EXECUTIVE OFFICE OF THE PRESIDENT

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November 2, 1999 Helaine Klasky

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USTR ANNOUNCES ALLOCATION OF THE RAW CANE SUGAR TARIFF-RATE QUOTA FOR 1999-2000

United States Trade Representative Charlene Barshefsky today announced the country-by-country allocations of 1,135,000 metric tons (1,251,123 short tons) of the raw cane sugar tariff rate quota for Fiscal Year 2000. These allocations are based on the countries' historical trade to the United States.

The 1,135,000 metric tons for raw cane sugar are being allocated to the following countries in metric tons, raw value:

<u>Country</u> <u>FY2000 Allocation</u>

Argentina 45,283

Australia 87,408

Barbados 7,372

Belize 11,584

Bolivia 8,425

Brazil 152,700

Colombia 25,274

Congo 7,258

Cote d'Ivoire 7,258

Costa Rica 15,797

Dominican Republic 185,346

Ecuador 11,584

El Salvador 27,381

Fiji 9,478

Gabon 7,258

Guatemala 50,549

Guyana 12,637

Haiti 7,258

Honduras 10,531

India 8,425

Jamaica 11,584

Madagascar 7,258

Malawi 10,531

Mauritius 12,637

Mexico 25,000

Mozambique 13,690

Nicaragua 22,115

Panama 30,540

Papua New Guinea 7,258

Paraguay 7,258

Peru 43,177

Philippines 142,169

South Africa 24,221

St. Kitts & Nevis 7,258

Swaziland 16,850

Taiwan 12,637

Thailand 14,743

Trinidad-Tobago 7,372

Uruguay 7,258

Zimbabwe 12,637

Total 1,135,000

This allocation includes the following minimum-quota countries: Congo, Cote d'Ivoire, Gabon, Haiti, Madagascar, Papua New Guinea, Paraguay, St. Kitts & Nevis, and Uruguay.

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. The 25,000 metric tons, raw value, of raw cane sugar allocated to Mexico pursuant to the NAFTA are subject to the condition that the total imports of raw and refined sugar from Mexico, combined, are not to exceed 25,000 metric tons raw value. The allocations of the raw sugar tariff-rate quota 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.

United States Trade Representative Charlene Barshefsky announced the country allocations for the refined sugar and sugar-containing products tariff-rate quotas on October 1, 1999 (USTR Press Release 99-82) and published notice of the country allocations for those quotas in the Federal Register on October 7, 1999 (Federal Register Volume 61, Number 1941, page 54719).

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99-91

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ACCELERATED TARIFF LIBERALIZATION IN FOREST PRODUCTS SECTOR

EXPECTED TO HAVE SMALL ENVIRONMENTAL EFFECTS

The Office of the United States Trade Representative (USTR) and the Council on Environmental Quality (CEQ) today released a joint report on the accelerated tariff liberalization initiative (ATL) in the forest products sector. The report concludes that ATL will have no environmental impact in the United States. Globally, the ATL's environmental impacts are likely to be mixed and small. This was based on an interagency assessment of the incremental economic and environmental impacts resulting from forest product tariff reductions as proposed in the ATL.

"This thorough review has not found significant environmental risks associated with tariff reduction in forest products," said George Frampton, Acting Chair of the Council on Environmental Quality. "Our experience in conducting this review underscores the utility of open and informed dialogue about the potential environmental impacts of trade agreements and will serve us well as the Administration prepares to assess additional environmental issues associated with the new WTO round."

"This analysis demonstrates that further opening trade in the forest products sector is consistent with our commitment to environmentally sustainable economic growth." said United States Trade Representative Charlene Barshefsky. "I am pleased that this study concluded that tariff liberalization in this sensitive sector will not harm our country's forests and will have little effect on forests worldwide."

The study focuses on the potential effects of the ATL initiative on the United States but also addresses the global potential implications. Among the study's key findings are:

- •For the United States, the ATL's environmental impacts on U.S. forests are expected to be indistinguishable compared to what would be the case in the absence of the ATL;
- •For the United States, the composition of international trade and domestic production will be marginally affected and reinforce the trend toward greater domestic output of processed products;
- •The environmental effects of the ATL are likely to be mixed and small;
- •Globally, by 2010, compared to the baseline, the ATL is projected to increase aggregate world trade in forest products by a maximum of 2 percent, timber harvest by 0.5 percent, and aggregate world production and consumption of forest products by less than 1 percent; and
- •The composition of world trade will change with the greatest increases in value-added manufactures and declines in trade in raw materials and semi-processed products.

Background

The initiative for Accelerated Tariff Liberalization (ATL), began in APEC (Asia Pacific Economic Cooperation forum) in 1997 as a way of taking steps toward the stated APEC goal of free and open trade in the region by 2010 for developed countries and 2020 for developing countries.

In November 1997, APEC Trade Ministers selected forest products, along with seven other sectors for further work to achieve early comprehensive liberalization. The other seven sectors are: chemicals, energy and energy-related goods, environmental goods, fish and fish products, gems and jewelry, medical and scientific equipment and toys. The eight sectors represent a balanced package and reflect the interests of both developed and developing countries.

In November 1998, APEC Trade Ministers agreed to transfer to the World Trade Organization (WTO) the negotiation of tariff liberalization in the eight sectors and to work there to achieve the critical mass necessary to conclude the agreements. Conclusion of an agreement on the ATL initiative by the Seattle Ministerial is a priority for the United States.

After the announcement of the proposed initiative for the ATL in forest products among member countries of the WTO, many environmental organizations expressed concern that these forest product tariff reductions would lead to increased timber harvest and, as a result, potential environmental degradation. In response, the Office of the United States Trade Representative and the White House Council on Environmental Quality led an inter-agency team of experts to analyze the economic and environmental effects of the initiative. Input from the public regarding the analysis and associated concerns were obtained through a request in the Federal Register on June 25, 1999.

The report assesses the incremental economic and environmental impacts likely to result from changes in the timing and scope of forest product tariff reductions as proposed in the ATL. The report's analysis of environmental effects focuses on possible changes in timber harvest, in both the United States and worldwide, and rests directly on an analysis of the economic (trade, production, and consumption) effects of the initiative. The environmental analysis is not a review of baseline trends in world forest area or condition; the analysis also does not attempt to determine, in detail, those levels, patterns, and methods of timber harvest that are "sustainable". It is an examination of:(1) the direction and magnitude of change in timber harvest that can be attributed to the ATL; and (2) the location of this change in harvest.

This analysis of the ATL is based on four sources of information: (1) simulation results using large-scale, forest products sector and trade models; (2) literature describing analyses of the general effects of tariffs and tariff reductions on trade; (3) literature that specifically addresses the role of tariffs and tariff changes in forest products trade; and (4) a review and assessment of all comments submitted in response to the request published in the Federal Register.

Further, while the Administration has taken action with this review to assess the potential environmental impacts of trade in forest products, its international environment agenda also includes significant investments in forest conservation and management programs. For example, the U.S. Agency for International Development provides more than $50 million annually on tropical forest and biodiversity conservation programs. The United States is also the largest donor to the Global Environment Facility (GEF), a multilateral program that includes major forest conservation investments in developing countries.

Fact Sheet on Accelerated Tariff Liberalization

What is Accelerated Tariff Liberalization (ATL)?

- ATL began in APEC (the Asia Pacific Economic Cooperation forum) in 1997 as a way of taking steps toward the stated APEC goal of free and open trade in the region by 2010 for developed countries and by 2020 for developing countries.
- In November, 1997, APEC Trade Ministers selected forest products, along with seven other sectors, for early comprehensive liberalization, including trade liberalization, trade facilitation, and economic and technical cooperation (technical assistance). The other seven sectors are: chemicals, energy and energy related goods and services, environmental goods and services, fish and fish products, gems and jewelry, medical and scientific equipment, and toys.

- The forest products sector includes wood chemicals, wood, rattan, pulp, paper, printed materials, wood furniture and prefab housing.

- In November, 1998, APEC Trade Ministers agreed to move the tariff elements of the eight sectors to the WTO and to work there to achieve the critical mass necessary to conclude the agreements. The WTO initiative is known as Accelerated Tariff Liberalization (ATL). An agreement in ATL will result in the elimination or harmonization of tariffs in the eight sectors among a critical mass of countries. Other elements of the sectoral liberalization work program - including non-tariff measures, trade facilitation, and economic and technical cooperation - remain in APEC.

Economic Benefits of Accelerated Tariff Liberalization

- The eight ATL sectors represent a balanced package and reflect the interests of both developed and developing countries. Trade liberalization in the eight sectors will create jobs, increase productivity and competitiveness, build a manufacturing base, provide more export opportunities, attract investment, and improve the standard of living. Increased efficiencies in manufacturing processes and rising incomes resulting from the ATL should have positive effects on the environment.

- For forest products in particular, the elimination of tariffs will have several benefits. It can be expected to help:

- decrease the cost of housing, making decent housing available to more people around the world. Decreased construction costs are particularly important because the construction sector is a major driver of economic development in most countries, including the United States.

- decrease the price of furniture and improve the selection for consumers.

- decrease the cost of both raw material inputs and packaging materials, which will lower production costs across virtually the entire spectrum of manufactured products, while improving the overall quality of paperboard and paperboard boxes.

- improve access to higher quality and lower cost publishing and printed materials, stimulating commercial activities and providing cultural and educational benefits.

- eliminate tariff escalation in the sector with the greatest impact on value-added wood products. Tariffs on logs are already zero in most countries. In the United States, the ATL will decrease the export of U.S. logs and change the composition of U.S. production to more value-added wood products, which is good for the environment and good for U.S. business.

U.S. tariffs on forest products

- The United States already has zero tariffs on many forest products, including logs, lumber, pulp, newsprint, wallpaper, books, and furniture -- and, under a Uruguay Round agreement, is in the process of phasing out its remaining paper and printed materials tariffs by 2004.

- U.S. tariffs on wood are bound at an average 1.8%. However, the applied rate on most wood imports is already free under various regional agreements and the Generalized System of Preferences (GSP). For example, over 70% of U.S. imports of wood products originate in Canada and enter duty-free under the North American Free Trade Agreement.

Congressional interest in forest products trade liberalization

- Trade liberalization in the forest products sector has been a longstanding Congressional priority. The Uruguay Round resulted in agreements between the United States and its major trading partners to eliminate tariffs on pulp, paper, printed materials, and furniture. Wood tariffs were also substantially reduced, but the Uruguay Round initiative to eliminate wood tariffs among major trading partners failed. As a result, in the legislation implementing the Uruguay Round, Congress cited forest products as one of the sectors in which complete tariff elimination was still a priority and gave the President residual negotiating authority to accomplish this objective.

