future years," said Agriculture Secretary Dan Glickman. "This is an important step that will significantly help U.S. hog producers."

As part of a broader agriculture agreement reached between the United States and Canada on Dec. 4, 1998, Canada committed to change its animal health requirements to allow U.S. hogs from 37 states designated as free of the hog disease pseudorabies to move into Canada. Canada made initial changes to their animal health regulations last December, but certain barriers related to procedures for the handling and distribution of hogs remained in place. The new regulations streamline the procedures for handling and distributing hogs, increasing the window of time facilities have to slaughter hogs after they arrive in Canada, and give the facilities more options for disposing of hog waste. The certification procedures required to ship hogs from the U.S. were also simplified. These modified regulations make it economically feasible for U.S. producers to ship hogs to Canada.

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For Immediate Release Contact: Tom Tripp**October 13, 1999 Helaine Klasky****Amy Stilwell****President Clinton Sends Third Report on the Operation of the
Caribbean Basin Economic Recovery Act to the Congress**

On October 12, President Clinton submitted the Third Report on the Operation of the Caribbean Basin Economic Recovery Act (CBERA, also known as the Caribbean Basin Initiative, or CBI) to Congress. United States Trade Representative Charlene Barshefsky said, "The report indicates that the CBERA has benefitted both the countries of the region and the United States. Since the program began in 1984, U.S. exports to the region have more than tripled to \$19.2 billion."

A 1984 trade deficit with the region became a trade surplus of over \$2 billion by 1998. At the same time, exports from CBERA countries to the U.S. increased from \$8.9 billion in 1984 to \$17.1 billion in 1998. Taken together, the countries of the region are the seventh largest market for U.S. exports, greater than France, absorbing 3% of total U.S. exports.

The Caribbean Basin Economic Recovery Act (CBERA) was passed in 1983 and amended in 1990. It was intended to facilitate the economic development and export diversification of the Caribbean Basin economies. The CBERA provides beneficiary countries duty-free access to the U.S. market for all products not excluded by the law. It also imposes conditions countries must meet to be designated beneficiaries and maintain that status.

Further enhancement of CBI benefits is a key element of the U.S. strategy to assist the countries of the region rebuild their economies following last year's hurricanes. CBI enhancement will also serve as a step toward reciprocal hemispheric trade liberalization as envisioned in the Free Trade Area of the Americas (FTAA).

CBI enhancement is also important in the context of our broader relationship with the region. Access to U.S. markets for goods granted preferential treatment through the CBERA program and the parallel growth of non-traditional exports provides an important alternative to drug trafficking in the region. More recently,

migration pressures from countries in Central America severely affected by Hurricane Mitch have strengthened considerably. Access to the U.S. market is key to encouraging investment needed to rebuild capacity and provide jobs for people in their home countries. The Administration is committed to work with Congress to obtain passage of CBI enhancement legislation as soon as possible.

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For Immediate Release Contact: Tom Tripp**October 13, 1999 Helaine Klasky****Amy Stilwell****(202) 395-3230****U.S. TRADE REPRESENTATIVE DESIGNATES THREE
NEW DUTY-FREE ZONES IN JORDAN AND ISRAEL**

United States Trade Representative Charlene Barshefsky designated the Al-Kerak Industrial Estate, Ad-Dulayl Industrial Park, and Al-Tajamouat Industrial City as three additional "qualifying industrial zones" (QIZ) from which goods can enter the United States duty-free. The American embassies in Amman, Jordan and Tel Aviv, Israel notified the Jordanian and Israeli governments of Ambassador Barshefsky's decision on October 8. Ambassador Barshefsky informed visiting Jordanian King Abdallah of the designations as well during her meeting with him on October 8.

"With each qualifying industrial zone," said Ambassador Barshefsky, "Jordan and Israel are demonstrating that as common interests grow and economic cooperation develops, peace can be strengthened."

Ambassador Barshefsky explained that designation of the three new QIZs fulfils a promise made last year, "that in time we would see more qualifying industrial zones, more economic cooperation, more jobs and more prosperity in the Middle East."

Israel and Jordan already have two QIZs established: Gateway and Irbid. Development of Gateway, designated as a QIZ in May of this year, is expected to be completed early in the year 2,000 with eight companies, employing 3,000-4,000 people. Irbid, the first QIZ designated in 1998, has been expanded from its current 104 acres to over 200 acres and is expected to employ up to 10,000 when the second phase of its expansion is completed in 2000. Eighteen new companies have reserved space in the expansion, joining the fifty companies already operating at Irbid.

Joining the ranks will be Al-Kerak, a government-owned industrial estate which will be ready for occupancy by the end of 1999; Ad-Dulayl, a privately owned industrial park run by the Middle East Agricultural and Trading Company (MEATCO) which is ready for rapid development by light, medium, and large industries; and Al-Tajamouat, a privately owned industrial park within which over twenty factories currently operate.