Accelerated Tariff Liberalization in the Forest Products Sector:

A Study of the Economic and Environmental Effects

Executive Summary and Key Findings

INTRODUCTION

This study assesses the incremental economic and environmental impacts resulting from changes in the timing and scope of forest product tariff reductions as proposed in the Accelerated Tariff Liberalization initiative (ATL) in forest products among member countries of the World Trade Organization (WTO). The study's analysis of environmental effects focuses on possible changes in timber harvest, in both the United States and worldwide, and rests directly on an analysis of the economic (trade, production and consumption) effects of the initiative.

After the announcement of the proposed ATL initiative, many environmental organizations expressed concern that these forest product tariff reductions would lead to increased timber harvest and, as a result, potential environmental degradation. In response, the Office of the United States Trade Representative and the White House Council on Environmental Quality committed to analyze the economic and environmental effects of the initiative and requested comments from the public.(1)

The environmental analysis is not a review of baseline trends in world forest area or condition; the analysis also does not attempt to determine, in detail, those levels, patterns, and methods of timber harvest that are "sustainable." Instead, it is an examination of (1) the direction and magnitude of change in timber harvest that can be attributed to the ATL; and (2) the location of this change in harvest.

Forest Context

Forests worldwide are significantly influenced by factors that exist both within the forest sector and in the broader economic, social and environmental context. Domestic market and policy initiatives (within and outside the forestry sector) are major causes of deforestation in most countries, although the effect of domestic policies may be exacerbated by interaction with international markets. Major causes of deforestation and forest degradation also include agricultural subsidies, large scale industrial development projects, corruption, population pressures, lack of secure land tenure arrangements, fuelwood demand, domestic wood harvest and consumption, and the absence of an economic environment supportive of sustainable forest management. International trade in forest products is not a major factor affecting global forest conditions and management, though the effects can be locally or nationally significant in some exporting countries.

Nevertheless, the relationship of international trade in forest products to sustainable forest management is generally receiving greater attention. Trade initiatives like the ATL have heightened this attention in the United States. The relationship between international trade and local/national forest conditions will also be influenced by national policies and national capacity related to the production of wood products in exporting and importing countries. Key among these are the implementation and enforcement of sound regulations for wood harvesting and processing.

Description and History of the ATL

The United States sought elimination of all tariffs in the forest products sector during the Uruguay Round of trade negotiations that concluded in 1993. The round resulted in a "zero for zero" (reciprocal tariff elimination) agreement which included the United States, Canada, Finland, Austria, Singapore, Hong Kong, Japan, the European Union, Korea and New Zealand for paper products (chapters 47, 48 and 49 of the global "Harmonized System" of tariff classification) by 2004, and an agreement between major producing countries to eliminate tariffs on all furniture (not just wood) by 1999. At the same time, there was an agreement to reduce, over five years, tariffs on wood products. In the United States, such reductions amounted to just over a one-third cut in average tariff levels from an average tariff level of 3.1 percent to an average tariff level of 1.8 percent.

The forest products ATL is one component of an eight-sector initiative that began as an effort of the Asia Pacific Economic Cooperation (APEC) forum. The set of sectoral trade liberalization initiatives was designed as a balanced package with elements of interest to both developed and developing countries. Further liberalization of trade in these sectors is expected to yield a broad set of economic, social and environmental benefits to the United States and other countries.

The ATL initiative includes further reductions and acceleration in the timing of reductions of tariffs agreed to as part of the Uruguay Round. Because of the implementation schedule of the Uruguay Round zero-for-zero agreement on pulp, paper and printed materials, different disciplines have been proposed for these commodities than for the other products covered by the proposal. The proposal is:

- •For wood chemicals, wood, rattan, wood furniture and prefab housing, developed countries would eliminate tariffs by January 1, 2002. The proposal suggests that developing countries should strive to meet the same targets, but accepts that in special circumstances and on a case-by-case basis, elimination could be delayed until January 1, 2004.
- •For pulp, paper and printed products, existing parties to the Uruguay Round zero-for-zero agreement would accelerate tariff removal to January 1, 2000. Others would attempt to remove tariffs by the same date, but developing countries could delay tariff removal until January 1, 2002 on a case-by-case basis for a limited number of specific products.

Methodology

The analysis begins with an examination of the initiative's effects on trade in forest products. The ATL's trade effects are examined in the broader context of forest products markets, both domestic and international. This broader context provides a basis for judging the initiative's effects on total production and consumption - and through this, the initiative's effects on timber harvest. Timber harvest is used as a broad-scale, summary indicator of the environmental changes that may be triggered by the ATL. This "coarse filter" approach is intended to reveal the possible existence and approximate magnitude of environmental consequences.

This analysis of the ATL is based on four sources of information: (1) simulation results using large-scale, forest products sector and trade models (see Appendix V); (2) literature describing analyses of the general effects of tariffs and tariff reductions on trade (see Appendix III); (3) literature that specifically addresses the role of tariffs and tariff changes in forest products trade (with specific reference to estimates of the effects of the Uruguay Round) (see Appendix III); and (4) a review and assessment of public comments on the initiative (see Appendix VI). All four sources provide support for the estimate reached in this analysis of the type and magnitude of effects that the ATL is likely to have. Further support for these conclusions is provided by an independent analysis of the effects of the initiative.[2] Due to certain characteristics of the modeling simulations, throughout the analysis, estimates of economic impacts reflect the maximum likely effects.

FINDINGS

Effects in the United States

The ATL initiative will likely have no distinguishable impacts on aggregate U.S. timber harvests compared to distinguishable from what would be the case in the absence of the ATL. The initiative is likely, however, to modify the composition of products manufactured from the harvested timber. The primary impact of the ATL will be on the composition, rather than aggregate absolute levels, of U.S. forest products consumption and trade. U.S. consumption of most forest products is projected to change by less than 1 percent; consumption of wood-based panels may increase and consumption of sawnwood and paper and paperboard may decline relative to the baseline by the 2010. The total volume of U.S. international trade in forest products will likely not change significantly as a result of the ATL, compared to the baseline. With respect to composition of trade modifications, U.S. exports of some paper and board products, sawnwood and some panel products are likely to increase as a result of the ATL initiative; U.S. exports of logs and wood chips are projected to decline. U.S. imports of wood-based panels, especially veneer-based panels, are

projected to increase, compared to the baseline. U.S. imports of other wood products can be expected to decline relative to the baseline.

Global Effects

By 2010, compared to the baseline, the ATL is projected to increase aggregate world trade in forest products by a maximum of 2 percent, timber harvest by 0.5 percent, and aggregate world production and consumption of forest products by less than 1 percent. The economic model simulations' characteristic of reflecting the maximum likely effects is particularly pronounced with respect to developing countries.

As in the United States, at the worldwide level the ATL will likely lead to greater changes in the composition and patterns of trade than in the aggregate volume of trade in forest products. The greatest increases in trade (as much as 6 percent by volume) will occur in value-added manufactures (such as panels, other manufactures and furniture) and paper; trade in raw materials and some semi-processed products is projected to decline, with trade in logs likely to decline by 5 percent by volume, compared to the baseline.

The ATL will affect geographic patterns of trade. Developed countries are likely to import more wood-based panels and other solid wood manufactures while developing countries are likely to import more paper and paperboard products.

The ATL is likely to cause incremental increases in timber harvests in some countries, including Australia, Chile, China, Finland, Indonesia, Malaysia, New Zealand and Sweden. For example, for Malaysia and Indonesia, these increases will be in the range of 2.6 and 4.4 percent, respectively, by 2010, compared to the baseline. Increases for Sweden and Finland will be in the range of 7.6 and 11 percent, respectively. The ATL is also projected to lead to reductions in timber harvesting in some countries. Decreases in Mexico and Russia will be in the range of 2.1 and 4.1 percent, respectively.

The ATL's effect on timber harvest appears likely to reinforce existing trends toward timber harvest based on plantations and intensive management of secondary forests. On balance, it appears likely that decreases in timber harvesting will be concentrated in primary (natural) forests and that increases will be concentrated in secondary forests and plantations. This expectation is based on current resource conditions and patterns of harvest in countries where timber harvesting is likely to increase. It is also consistent with the raw material requirements of products whose trade and production is projected to increase.

Global Environmental Implications

Changes in timber harvest are used as the indicator of environmental impact projected to be caused by the ATL. As a consequence of the ATL, global timber harvest is projected to be a maximum of 0.5 percent greater than baseline in 2010. This expected change in world timber harvest is the net effect of both increases and decreases as large as 11 percent in individual countries. Projected increases in timber harvesting will be concentrated for the most part in countries that are currently major producers and exporters of forest products (except the United States, as noted above).

Increased harvest in managed secondary forests and plantations is projected to account for more than half the net increase in timber harvests. Increased reliance on such sources may lead to expansion of the area devoted to intensive management practices. This can result in the expansion of forest area or restoration of vegetation on degraded land. Plantations and intensive forest management are also recognized as reducing pressure to disturb natural forests. However, conversion of natural forests to plantations may have negative environmental consequences due to loss of biological diversity and habitat for native species. In addition, plantation management, including pesticide and fertilizer use, could lead to water and habitat impacts.

The ATL is likely to result in positive environmental changes by reducing timber harvest in some countries. The ATL may also lead to positive environmental changes if it stimulates increases in manufacturing efficiency in export-oriented developing countries. In addition, the overall ATL initiative (of which forest products is but one of eight sectors) may contribute to increasing income and rising standards of living in developing countries. Increases in income contribute to decreases in consumption of fuelwood[3] and increases in consumption of other wood products -- as well as greater interest in the ecological functions of forests.

There is uncertainty associated with estimates of the effects of the ATL on forest trade. Important sources of this uncertainty are the difficulty in determining baseline conditions against which the effects of the ATL must be judged, and volatility in key determinants of these baseline conditions (such as timber supplies and forest policies, rates of economic growth, exchange rates, and developments in other sectors). In addition, the analysis also does not explicitly account for the effects of provisions of existing regional trade agreements (RTAs), and RTAs currently under negotiation, many of which liberalize trade in forests products. This may lead to an overestimation of the ATL's effects. The analysis also does not take into account the fact that some trade in forest products already faces reduced tariffs as a consequence of programs such as the Generalized System of Preferences, further contributing to the overestimation of the ATL's effects. The greatest uncertainty is associated with estimates of the initiative's effects on the production and trade patterns of individual countries. However, there is sufficient information to conclude that the incremental effects of the ATL are likely to be small at the world scale, and small as compared to the effect of changes in factors that determine baseline conditions.