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

The Irbid industrial park, designated by Ambassador Barshefsky on March 6, 1998, was the first qualifying industrial zone and laid the groundwork for future designations. The first QIZ agreement created a Joint Committee to identify businesses located within the zone that involve substantial economic cooperation between Israel and Jordan. Goods processed in the zone by businesses identified by the Committee are eligible for duty-free entry into the United States if they meet the requirements of the legislation and proclamation. The legislation requires articles to be produced in the zone and specifies that value added in the zone, Israel, the West Bank and Gaza Strip must be no less than 35 percent of the total value of the product. An Israeli Customs Station located at the Sheikh Hussein Bridge between Israel and Jordan is part of the Irbid zone and monitors the flow of inputs from Israel to the Industrial Parks in Irbid, Gateway and now the three additional QIZs: Al-Kerak Industrial Estate, Ad-Dulayl Industrial Park, and Al-Tajamouat Industrial City.

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For Immediate Release Contact: TOM TRIPP

October 15, 1999 Helaine Klasky

Amy Stilwell

Corrected Version (Change to 3rd paragraph - last line)

**WTO Appellate Body Finds That Certain Canadian Dairy Programs
Constitute Export Subsidies**

United States Trade Representative Charlene Barshefsky applauded an October 13 WTO appellate body decision which sustains the U.S. allegation that Canada's "Special Milk Classes" schemes are inconsistent with its WTO obligations and constitute export subsidies.

"This ruling holds countries to their commitment to refrain from providing illegal export subsidies and demonstrates that efforts to circumvent WTO commitments will not be tolerated," stated Ambassador Barshefsky. "We expect Canada to immediately comply with the appellate body decision. By reinforcing the disciplines on agricultural export subsidies which bind all WTO members, this ruling provides a strong basis for entering a new Round of trade negotiations on agriculture."

The appellate body modified the panel's earlier decision on Canada's limitation on fluid milk imports. It

confirmed that Canada's \$20 limitation on each importation of fluid milk was inconsistent with Canada's WTO obligations. However, it concluded that restrictions limiting imports to consumer packaged milk for personal use were consistent with Canada's schedule.

Background

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

Canada also established an annual tariff-rate quota for fluid milk as part of its Uruguay Round market access commitments. The United States also challenged Canada's administration of the tariff-rate quota on the grounds that it denied access to commercial shipments of fluid milk. However, Canada maintained that the tariff-rate quota was limited to imports for personal use by the importer and the importer's household.

On March 17, a WTO dispute settlement panel found that Canada's export subsidies and import restrictions on dairy products violated WTO obligations. The panel report sustained the United States' challenge that the pervasive involvement of Canada's federal and provincial governments in a system that provides low cost milk to processors for export makes that program an export subsidy, and the export subsidies on dairy products are a violation of Canada's obligations under the WTO Agreement on Agriculture. The panel also found that Canada's limitation of market access for fluid milk was inconsistent with its obligations under the WTO. The panel's report was circulated to WTO members on May 17. On July 15, Canada notified the WTO that it was appealing the panel report.

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For Immediate Release Contact: TOM TRIPP

October 25, 1999 Helaine Klasky

Amy Stilwell

USTR Statement on the Passing of Senator John H. Chafee

United States Trade Representative Charlene Barshefsky today issued the following statement regarding the death of Senator John Chafee:

"I was deeply saddened to learn of the passing of Senator John Chafee. America has lost a leader of conscience and commitment.

"Since 1976, Senator Chafee has tirelessly represented the people of Rhode Island without regard to partisan politics. He has left an indelible mark on health care policy, environmental reform, and international trade policy.

"I am honored to have worked very closely with Senator Chafee on increasing open and fair trade for American workers, consumers and business. A visionary, Senator Chafee worked to forge consensus on important trade issues, and he consistently brought the benefits of trade home to his constituents by

supporting important trade initiatives such as the Uruguay Round agreement and NAFTA.

"John Chafee was a true gentleman and statesman. His leadership and wise counsel will be greatly missed. My sincere condolences go out to his wife, Virginia, and their family."

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Contact: Tom Tripp

Helaine Klasky

For Immediate Release Amy Stilwell

October 28, 1999 (202) 395-3230

UNITED STATES APPEALS PANEL DECISION IN FSC DISPUTE

The Office of the United States Trade Representative today announced that it has appealed to the WTO Appellate Body the dispute settlement panel decision involving the Foreign Sales Corporation (FSC) provisions of the U.S. Internal Revenue Code.

"We believe that the panel committed multiple legal errors on both substantive and procedural issues, and we will present those errors to the Appellate Body," stated United States Trade Representative Charlene Barshefsky. "A careful review of the history of this issue, the facts of record, and the applicable WTO legal rules concerning income tax measures should result in a reversal of the panel's decision."

The Appellate Body is expected to issue its ruling in late January or early February of next year.

Background

In a decision released to the public on October 8, 1999, the panel ruled that the FSC tax exemption constitutes a prohibited export subsidy under 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 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.)