Conclusions

The study concludes that the ATL will have no distinguishable impacts on aggregate U.S. timber harvest compared to what would be the case in the absence of the ATL. At a global level, compared to the baseline, the maximum projected effects of the ATL by the year 2010 are to increase aggregate world trade in forest products by 2 percent, timber harvest by 0.5 percent, and aggregate world production and consumption of forest products by less than 1 percent. It should also lead to greater changes in the composition and patterns of trade than in the aggregate volume.

The ATL is unlikely to alter the proportion of the world's timber harvest that comes from developing countries (including tropical) as compared to developed countries. Developed countries are likely to account for at least two-thirds of increases in timber production resulting from the ATL. Developed countries also will account for the majority of expected decreases in production.

The findings of this study do not suggest the need for a separate U.S. domestic environmental policy response to the ATL. However, the study does provide two valuable insights: the importance of (1) further improvement in baseline data in order to expand the usefulness of future analyses and thereby extend the understanding of the relationship between international trade in forest products and sustainable forest management; and (2) bilateral, regional and multilateral cooperation, including continued technical assistance to help countries develop environmentally sound national forest management policies and practices.

CONCLUSIONS (taken from the text of the study, pp. 15-17)

This study's analysis reflects the *maximum* likely effects of the ATL tariff liberalization initiative. Its central findings include that the ATL initiative will likely:

· have mixed impacts on the volume of U.S. trade across various forest product categories. The new composition of traded forest products should create additional U.S. economic opportunities at the sub-sector and firm level;

· marginally reinforce the trend in the United States toward export of value-added, processed products and away from export of unprocessed products such as logs and wood chips;

· have no distinguishable impacts on aggregate U.S. timber harvest compared to what would be the case in the absence of the ATL;

· lead to an increase in world trade in forest products by a maximum of 2 percent in 2010 and in world production and consumption of forest products by less than 1 percent over the same time frame;

· lead to an increase in global timber harvest of not more than 0.5 percent over baseline predictions for 2010;

· lead to greater changes in the composition and patterns of trade than in the aggregate volume of trade in forest products at the worldwide level;

· marginally accelerate the baseline trend away from natural forests toward harvesting of secondary managed forests and plantation forests; and,

· result in more efficient use of raw materials based on increased competitiveness in the value-added forest products sector, such as processed wood products.

Environmental Considerations

Environmental effects of the ATL are likely to be mixed (both positive and negative) and small.

For the United States, the ATL's environmental impacts on U.S. forests are expected to be indistinguishable compared to what would be the case in the absence of the ATL. U.S. exports of some paper and board products are likely to increase as a result of the initiative; U.S. exports of logs and wood chips are likely to decline. Taken together with no distinguishable aggregate change in levels of harvest, this result implies marginally greater domestic processing and fewer exports of unprocessed raw material.

On a global scale, the initiative will likely increase annual timber harvesting by not more than 0.5 percent in 2010, compared to the baseline. This expected change in timber harvesting is the net effect of projected increases of as much as 9 percent in some countries and decreases of more than 11 percent in other countries. These general conclusions are accompanied by uncertainty regarding specific changes in production, consumption, and trade that can be reasonably attributed to implementation of the ATL. On balance, it appears likely that decreases in timber harvesting (relative to the baseline projections) will be concentrated in primary (natural) forests and that increases in timber harvest (relative to the baseline projection) will be concentrated in secondary forests and plantations.

Increased timber harvest in countries that rely largely or exclusively on plantations may lead to expansion of the area of plantations, or the use of more intensive management practices. From a biodiversity conservation perspective, the shift over time from harvest of primary forest to plantation forest may be a positive environmental consequence. The net environmental consequences of these trends are uncertain. For example, reforestation for plantation use may result in restoration of degraded land and watershed protection. However, increases in plantation forestry may also increase pesticide and fertilizer use, and may also lead to water and habitat impacts.

At the country-specific level, the ATL is likely to increase timber harvests in some developing and developed countries, while reducing timber harvests in others. The environmental consequences of increased timber harvest (such as habitat and biodiversity loss) may be a concern, especially in countries with poorly developed forest protection regimes; however, increased harvest in managed, secondary forests and plantations is likely to account for more than half of any net increase in timber harvests due to the ATL. For developing countries, such concerns should also be placed in the context that on average only five percent of timber harvest (including fuelwood) in developing countries enters international trade.

Positive environmental changes may also be a result of the ATL; these include increases in manufacturing efficiency in export-oriented developing countries and reductions in timber harvests in some countries. To the extent that the multi-sector ATL contributes to increasing income, fuelwood consumption may decline in some developing countries. Fuelwood currently accounts for more than half of world timber harvest and more than 80 percent of timber harvest in developing countries.

Policy Implications

The findings of this study do not suggest the need for a separate U.S. domestic environmental policy response to the ATL. The study does, however, provide at least two valuable insights which could inform future work relating to potential impacts outside the United States: the importance of (1) further improvement in baseline data in order to expand the usefulness of future analyses and thereby extend the understanding of the relationship between international trade in forest products and sustainable forest management; and (2) bilateral, regional, and multilateral cooperation, including continued technical assistance to help countries develop environmentally sound national forest management policies and practices. The study's findings should be fully integrated into the policy deliberations of U.S. government agencies with jurisdiction over matters of natural resources, environment, trade, commerce, development assistance, and foreign affairs.

The analytic and methodological experience gained from the production of this study will also inform U.S. policymaking. At the domestic level, it is instructive for the ongoing consideration of the potential environmental impacts of trade agreements and the methodological issues connected with that effort. At the international level, it may be a useful point of reference for other governments as they consider options for similar such analyses in their own countries. Finally, this study, and the U.S. experience with its production, will be shared with the range of relevant international and intergovernmental institutions that are or may in the future play a role in the consideration of the environmental impacts of trade liberalization.

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MYTHS AND FACTS ABOUT ECONOMIC AND ENVIRONMENTAL EFFECTS OF ACCELERATED TARIFF LIBERALIZATION

IN THE FOREST PRODUCTS SECTOR

Myth - *The ATL will lead to significant deforestation in the United States and globally.*

Fact: - The ATL will have no impact on overall levels of U.S. timber harvests compared to baseline projections for the period between now and 2010.

Globally, the ATL is likely to increase aggregate timber harvest by a maximum of 0.5 percent compared to current baseline projections for 2010. Among individual countries, Sweden and Finland are likely to have the largest growth in expected timber harvest, 7.6 percent and 11 percent respectively. Mexico and Russia are likely to have relatively greater decreases in timber harvest, 2.1 and 4.1 percent, respectively. On balance, it appears likely that decreases in timber harvesting will be concentrated in primary (natural) forests and that increases will be concentrated in secondary forests and plantations.

Indeed, fuelwood continues to account for more than half of world timber harvests and more than 80 percent of timber harvests in some developing countries. Increases in income and standards of living contribute to decreases in consumption of fuelwood.

Myth - *The ATL will force the U.S. to eliminate its ban on log exports.*

Fact: - The ATL only deals with tariffs and will not result in a change to U.S. log export rules. Moreover, as a result of the ATL, exports of U.S. logs are projected to decline.

Myth - *The ATL is likely to lead to increases in world consumption of forest products by as much as 3-4 percent.*

Fact: - The ATL will increase global consumption of forest products by less than 1 percent compared to baseline projections for the period between now and 2010.

Note: The source of the larger number of 3-4 percent was a widely-quoted speech by a private consultant and that estimate was not made with reference to the forest products ATL. Instead, it was made as part of a discussion of the potential implications of the 1997 Asian economic downturn and the potential evolution of the world's economic future in an essentially free trade environment. The consultant has since clarified the misunderstanding in comments filed in response to the request for public input made by USTR and CEQ.

Myth - *The ATL will prevent the United States from implementing its national policies to ensure the sustainable use of its forests.*

Fact: - U.S. domestic laws and programs for the sustainable use of its forests will be unaffected by the ATL. The ATL only proposes the reduction and elimination of tariffs on forest products. Those tariffs are not a part of the extensive U.S. domestic forest management scheme. Indeed, U.S. tariffs on forest products are already very low, as in most developed countries.

Non-tariff trade barriers related to forests may at some point be placed on the negotiating agenda of the WTO and are being studied in APEC. However, no decisions have yet been made, and the United States is committed to a process of active consultations with all interested stakeholders that will ensure that any U.S. negotiating objectives would not call into question legitimate forest management policies at home or abroad.

Myth: - *The ATL will lead to accelerated transmission of foreign diseases and exotic pests that will threaten indigenous U.S. forests.*

Fact: - The extensive system of U.S. sanitary and phytosanitary protections will be unaffected by the ATL as the ATL focuses on tariff liberalization. In addition, both globally and specifically in the U.S., the ATL will change the composition of international trade. In both instances, international trade of logs and semi-processed products (the most likely form in which transmission of diseases and pests will occur) is projected to <u>decline</u> as a result of the ATL.

Myth: - *Avoiding further trade liberalization in the forest products sector is in the best interest of maintaining forests around the world.*

Fact: - While we need to continue to improve our understanding of the relationship between international trade and local/national forest conditions, the effects of international trade in forest products on forest conditions and management is relatively small globally.

Factors other than international trade which significantly influence forests worldwide lie both within and outside the forest sector. Domestic market and policy initiatives are major causes of deforestation in most countries, though the effects of domestic policies can be exacerbated by interaction with international markets. Major causes of deforestation and forest degradation include agricultural subsidies, large scale industrial development projects, corruption, population pressures, lack of secure land tenure arrangement, fuelwood demand, domestic wood harvest and consumption, and the absence of an economic environment supportive of sustainable forest management.

In addition to the absolute decline in timber harvest in some countries, the ATL may produce other positive environmental changes; these could include increases in manufacturing efficiency in export-oriented developing countries and increases in incomes and standards of living in some developing

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99-92

For Immediate Release Contact: Thomas Tripp

November 3, 1999 Helaine Klasky

Amy Stilwell

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BARSHEFSKY APPLAUDS SENATE PASSAGE OF LEGISLATION ON TRADE WITH AFRICA AND THE CARIBBEAN

United States Trade Representative Charlene Barshefsky today applauded the overwhelming Senate passage of landmark legislation to strengthen America's trade relationship with sub-Saharan Africa and the Caribbean.

"Today the Senate has shown remarkable leadership in the cause of development, open markets and democratization worldwide; and has also acted to create new opportunities for Americans," said Ambassador Barshefsky. "This is a great day for Africa and the Caribbean, and a strong statement of bipartisan support for American leadership in trade policy as the World Trade Organization's Ministerial Conference in Seattle approaches."

"I want to thank particularly Senators Daschle, Lott, Roth, Moynihan, Graham, Dodd, Feinstein and Landrieu, as well as Congressman Rangel, for their hard work and leadership in moving this important legislation forward."

The Senate legislation includes the African Growth and Opportunity Act, already passed by the House; enhancement of the Caribbean Basin Initiative; as well as renewal of the Generalized System of Preferences and Trade Adjustment Assistance for displaced American workers.

The African Growth and Opportunity Act, already passed by the House, responds to an era of reform and renewal in Africa, which South Africa's President Thabo Mbeki has called an "African Renaissance." It encourages economic and political reforms, by offering reforming African nations a set of incentives and benefits that will help them grow and enter the world economy. Such benefits include expanded duty-free trade benefits, market access for textiles, support for African regional integration efforts, increased commitment by the Ex-Im Bank and Overseas Private Investment Corporation to U.S. investors in Africa, significant debt relief, and enhanced trade and investment dialogue.

"In passing the African Growth and Opportunity Act, the Senate has taken a vital step toward promoting growth and reform in Africa, and an era of mutually beneficial partnership between the United States and the nations of this continent," said Barshefsky.

The enhancement of the Caribbean Basin Initiative (CBI) takes advantage of a similar era of progress, which over the past ten years has led the region from an era of warfare and poverty to one of hope. Throughout the region, living standards have risen, and human rights and attention to core labor standards have improved immeasurably. The enhancement of CBI - a set of measures which increase trade between the U.S. and the Caribbean - will both spur further development in the region and have long-term benefits to the U.S. economy by strengthening U.S.-CBI partnerships in the textile and apparel industry. Its passage at this moment is especially important, as it will create a source of international investor confidence as Central American and Caribbean countries rebuild in the wake of Hurricanes Mitch and George.

"When our friends overseas are doing the right things - for themselves and for us - we should recognize and encourage them," said Barshefsky. "That is what the Senate has done this week by passing the Africa and CBI initiative. We will now work closely with Senate and House leaders and supporters of this bill to ensure a successful conference and rapid enactment into law."

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99-93

For Immediate Release Contact: Thomas Tripp

November 4, 1999 Helaine Klasky

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United States Trade Representative Announces Results of the Fifth FTAA Trade Ministerial

United States Trade Representative Charlene Barshefsky today announced the successful conclusion of the Fifth FTAA Trade Ministers meeting in Toronto, Ontario, Canada. This was the first meeting of the FTAA Trade Ministers since the negotiations were launched by Heads of State in Santiago, Chile, in April 1998.

"I am very pleased by the outcome of the FTAA Trade Ministerial," stated Ambassador Barshefsky. "The FTAA Trade Ministers made concrete progress in advancing the FTAA agenda and setting the course for the next phase of the negotiations. With the positive results yielded by this Ministerial we move an important step forward toward an open and fair trading system in this hemisphere that will benefit American workers, companies and consumers."

Upon reviewing the progress made over the past 18 months, Ministers directed their negotiators to develop draft texts of chapters that will comprise the FTAA agreement. The draft texts, which will initially contain brackets around controversial issues, will be completed by the next FTAA Ministerial

Meeting, set to take place in Argentina in April 2001.

The Trade Ministers reaffirmed their support for the launch of new multilateral negotiations at the WTO Ministerial Conference in Seattle next month. Of particular note was the unanimous adoption of a common position on seeking the elimination of agricultural export subsidies in the WTO.

"I welcome the shared commitment of the FTAA Trade Ministers to eliminate export subsidies on agricultural products in the WTO," stated Ambassador Barshefsky. "This action further illustrates that the FTAA and WTO negotiations are mutually supportive. We remain firmly committed to the economic integration of the hemisphere through the FTAA even as we pursue trade liberalization in other fora such as the WTO."

Ministers also adopted a package of eight business facilitation measures aimed at overcoming obstacles to doing business in the hemisphere. These measures will be implemented beginning January 1, 2000, and will facilitate business by improving customs efficiency. They consist of the following:

• Streamlined procedures for the temporary importation of goods related to business travel

• Procedures to expedite express shipments

• Simplified procedures for low-value shipment transactions

• Accessible electronic systems for the trading community and a set of common data elements to foster expedited clearance procedures

• Dissemination of information on customs procedures, laws and regulations

• Development of national codes of conduct applicable to customs officials

• Application of the 1996 Harmonized Commodity Description and Coding System at the six-digit level

• Use of risk management systems to allow for focusing of customs enforcement activities on high-risk goods and travelers while facilitating clearance and movement of low-risk goods

Companies and Associations, including FedEx, JBC International, the National Customs Brokers and Forwarders Association of America, the Conferencia Latino Americana de Companias Express, and the Joint Industry Group, have applauded the agreement on customs measures.

In addition to the customs measures, Ministers adopted transparency measures designed to facilitate business by taking advantage of the internet to make available information on the FTAA countries' laws, regulations and procedures in the various areas of trade policy.

Ministers also agreed that business facilitation will be an ongoing process and directed negotiators to develop a second set of business facilitation measures to be presented to Ministers at their next meeting in April 2001.

Ministers also reaffirmed their commitment to the principle of transparency in the negotiating process and as an important step toward broadening public understanding and support for the FTAA. The Trade Ministers welcomed the first report of the Committee of Government Representatives on the Participation of Civil Society which presents the range of views received by the Committee from individuals and organizations in the hemisphere in written submissions regarding the FTAA negotiations. The report of the Committee will be posted on the FTAA Homepage (www.ftaa-alca.org). Ministers directed the Committee to continue obtaining comments from the public and to provide a report at the next Ministerial meeting.

Also in Toronto, 22 Ministers and Vice Ministers participated in the closing session of the first America's Civil Society Forum, which included participants from throughout the hemisphere representing a broad range of interests such as labor, environment, gender equality and poverty and social justice.

On a related matter, Ambassador Barshefsky announced the conclusion of the Inter-American Mutual Recognition Agreement (MRA) for Conformity Assessment of Telecommunications Equipment during the October 25-29 meeting of the Inter-American Telecommunications Commission (CITEL).

"Conclusion of the Inter-American MRA complements our efforts in the FTAA to further expand and integrate the economies of the Americas," stated Ambassador Barshefsky. "By simplifying conformity assessment procedures, this MRA will speed up the conformity assessment process and reduce its cost -- providing a boost to hemispheric trade in telecommunications equipment and, in turn, expanded export opportunities for U.S. telecommunications manufacturers and suppliers."

"Companies and associations - including Lucent Technologies, Motorola, Nortel, Bell South, MCIWorldcom, the Telecommunications Industry Association, the American Council of Independent Laboratories, and Underwriters Laboratories - have applauded the conclusion of the Inter-American MRA."

The Inter-American MRA will streamline the conformity assessment procedures for testing and certifying a wide array of telecommunications equipment. Telecommunications equipment is a $100 billion market, with the United States accounting for $74 billion and other nations of the hemisphere accounting for $24 billion in 1998. United States exports of telecommunications equipment to other Western Hemisphere nations totaled $8 billion.

The MRA creates a two-phase mechanism for the mutual recognition of testing results ("Phase I") and equipment certifications ("Phase II") and obligates parties participating in either or both phases to accept conformity assessments on a transparent and non-discriminatory basis. The MRA provides for parties to the agreement to decide independently at which point and to what extent they intend to acquire the rights and obligations contained in the MRA. We expect members of the Inter-American Telecommunications

Commission (CITEL) to begin to indicate implementation dates in forthcoming meetings, the next of which will take place at Guayaquil, Ecuador in December. The Federal Communications Commission of the United States has indicated it is ready now to implement Phase I (mutual recognition of testing results) and that it will be ready to implement Phase II (mutual recognition of equipment certifications) by July 2000.

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Corrected Version (corrects Typo in 3rd sentence).

99-94

For Immediate Release Contact:Thomas Tripp

November 5, 1999 Helaine Klasky

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U.S. Prevails in Dispute With Canada

Over Sport Fishing and Tourism Services

Today, United States Trade Representative Charlene Barshefsky announced resolution of the NAFTA dispute with Canada over Ontario's discriminatory regulations concerning sport fishing and tourism services. Ambassador Barshefsky stated: "I am pleased to announce that Ontario has revoked the discriminatory practices at issue. The vitality of small and medium-sized businesses in northern Minnesota was directly at stake, this action demonstrates that NAFTA works for large and small companies alike."

This ends the section 301 investigation initiated in April, but USTR will continue monitoring the situation pursuant to section 306 of the Trade Act.

Ambassador Barshefsky further stated: "We were able to address the trade matters at issue and at the same time encourage sustainable fisheries in the border lakes. I believe this sets an excellent example of how open markets and environmental objectives can be realized. This was also another precedent setting case in the level of cooperation between the U.S. federal government and a state government. Minnesota state officials participated at every stage of the consultations and negotiations with Canada. I want to thank Governor Ventura and his team for their assistance, which was critical."

Background

Since 1994, the Province of Ontario, Canada, had sought to induce U.S. recreational fishermen to use Ontario resort facilities and services (lodging, fishing guides, boats, etc.) by limiting the amount of certain fish they could catch and keep in certain lakes that straddle the Minnesota-Ontario border, unless they lodged or otherwise spent money on the Ontario side. The restrictions, applied to150 miles of the border, unfairly discriminated against U.S. resorts, fishing guides, and other businesses tied to sport fishing. On April 29, 1999, USTR initiated a section 301 investigation pursuant to a petition filed by the Border Waters Coalition. After several sessions, including consultations under Article 2006 of the NAFTA, Ontario revoked the "stay overnight" requirement and other discriminatory measures.

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For Immediate Release Contact:Thomas Tripp

November 15, 1999 Helaine Klasky

Amy Stilwell

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U.S., CHINA SIGN HISTORIC TRADE AGREEMENT

BEIJING, November 15, 1999 – U.S. Trade Representative Charlene Barshefsky and National Economic Council Director Gene Sperling today announced the successful completion of bilateral talks on China's accession to the World Trade Organization.

Ambassador Barshefsky and Mr. Sperling issued a joint statement that said, "We are glad that after thirteen years of negotiation, China and the United States have agreed upon a strong, commercially viable WTO agreement for China. This historic agreement is a win for American export-related jobs, for Chinese economic reform, for our global trading system and for the long-term U.S. - China relationship."

<u>Outline of the Agreement</u>

This agreement provides significant access for U.S. agriculture, industrial products and services. China will reduce both tariff and non-tariff barriers to industrial goods and farm products. The agreement contains strong provisions to address import surges and unfair trade practices. China has agreed to take specific actions to ensure fair treatment for businesses operating in China. These include limits on technology transfer requirements, offsets and export performance requirements.

Some specific examples from the agreement include:

- China will cut duties from an overall average of 22.1% to 17%.
- China will make even greater reductions on agricultural items of particular interest to the United States.
- China will establish large and increasing tariff-rate quotas for wheat, corn, rice and cotton with a substantial share reserved for private trade.
- State trading for soy oil will be phased out.
- China will eliminate export subsidies.
- American companies can provide auto financing.
- New access for U.S. companies, including banks, insurance companies and telecommunications businesses.
- Distribution rights for U.S. exporters.
- Improved access for computer services, business consulting, accounting, advertising, and financial information services.
- Increased imports of foreign films, on a revenue-sharing basis, to at least twenty films per year.
- In textiles, the U.S. and China agreed on appropriate measures to avoid market disruptions during and after the phase out of current quotas.

<u>Next Steps</u>

This agreement represents a crucial step in China's WTO accession process. Several important steps remain ahead. First China must conclude bilateral negotiations with a number of other WTO members, including the European Union. Multilateral negotiations on China's accession protocol must also be finished. China must then complete its own domestic procedures for accession.

In response to the commitments contained in the agreement signed today, President Clinton will work with other WTO member countries to gain China's entry as soon as possible and will seek from Congress the approval of permanent Normal Trade Relations (NTR).

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For Immediate Release Contact:Thomas Tripp

November 15, 1999 Helaine Klasky

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USTR Barshefsky's Press Remarks

Following Negotiations with China on the WTO

I'd like to start by introducing our team. Gene Sperling whom you all know heads the President's economic policy team, both domestic and international. Bill McCahill, our Charge d'affaires here in China who has done such an extraordinary job for us, truly extraordinary. Bob Cassidy who has been our lead negotiator, and I want to thank him most particularly for his work. Christina Lund, our chief service negotiator who has done an exemplary job. Catherine Field who has been our lawyer on this matter for 13 years at USTR.

She doesn't look it but she has been. Bob Novick my General Counsel who negotiated the protocol issues with the Chinese. Meg Lundsager of the Treasury Department who has taken care of banking securities and many, many other issues. Bernard Carreau of the Commerce Department who has taken care of a number of important issues including dumping. Theresa Howes, who with Ambassador Peter Scher in Washington negotiated with the Chinese on agricultural issues. Of course, Dan Glickman our agriculture Secretary and his fabulous team, and we did that together. Susan Shirk of the State

Department, who is one of the Administration's China experts. Ken Lieberthal our other great China expert left yesterday. He is, as you know, with the National Security Council. I think I have covered the waterfront with respect to those people.

Let me just make a couple of general comments: I think this is a profoundly important agreement for a number of reasons. As a trade agreement it obviously protects American Commercial interests and enhances significantly America's commercial interests. The agreement itself is absolutely comprehensive. It covers all goods, all services, all of agriculture. It covers a variety of rules with respect to import surges, technology transfers, state trading enterprises, and high dumping, investing, subsidies and other issues.

Second, however, this is an agreement that is fully consistent with China's own policy of economic reform and economic development. And in that regard it will exert a positive effect on the very reforms China itself is trying to make, and of course on the very economic process at which China has been quite successful. This will open markets here. It will improve the efficiency of Chinese companies. It will make them ever more competitive. I think that is a critical point.

Third, this agreement will strengthen the Rule of Law in China. And I think actually, this is the most import aspect of this agreement. The WTO is a rules-based trading regime. It encompasses almost 140 nations. And the rules, the base rules on transparency, no discrimination, judicial review, administrative independence are absolutely critical to the functioning of the modern economy.

And the notion that China will become a member of this rules-based regime is of extraordinary long term importance, not only on the commercial side, but with respect to the development of a more full body and robust legal system within China.

And of course, it goes without saying that this agreement will help to strengthen China's relations with its neighbors, will help to further stabilize the economic situation in the region here, and of course will contribute to global prosperity. The ultimate aim of the global trading system. And last, as I said in my remarks at MOFTEC, this agreement is an anchoring agreement, and in that regard in particular it is of both profound and historical importance.

The United States and China have had a rather tumultuous relationship as you know -- ups and downs and lots of swings. But an agreement of this sort - with its breadth, with its scope, with it emphasis on Rule of Law, in its consistency with China's own internal reform process -- can help to anchor the relationship between the United States and China in a most a fundamental way. And from that anchor, I think other good things will emerge, and greater stability in the overall relationship between the two countries will likewise emerge. I am happy to take questions on the details of the agreement. I would only say that we are grateful to the government of China for having the forthrightness to enter into an agreement of this magnitude and comprehensiveness. Most particularly, most particularly, both Gene and I praise the President of the United States and the President of China who, beginning in 1993 when they met at the met at the first APEC meeting, began discussing the parameters of Chinese entry into what was then the GATT System and is now the WTO. President Clinton has been so intimately involved with this issue -- including the details, including the strategy, the concepts and issues. And that leadership, that knowledge, the brilliance that he has, and his relationship with President Jiang who pursued this agreement with equal vigor, is what made all of the difference in finally achieving it. And with that, I know Gene wants to make a couple of remarks, and then I think we will have a few minutes to take questions.

Gene Sperling: As Ambassador Barshefsky said this is bigger than a trade agreement; it's about the U.S.-China relationship. It's about the future of the global economy. It's about an increasing trend of countries that have been outside of the global, rule-based trading system coming within it and becoming part of a truly open, free flowing, international economy that we believe will lead to greater freedom and greater global prosperity. We truly praise the President and leadership in China, President Jiang and Premier Zhu for putting the long-term U.S.-China relationship above short-term political expediency. This will be difficult politically for everyone involved, but it is the right thing for the U.S. economy. It is the right thing for Chinese economic reform, and it's the right thing for the future of the global economy. I want to make clear that this has been one of the highest priorities of both the Presidents' national economic team and his national security team. I want to, in addition to the people who are here, all the people that Charlene mentioned, Malcolm Lee, from my staff, and I also wanted to really thank our national security advisors, Sandy Berger, who has made the relationship with China at the top of his priority list, and the rest of our economic and security team, including Secretary Daley, Secretary Summers, Secretary Albright, Leon Feurth, the Vice President's top international advisor, Jim Steinberg, Lyle Brainard, Ken Lieberthal, Karen Tramantano, and very much John Podesta, our Chief of Staff, who with Sandy and I had to coordinate very much the difficult, but important and positive meetings. We have an excellent strategic and substantive Chief of Staff who has helped enormously. The others in the State Department, Susan Shirk, and I am sure I've forgotten some.

Let me just make one more comment before opening up to questions. We know that now we will have to make the case in the United States that this is a strong and good agreement. It resolves many of the unresolved issues from the past in a positive way. We feel that it will be very strong for U.S. export-related jobs and for some of the most important export industries in the United States, as well as being a win for Chinese economic reform and Chinese consumers. However, we will throughout the Administration put out an all out effort to work with the Congressional leadership of both parties to pass permanent normal trading relations status through the Congress. We don't expect it to be easy but we expect that when people see this deal, see the agreement and understand the importance of this for the US-China relationship and the future of the global economy, they will understand that this is in our nation's interest. Thank you.

Q: It seems that we only have about seven minutes for questions. We are writing the lead stories from here but we haven't received any details and it's very hard to write from the press releases which are extremely vague. I'm wondering if there's some way that you can leave behind or give us tonight more details? My question now is if Ms. Barshefsky could describe what were the main points of negotiation during the last six days and some

details about how they were resolved?

BARSHEFSKY: Let me give you just some general detail on the overall agreement and then talk about the resolution of some of the unresolved issues from last Spring. These are just a few quick-hit facts.

With respect to overall tariffs. Overall tariff levels on average will decline to about seventeen percent. This is an extremely good figure. With respect to agriculture, tariffs will decline sharply to roughly fourteen and-a-half or fifteen percent. In that range, there will be very significant liberalization in the agriculture sector including, most importantly, with respect to the bulk commodities: corn, wheat, cotton, soy beans. What we view as the big-ticket items. China will also not provide export subsidies. This is very important in the fields of cotton, rice, and some other areas. There will be what's called a tariff rate quota system set up in agriculture. This is a sort of the WTO mode of doing things. This will significantly enhance market access across the board, not only for bulk commodities but all the specialty agricultural products.

On industrial goods, China will grant essentially full trading rights and distribution rights; the right to import and export directly without Chinese middlemen and to market through distribution, wholesale and retail, after sale service, repair, maintenance, transport -- the entire range of distribution related services.

With respect to non-tariff barriers, China will eliminate all quotas and all quantitative restrictions. Everything I'm talking about is generally done well within five years, except in a very few cases, and in many of these areas we complete the phase-outs in two to three years. So this is an extremely strong agreement.

With respect to services. We've covered the full range of services: banking, securities, telecom, as I said, distribution, the professions, tourism, travel, transport and so on and so forth. This is just an extremely comprehensive and a very, very strong agreement.

Let me talk a little bit about the resolution of some of the unresolved issues as well as a couple of changes in the agreement. We have tried to be sensitive to concerns that China had on issues that were very difficult for China last spring in particular, while at the same time maintaining the fundamental interests of the United States. I think we have achieved an overall strengthening of this agreement. I will say in that regard we've always taken the position, very consistently for almost seven years, that the only basis on which we could do an agreement would be a commercially sound one. We've never departed from that. This agreement will pass any such test that could possibly be applied.

Two of the most important unresolved issues from last Spring had to do with special rules on import surges and on the application of a particular anti-dumping methodology called the "non-market economy" methodology. Last spring, China took the view that there must be a very restrictive phase-out of these provisions. We certainly agreed with China at that time, that these provisions should not exist in perpetuity, but we believed that they did need to exist for a reasonable period of time. With respect to what was called the "special safeguard rule" which is an anti-import surge rule into the United States, that provision will exist for 12 years. With respect to the application of the "special anti-dumping" methodology, that provision will exist for 15 years. With respect to the anti-dumping ethodology, our laws and regulations do provide for the graduation of sectors or an economy as a whole, from these rules if it can demonstrate that it has become market-oriented. And as we've indicated to the Chinese of course, to the extent that they request review of individual sectors, or the economy as a whole, we will do that under the bounds of our law.

Additional issues outstanding last Spring included, for example, audio-visual issues, most especially motion pictures, and that issue has been resolved by the agreement by China to allow for the importation of motion pictures on a revenue-sharing basis. This is extremely important, not only to our industry but to the industry in Europe, Canada and elsewhere. This is quite unprecedented.

With respect to telecom, we also clarified distribution issues on audio-visual, which were unclarified last spring, and that is the right to form joint ventures for distribution for videos and sound recordings and that has now been secured.

With respect to a critical banking issue, and that was the issue of auto finance. China has now agreed to allow non-bank, and it's the non-bank hat's most critical. Foreign financial institutions can provide auto-financing from the date of accession.

What we've done here -- because the auto sector is very important, and we have learned from many mistakes in the way which autos have been handled in Japan, over the course of many decades -- is that we have put together a very substantial auto package. To do that we agreed with China to extend to 2006 rather than 2005, the phase-down of auto tariffs in China from 80-100 percent to 25 percent. In exchange for the longer phase-out, which was important to China, we have cut tariffs more rapidly in the earlier years than under our previous understanding, because now that we have auto-finance from the date of accession, we want to insure the maximum market access - which means lower tariffs up front, the auto finance from the date of accession, and of course, we have full distribution rights as well as trade rights in that sector. This is very, very important to the United States with respect to autos.

On the question of securities, our main goal had been to insure that the Treasury Department in particular would have a forum in which to consult with China on the development of its securities market, which, as you know, is very underdeveloped. While China typically turned to Hong Kong regulators for advice, and of course they are excellent regulators, we and particularly the Treasury Department, were very anxious to be able to participate in this kind of formulation of regulations and the development of capital markets generally in China, including with respect to market access in the future. You know from Larry Summers' trip here that a capital markets dialogue has now been established to cover the totality of banking issues as well as securities and regulatory issues.

With respect to telecommunications. There was some ambiguity as to coverage of the internet from last spring. This has now been fully covered. This is terribly important for the development of the Chinese economy as well as for basic access for foreign telecommunications suppliers. In addition, we have clarified further commitments on satellites and we're pleased that we now have full coverage for satellites in the context of telecommunications.

Last, textiles. China has agreed to the incorporation in full of our bilateral textiles agreement. This is a nine-year, pre-existing agreement. Textile quotas would expire in 2005, consistent with WTO rules, but there would be an additional four years after that of a special anti-surge safeguard mechanism to insure a more orderly transition to open trade in textiles with respect to China.

Last, with respect to telecom. Originally, our conception on telecom had been quite limited. Inward investment in telecom culminating in 51 percent four or five years down the road. The 51 percent issue was a very significant issue for China. What we have done instead is to allow for 49 percent investment by foreign telecom providers in China from date of accession. This is very significant and unprecedented. Moving to 50 percent in the second year after accession. And as you know under Chinese law, contractual management and operational participation is possible in a 50/50 situation. Here again, we tried to balance a particular sensitivity of China with the absolute commercial interests of the United States, leading to an overall strengthening of the commitments particularly in terms of earlier access at a much greater level than previous contemplated.

In all of these instances, we have, I think, affected very much a win/win for the United States and China. For example, on autos where a longer phase-in was important to China because somewhat greater earlier access became important to us, in getting auto finance, we balanced our interests, and China was able to secure longer phase-in and we were able to secure tariff cuts much more consistent with the auto financing package. We've done the same in telecom and in a few other areas. We are extremely pleased with the outcome, not just because it favors the United States, but because of the way we were able to balance the interests between the United States and China in a way that strengthened both of us with respect to the overall package. Basically, the rest of the package is as you know it to be. As I said, the test for us has always and consistently been a very strong commercial agreement consistent with China's export capability and its status as one of the world's largest economies and by any measure we have achieved that goal.

Q: I need two quick clarifications. Internet, did you specifically talk about ICP investment, whether internet content providers, whether they can invest in China?

BARSHEFSKY: Yes. Yes. Yes. No longer an issue. We have rights of investment. We clearly considered that internet access issues, considering what will be the dramatic growth not only of the internet worldwide but as you can imagine in China, to be one of the big economic issues for our country. So securing that and making the internet issues clear and secure were a top priority for us.

Q: And retail banking, U.S. or foreign participation and the percentages.

BARSHEFSKY: Yes, and let me give you, let me go through the banking if I can.. Hang on.. In addition to the auto finance commitments, which would cover of course, also non-bank institutions, for example Ford Credit. It also covers the banking institutions as well.

Let me just go through the general commitments. Foreign banks will be able to conduct local currency business with Chinese enterprises two years after accession. Foreign banks will be able to conduct local currency business with Chinese individuals five years from accession. Foreign banks will have the same rights as Chinese banks within the various geographic areas, in other words national treatment. This was absolutely critical. Both geographic and customer restrictions will be completely removed in five years.

Branching of course will be permitted. I think those are the major commitments, along with securing the auto finance. With respect to securities, where China has a very underdeveloped market, this is. The capital market dialogue was absolutely critical because of the under-developed and under-regulated nature of Chinese securities markets. What we have done in securities is to, at the present time, have minority, foreign-owned joint ventures able to engage in fund management on the same terms as Chinese firms. As the scope of business expands for Chinese firms, foreign joint ventures will enjoy the same expansion in the scope of business. Again, this national treatment issue is very, very important. Minority joint ventures will also be able to underwrite domestic securities issues and underwrite trade in foreign currency denominated securities, both debt and equity. That, coupled with the Summers' capital markets dialogue as necessary regulation as developed and expanded will go hand in hand within further expansion and market access both for Chinese securities firms as well as US securities firms.

Q: What's the minority stake?

BARSHEFSKY: For the fund management companies it will be initially 33percent going up to 49 percent in three years. For the securities companies that engage in underwriting it is 33 percent.

Q: (inaudible)

GENE SPERLING: We had two meetings with Premier Zhu Rongji. There was a meeting this morning with him that was very helpful in resolving the final issues. We met with him. He came to MOFTEC and Charlene and I met with him and that was certainly a pivotal meeting resolving the last few issues.

BARSHEFSKY: Thank you.

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99-96

For Immediate Release Contact:Thomas Tripp

November 18, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

U.S. and Egypt Inaugural Trade and Investment Agreement

Cairo, Egypt -- On October 18, 1999, the United States and Egypt inaugurated the U.S.-Egypt Trade and Investment Framework Agreement in Cairo, Egypt. The first TIFA Council meeting was hosted by Egyptian Minister of Economy and Foreign Trade Youssef Boutros Ghali. United States Trade Representative Charlene Barshefsky and Minister Boutros Ghali signed the U.S.-Egypt Trade and Investment Framework Agreement (TIFA) in Washington, DC, on July 1, 1999.

"Entering into a TIFA with Egypt marked the first step toward creating freer trade between our countries, and established the basis for stronger economic ties to bolster our joint efforts at furthering peace in the region," stated Ambassador Barshefsky. "Today's inaugural TIFA Council meeting builds on this foundation and clearly demonstrates the importance that both the U.S. and Egypt attach to our bilateral economic relationship. Our continued dialogue on trade and investment issues reinforces our belief that this relationship has enormous potential for growth."

The U.S. interagency delegation was led by Assistant U.S. Trade Representative Catherine Novelli. Both sides discussed a range of bilateral trade and investment issues, including market access, intellectual property protection, government procurement and high-technology trade and investment.

Background:

The U.S.-Egypt TIFA, signed on July 1, 1999, established a Council on Trade and Investment composed of representatives of both governments, and chaired by USTR and Egypt's Ministry of Economy and Foreign Trade. The Council will meet regularly to discuss specific trade and investment matters, providing a valuable mechanism for promptly addressing these and other issues that may arise between the U.S. and Egypt. The TIFA Council's work will contribute to Egypt's competitiveness at home and abroad.

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99-96

For Immediate Release Contact:Thomas Tripp

November 30, 1999 Helaine Klasky

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(202) 395-3230

U.S. Hails WTO/UNEP Cooperation Arrangement

U.S Trade Representative Charlene Barshefsky applauded today's announcement by WTO Director-General Mike Moore and United Nations Environment Program (UNEP) Executive-Director Klaus Toepfer of a cooperative arrangement between the WTO and UNEP. Ambassador Barshefsky hailed the announcement as "an important milestone in the efforts of the international community to ensure that open trade and efforts to promote environmental protection support one another. She noted, "For some time, we have been calling for closer collaboration between these two institutions and we are gratified to see this important development occur here in Seattle."

Under this arrangement, the two organizations have pledged to take a range of actions to foster cooperation between them. This will include the sharing of information and participation in each others meetings. Of particular note is a commitment to work together on capacity building for developing countries and economies in transition in order to help build awareness of the linkages between trade, environment and sustainable development.

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99-97

For Immediate Release Contact:Thomas Tripp

December 1, 1999 Helaine Klasky

Amy Stilwell

(202) 395-3230

THE PROTECTION OF INTELLECTUAL PROPERTY AND HEALTH POLICY

United States Trade Representative Charlene Barshefsky and Health and Human Services Secretary Donna E. Shalala today announced their intention to develop a cooperative approach on health-related intellectual property matters to ensure that the application of U.S. trade law related to intellectual property remains sufficiently flexible to respond to legitimate public health crisis. In addition, Ambassador Barshefsky announced the removal of the Republic of South Africa from the special 301 "watch list."

"Recent developments in AIDS treatments give us all hope for helping those already living with HIV and for preventing new infections by interrupting maternal to child transmission. The challenge of making treatments a viable option for those who need them is one that eludes simple answers" said Secretary Shalala. "The United States will continue to work with its partner nations, multilateral organizations, industry, and affected communities to improve access to treatment."

"A modern patent system helps promote the rapid innovation, development, and commercialization of effective and safe drug therapies - therapies such as those now being deployed in the war against HIV/AIDS" said Ambassador Barshefsky. "Secretary Shalala and I believe that sound public health policy and intellectual property protection are, and must continue to be, mutually supportive."

Recognizing that health emergencies may require special measures, USTR and HHS are working together to establish a process for analyzing and evaluating health issues that arise in the application of U.S. trade-related intellectual property law and policy. When a foreign government expresses concern that U.S. trade law related to intellectual property significantly impedes its ability to address a health crisis in that country, USTR will seek and give full weight to the advice of HHS regarding the health considerations involved. This process will permit the application of U.S. trade-related intellectual property law to remain sufficiently flexible to react to public health crisis brought to the attention of USTR. It will also ensure that the minimum standards of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) are respected.

TRIPS provides minimum standards for protecting intellectual property rights. For example, TRIPS requires WTO members to grant time-limited exclusive rights through patents, while permitting use without the authorization of the right holder (e.g., compulsory licensing) under certain limited circumstances and conditions. The provisions of the TRIPS Agreement are being phased-in over time. January 1, 2000, is an important implementation date for developing countries. The Agreement takes special note of the least-developed countries; obligations on these countries generally do not apply until 2006.

Ambassador Barshefsky also announced that she is removing South Africa from the special 301 "watch list." The recent bilateral understanding developed with South Africa illustrates the complementary nature of sound public health and intellectual property policies. Under the September 17, 1999, understanding, both Governments reaffirmed their shared objective of fully protecting intellectual property rights under the WTO TRIPS Agreement, while addressing the health issues identified by South Africa. South Africa agreed that it would address health needs in a manner that fully protects intellectual property rights. Ambassador Barshefsky took this action as a result of this understanding, as well as other steps South Africa has and is taking to improve further the protection of intellectual property.

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99-98

For Immediate Release Contact:Thomas Tripp

December 10, 1999 Amy Stilwell

(202) 395-3230

USTR ANNOUNCES RESULT OF SPECIAL 301

OUT-OF-CYCLE REVIEW OF JORDAN

United States Trade Representative Charlene Barshefsky today announced the conclusion of an out-of-cycle Special 301 review of Jordan. As a result, Jordan will be removed from the "Watch List."

The Government of Jordan has shown an impressive level and strength of commitment towards providing effective protection for all forms of intellectual property," stated Ambassador Barshefsky. "Jordan's removal from the Watch List builds upon our strong and growing relationship with the Kingdom, and its efforts in this area set an important example for other governments as well."

Details:

In the review of Jordan undertaken in April, USTR expressed several concerns including lack of patent protection for pharmaceutical products and Trade in Intellectual Property Rights and Services (TRIPS) deficiencies in Jordan's copyright regime and in draft patent and trademark law amendments. Since that time, in actions related to its accession to the World Trade Organization (WTO), the Government of

Jordan passed a number of strong intellectual property laws laying the legal foundation for an effective intellectual property regime consistent with the TRIPS Agreement. The Government of Jordan also has demonstrated its determination to ensure effective enforcement of the laws comprising Jordan's improved regime for protection of intellectual property. Implementation and enforcement will be important benchmarks for future reviews.

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99-99

For Immediate Release Contact:Thomas Tripp

December 17, 1999 Amy Stilwell

(202) 395-3230

USTR ANNOUNCES RESULTS OF SPECIAL 301

OUT-OF-CYCLE REVIEWS

United States Trade Representative Charlene Barshefsky today announced the results of out-of-cycle reviews of Colombia, the Czech Republic, Hong Kong, and Malaysia. As a result of the out-of-cycle reviews, Hong Kong and Malaysia will remain off the "Watch List," and Colombia and the Czech Republic will remain on the list. The out-of-cycle reviews for these four countries were conducted pursuant to the results of the 1999 Special 301 review of last April.

"In recognition of the continuing steps Hong Kong has taken to address piracy since our last review, I am pleased to announce that Hong Kong will remain off the Special 301 Watch List," said Ambassador Barshefsky. "However, in view of the fact that piracy of optical media remains a serious problem, we call upon Hong Kong to redouble its efforts to reduce piracy rates and we will continue to vigorously monitor Hong Kong government actions in this regard."

With respect to Malaysia, Ambassador Barshefsky announced that USTR would continue to monitor Malaysia's progress toward substantially reducing pirated optical media production. She stated: "We believe it is vital that the Government of Malaysia pass TRIPS-related legislative amendments and comprehensive optical disk legislation as a top priority in the next Parliamentary session."

"Colombia and the Czech Republic must continue to strive to resolve outstanding concerns prior to the 2000 review, although both countries have made progress on certain issues since the April 1999 review," continued Ambassador Barshefsky. "In particular, I want to congratulate Colombia on making significant progress in advancing its long-delayed licensing process for legitimate cable television operators."

Details of the out-of-cycle reviews are provided below:

Hong Kong will not be included on the Watch List.

Hong Kong has undertaken significant enforcement actions since April to address the problem of piracy, but significant follow-up efforts are needed as piracy problems continue. The USTR will monitor action by Hong Kong authorities to reclassify piracy as an organized and serious crime, to extend the mandate of the special anti-piracy task force beyond December 1999, and to prosecute corporate piracy and the illegal loading of software by dealers onto computer hard drives.

Malaysia will not be included on the Watch List. However, USTR will continue to closely monitor future concrete actions taken by Malaysia to reduce pirated optical media production and export.

In the April review, USTR announced that it would look for further actions by the Government of Malaysia, including: adoption of an effective, comprehensive optical disk regime; licensing of all optical disk manufacturing facilities; adoption of provisions for imposition of deterrent penalties; greater emphasis on customs enforcement against pirate exports; increased maximum penalties; development of standardized prosecution guidelines; increased resources for intellectual property rights (IPR) policy, enforcement and prosecution; full compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) by January 1, 2000; and reexamination of section 42 of Malaysia's Copyright Act to ensure that Malaysian enforcement procedures are not "unnecessarily complicated or costly" as required by Article 41 of TRIPS.

While the Government of Malaysia has proceeded with comprehensive optical media legislation (including criminal penalties) and over 6,000 inspections and raids have been conducted since April, consideration of the optical disk legislation and most TRIPS-related amendments to existing legislation were stalled when Parliament was dissolved prior to the recent elections in Malaysia. USTR will continue to monitor the progress and substance of these initiatives, and has called upon the Government of Malaysia to pass both TRIPS-related amendments and comprehensive optical disk legislation as an urgent priority at the next Parliamentary session.

Colombia will remain on the Watch List.

An out-of-cycle review was scheduled for Colombia because of expectations this past April that the failed November 1998 licensing process for legitimate cable television operators would be completed in July 1999. Significant progress was also expected by September in enforcement efforts, and towards bringing Colombia's intellectual property regime into compliance with TRIPS.

Piracy levels in Colombia remain high. However, in a very positive development on cable licenses, 114 licenses were issued in November for new cable television operators. In addition, the Government of Colombia has continued its efforts to improve law enforcement coordination mechanisms and cooperation with U.S. industry.

The Government of Colombia is urged to focus renewed efforts toward enforcement and full implementation of the TRIPS Agreement by January 1, 2000, and to assume a leadership role within the Andean Community to bring decisions 344, 345 and 351 into conformity with TRIPS by the January 1, 2000 deadline. Decisions 344, 345 and 351 outline intellectual and industrial rights.

The Czech Republic will remain on the Watch List.

The April decision to place the Czech Republic on the Watch List stems from legal shortcomings in the Czech Republic's intellectual property regime and the measures needed to provide effective enforcement. Since April, the Government of the Czech Republic has made advancements on both fronts, but further progress is needed. New broadcast, copyright, trademark, patent, and satellite broadcast laws have been drafted, however, there are TRIPS-consistency problems (for example, with respect to enforcement provisions such as ex parte search procedures) with some of these drafts.

A new customs-related law increasing fines and facilitating seizures of suspected counterfeit goods goes into effect in December 1999, and Czech police and prosecutors have worked to improve enforcement. However, inadequate enforcement efforts against large-scale optical media pirates and delays in investigation and prosecution remain major problems.

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99 - 100

For Immediate Release Contact: Thomas TRIPP

Friday, December 17, 1999 Amy Stilwell

WTO APPROVES TERMS OF JORDAN'S WTO ACCESSION

The WTO General Council today approved the package of commitments Jordan will undertake upon its accession to the World Trade Organization (WTO). These terms for Jordan's participation in the WTO were negotiated with current WTO Members. These commitments will begin to take effect when Jordan takes up full Membership, thirty days after its parliament ratifies the approved package.

"The United States and Jordan enjoy a strong and close relationship, sharing a fundamental commitment to peace, democracy, and economic development, stated United States Trade Representative Charlene Barshefsky. "Jordan has worked very hard and made numerous difficult changes in its trade regime to meet WTO provisions, and its accession to the WTO will further strengthen our bilateral trade relationship. We are extremely happy to see a country such as Jordan, which has committed itself to economic reform, become a part of the world trading system. I have no doubt that this step will help the Jordanian people to achieve the prosperity and economic growth they desire."

Ambassador Barshefsky also noted that WTO accession will establish for Jordan strong and transparent trade ties with all current WTO Members. She continued: "For Americans, Jordan's commitments on tariffs and services offer market access that will build additional confidence in Jordan as a destination for direct foreign investment. We look forward to working with Jordan within the WTO system on a day-to-day basis and in future negotiations."

In the course of its negotiations to join the WTO, in addition to negotiating on tariffs and services, Jordan has moved to implement in its laws all obligations related to WTO Agreements, including those on Trade-related Aspects of Intellectual Property Rights (TRIPS), Customs Valuation, Import Licensing Procedures, Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS). As a result, Jordan will soon offer full patent protection for pharmaceutical products and will also have eliminated quantitative barriers to trade and taxes that discriminate against imports. Jordan has committed not to use export subsidies to promote agricultural sales, and to eliminate industrial export subsidies and a number of other non-tariff measures blocking imports. Jordan also cut its current tariff levels, and will move towards duty-free trade in information technology products and "zero" or very low tariffs on all chemical products under the Chemical Harmonization Program. In Services, Jordan made significant commitments in key sectors of critical interest to the United States. These included, but were not limited to, financial services and basic- and value-added telecommunications services.

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99-101

For Immediate Release Contact:Thomas Tripp

December 17, 1999 Amy Stilwell

(202) 395-3230

USTR BARSHEFSKY HERALDS PROGRESS UNDER SECOND YEAR OF PRESIDENTIAL ELECTRONIC COMMERCE INITIATIVE

United States Trade Representative Charlene Barshefsky welcomed the release today of the second annual report of the Administration's Electronic Commerce working group, which shows how electronic commerce is transforming global trade and underscores the critical role of trade policy in ensuring its unfettered development.

"The extraordinary growth of electronic commerce in the U.S.-- surpassing all expectations--heralds a new era of international trade, further stimulating economic growth through the development of global networks where U.S. leadership is second to none," stated Ambassador Barshefsky. "Electronic commerce promises to all countries, developing and developed alike, the substantial benefits we are now experiencing in the United States: growth, new jobs, efficiency gains, consumer convenience, and new outlets for entrepreneurial creativity, educational outreach and transparency of government."

From the beginning, the United States has embraced a policy aimed at ensuring that electronic commerce is not hampered by traditional market access barriers. This year saw growing international acceptance of the fact that such policies are key to attracting the investment and technology needed to develop electronic commerce infrastructure. In the telecommunications sector, for example, many countries (including China) made new commitments to open up their markets, while others continue to liberalized their markets. Among WTO countries, there is a broad emerging consensus, which the U.S. was instrumental in shaping, supporting the continuation of the moratorium on customs duties on electronic commerce (keeping cyberspace duty-free) and affirming the applicability of trade-liberalizing WTO rules to electronic commerce.

"Trade policy must ensure this engine of global economic growth can develop unimpeded," continued Ambassador Barshefsky. "As a first step, we are working to ensure-- in regional fora such as APEC and the FTAA, and also in the WTO--that trade-liberalizing rules and policies are made relevant to this new, borderless marketplace."

Also noteworthy today were a series of letters written by private sector representatives from the EU, the U.S and other urging the EU to affirmatively support duty-free cyberspace. President of the European Commission Romano Prodi and EU Trade Commissioner Pascal Lamy received letters with this message from the Global Business Dialogue on Electronic Commerce, the Union of Industrial Employers Confederation of Europe, the EU Committee of the American Chamber of Commerce in Belgium, and the International Communications Round Table.

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FOR IMMEDIATE RELEASE Contact: Thomas Tripp

December 22, 1999 Amy Stilwell

(202) 395-3230

WTO Panel Upholds Section 301

The Office of the U.S. Trade Representative announced today that a dispute settlement panel of the World Trade Organization has rejected a complaint by the European Union, upholding the WTO-consistency of Section 301 of the Trade Act of 1974.

"We have maintained all along that Section 301 is consistent with our WTO obligations, and are pleased that the panel concurs," stated U.S. Trade Representative Charlene Barshefsky. "Section 301 has served, and will continue to serve, as a cornerstone of our efforts to enforce our international trade rights."

Section 301 is the statutory means by which the United States asserts its international trade rights, including its rights under WTO Agreements. The EU claimed that Section 301 violates provisions of the WTO Dispute Settlement Understanding (DSU), the WTO Agreement and the General Agreement on Tariffs and Trade 1994 (GATT 1994). These rules deal with determinations by a WTO Member that another country has violated its WTO rights, as well as any actions taken in response.

"The panel agreed that the United States has in fact acted in accordance with its WTO obligations in every Section 301 determination involving an alleged violation of U.S. WTO rights," continued Ambassador Barshefsky. "The panel concluded that neither the EU nor the third parties to the dispute had demonstrated otherwise."

Background

The EU brought its claim late in 1998. The EU complaint was not about the application of Section 301 in any particular case. Rather, the EU argued that the time frames in Sections 301-310 do not allow the U.S. government to wait until the DSB has adopted panel and Appellate Body findings before making its determinations and suspending concessions.

Specifically, the EU claimed that the 18-month deadline in Section 304 for determining whether U.S. agreement rights have been denied does not allow enough time for WTO panel proceedings to finish in all cases, and that U.S. determinations under Section 301 are therefore inconsistent with Article 23 of the WTO Dispute Settlement Understanding.

The EU also challenged the time frames in Sections 305 and 306 for taking action when another Member has failed to implement adverse DSB rulings and recommendations. The EU claimed that the statute requires the United States to make determinations and to take action before WTO panels can confirm non-compliance under Article 21.5 procedures and determine the amount of any suspension of concessions under Article 22 procedures. This, according to the EU, violated DSU Article 23 and GATT 1994 Articles I, II, III, VIII, and XI.

The Panel rejected these claims. It found that the language of the Section 301 statute provides USTR with adequate discretion to comply with WTO rules in all cases. It also found that while the statutory language does not provide assurances as to how that discretion will be exercised, such assurances are provided when the statute is read in light of the Uruguay Round Agreements Act Statement of Administrative Action.

The WTO established the three-member panel on March 2, 1999. Brazil, Canada, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, Hong Kong, India, Israel, Jamaica, Japan, Korea, St. Lucia and Thailand appeared as third parties in the dispute.

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99-103

For Immediate Release Contact:Thomas Tripp

December 22, 1999 Amy Stilwell

(202) 395-3230

USTR Discontinues "Fax-on-Demand" Service

Effective December 31, 1999, the Office of the United States Trade Representative (USTR) will discontinue the "fax-on-demand" document retrieval service. USTR documents (including all documents presently available via the fax-on-demand system) may be obtained from the agency's world wide web site (www.ustr.gov), or by contacting the USTR Public Reading Room at (202) 395-6186.

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99-105

For Immediate Release Contact: Thomas Tripp

December 29, 1999 Amy Stilwell

(202) 395-3230

PRESS STATEMENT: JAPAN FLAT GLASS

The U.S.-Japan Flat Glass Agreement, which was concluded in January 1995, expires at year-end. The Agreement has had some important successes. For example, it resulted in Japan's adoption of energy conservation standards in the housing sector that are already boosting demand for insulating glass, a high-value-added product that will benefit Japanese and American manufacturers alike.

However, important objectives remain unfulfilled:

-- On December 21, the Japan Fair Trade Commission issued warnings to five Japanese industry associations and affiliates, including a subsidiary of Japan's largest flat glass manufacturer. These organizations reportedly colluded to intimidate distributors who purchased foreign-manufactured auto replacement glass through price discrimination and other methods.

-- MITI's own data show that most Japanese distributors believe that foreign flat glass manufacturers offer equal or better prices, quality and service than Japanese manufacturers. Yet the world's four leading non-Japanese flat glass manufacturers still sell an insignificant amount of glass to Japan.

-- Companies with direct ties to Japanese manufacturers have been more successful than their non-Japanese competitors in exporting flat glass through Japan's distribution system.

-- More than half of all Japanese flat glass distributors source glass from only one manufacturer. Recently, Japanese manufacturers have tightened their control over the distribution system by increasing their equity holdings in flat glass distributors.

According to Deputy U.S. Trade Representative Richard Fisher, "Despite the successes of the U.S.-Japan Flat Glass Agreement, we remained concerned that anti-competitive behavior continues to pervade Japan's flat glass market. This concern was recently validated by the warnings issued by the Japan Fair Trade Commission."

"We know that problems still exist in Japan's flat glass market," Ambassador Fisher said. "We look forward to working together with the Japanese Government to resolve these problems, and we will consider all available options as we seek to do so."

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Frequently Asked Questions about Japan's Flat Glass Market

Aren't declining prices indicative of increasing competition in Japan's market?

- •It is not surprising that prices have declined in Japan for a basic construction material like glass during Japan's worst economic slump in the last 50 years. With the economy beginning to recover, the Japanese manufacturers recently announced a price increase of 15-20%. These took place in the wake of reductions in manufacturing capacity by these firms. The recently announced price increase appears to be the same kind of coordinated action that has beset Japan's flat glass market for decades.
- •The most recent data from the JFTC and MITI indicate that foreign manufacturers retain a significant price advantage: according to Japanese glass distributors, foreign manufacturers,

including U.S.-based companies, continue to enjoy a strong price advantage over domestic manufacturers while offering equal or better quality products.

Has Market Share Changed Significantly?

- •Japan's flat glass market remains divided between three domestic manufacturers, as it has for several decades. MITI's own data indicate that the only change since the Agreement's signing in 1995 was a one percent reduction per year in the second-place firm's market share. This can hardly be construed as a significant change in the competitive landscape, given that the beneficiary of this development was the dominant Japanese manufacturer, Asahi, which now controls more than half of Japan's flat glass market.

Haven't Imports to Japan Increased Dramatically?

- •Japan claims that imports now account for 14% of Japan's flat glass market. This statistic distorts the true picture because it includes *all* flat glass products from *all* suppliers to *all* customers. In particular, automotive glass imported by Japanese manufacturers from their U.S.-based subsidiaries or affiliates accounts for 8 of the 14 percentage points accounted for by flat glass imports (in 1997).
- •Shipments by Japanese subsidiaries in other countries account for much of the rest of these imports.
- •The Flat Glass Agreement was intended to open the market to all foreign competitors, not simply to encourage the Japanese manufacturers to import more from their foreign subsidiaries or affiliates.

Does Japan Import More Flat Glass than the United States?

- •Market access is determined by trade access *and* investment access.
- •The U.S. glass market is fully open to Japanese companies. Wholly- and partially-owned affiliates of Japanese flat glass manufacturers hold 37% of the U.S. flat glass market. Japanese manufacturers do not need to export to the United States, because they purchased manufacturing capacity within our country.
- •In contrast, U.S. manufacturers have not been allowed to purchase capacity in Japan. Japan has a longstanding resistance to direct foreign investment, especially in manufacturing. In keeping with Prime Minister Obuchi's proclaimed desire to attract such capital to Japan, the United States has proposed further steps Japan can take to encourage foreign investment in the glass sector.

Are Distributors Diversifying their Supply Sources?

- •MITI's own data indicate that more than half of all flat glass distributors continue to source from a single flat glass manufacturer. Given that much of Japan's glass trade involves commodity glass that varies little from manufacturer to manufacturer, it is difficult to understand why distributors would be so reluctant to diversify suppliers in the absence of coercion.

- •Many of those distributors who do not sole-source buy only 5% or less from foreign manufacturers. We are concerned that these represent token purchases.
- •We are concerned that the autonomy of Japanese distributors is decreasing as Japanese manufacturers increase their equity holdings in distributors. Japan's Fair Trade Commission has reported that "the higher the ratio of capital investment from domestic manufacturers, the more special agent stores respond that they do not handle import products."

Are U.S. Firms Doing Enough to Compete in Japan?

- •The two U.S. companies involved in this issue have an international reputation for excellence. They have been successful all over the world - in Europe, Latin America, North America, and other Asian countries. But not in Japan.
- •The biggest and most profitable Japanese manufacturer (Asahi) has a return on equity of three percent; the return on equity of the U.S. company PPG is more than seven times higher. (Japanese companies other than Asahi are reportedly losing money.)
- •The efforts of U.S. firms in Japan have been significant. PPG has created a joint venture with a major Japanese trading company; established a large sales force of Japanese nationals, provided sales literature in the Japanese language; offered equal or better quality products; stepped up distribution and fabrication centers in Japan; and quoted very competitive prices. Guardian created a sales subsidiary in Japan and opened a network of warehouses to minimize delivery time. More recently, it has established two consolidated warehouse/cutting/sales centers, and recently introduced a new distribution system that will enable it to provide 24-hour service to Japan's flat glass market for the first time.
- •MITI's own data indicate that, over the last five years, foreign manufacturers have made great progress in burnishing their reputation in the Japanese market. Among Japanese distributors who currently handle foreign flat glass, more than half regard foreign flat glass as equal to or better than Japanese-manufactured glass in terms of prices, quality, and service.