Argentina, Canada the European Union for violations of the Agreement of Trade-Related Aspects of Intellectual Property Rights (TRIPS).

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Director of Intellectual Property.

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OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Report on Trade Expansion Priorities Pursuant to Executive Order 13116 (''Super 301'')

AGENCY: Office of the United States Trade Representative.

ACTION: Notice.

SUMMARY: Notice if hereby given that the United States Trade Representative (USTR) has submitted the report on United States trade expansion priorities published herein to the Committee on Finance of the United States Senate and Committee on Ways and Means of the United States House of Representatives pursuant to the provisions (commonly referred to as ''Super 301'') set forth in Executive Order No. 13116 of March 31, 1999.

DATES: The report was submitted on April 30, 1999.

FOR FURTHER INFORMATION CONTACT: Demetrios Marantis, Assistant General Counsel, Office of the U.S. Trade Representative, 600 17th Street, N.W., Washington, DC 20508, 202–395–3581.

SUPPLEMENTARY INFORMATION: The text of the USTR report is as follows.

Identification of Trade Expansion Priorities Pursuant to Executive Order 13116

Last month, the United States Trade Representative (USTR) released the President's 1999 Trade Policy Agenda and the 1999 National Trade Estimate Report on Foreign Trade Barriers (NTE Report). This report builds on the prior two reports and is submitted pursuant to Executive Order 13116 of March 31, 1999. The ''Super 301'' provisions of the Executive Order direct the USTR to review U.S. trade expansion priorities and identify priority foreign country practices, the elimination of which is likely to have the most significant potential to increase United States exports, either directly or through the establishment of a beneficial precedent.

I. Trade Expansion Priorities and Priority Foreign Country Practices

In preparing this report, USTR has reviewed the 1999 Trade Policy Agenda to identify U.S. trade expansion priorities and the 1999 NTE Report and public comments submitted to USTR to assess foreign country practices that we seek to eliminate. Based on this review, USTR has determined that the U.S. trade expansion priorities include the launching of a new, multilateral round of global trade negotiations; ensuring that WTO Members fully implement existing commitments; ongoing strategic enforcement of U.S. rights under bilateral, regional, and multilateral trade agreements and under U.S. trade laws; and integrating China and other economies into the world trading system. The USTR is not identifying any ''priority foreign country practices'' within the meaning of the Executive Order at this time, but does find that a number of practices warrant the initiation of WTO dispute settlement proceedings or other actions in the context of our bilateral trade relationships.

A. The Third Ministerial Conference and the New Round

Ambassador Charlene Barshefsky, the United States Trade Representative, will chair the WTO's Third Ministerial Conference in Seattle, Washington, November 30—December 3, 1999. The event, which will be the largest trade meeting ever held in the United States, will set the agenda for the WTO for the next decade and launch a new round of global trade negotiations. The Administration has engaged in an extensive consultative process to develop this agenda, involving the broadest range of citizens concerned about trade. Broadly speaking, the agenda will: set a negotiating agenda and work program; provide for institutional reform, including transparency, and ensure that the WTO will continue to be a forum for on-going trade liberalization and reform, by delivering results at Seattle.

At the meeting, Trade Ministers from around the world will focus on the important issues facing the trading system and the new economy of the 21st century. As a starting point, the United States joins other nations in emphasizing the important issue of implementation of existing agreements—from agriculture to textiles. As we approach January 1, 2000, the majority of transition periods in the Agreements on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Trade-Related Investment Measures (TRIMS), and Customs Valuation will expire for most developing countries. Ensuring compliance with these Agreements will be an important feature of our work as we shape the WTO's forward agenda.

Beyond implementation, the negotiations, to begin in early 2000, will be comprised of a new round of liberalization commitments in services trade, a new phase in agriculture policy reform and market-opening undertakings, and other negotiations on topics to be agreed at the meeting, possibly a new round of industrial tariff and non-tariff negotiations. Certain Members have also identified foreign direct investment and competition policy as possible topics for negotiation. The important relationship of trade and the environment, as identified in President Clinton's May 1998 address before the WTO, is an area that will require further work in the WTO, as will forging the consensus on addressing trade and labor.

Launching the round will also require attention to institutional improvements within the WTO to facilitate trade, to improve the participation of less developed economies in the world economy, and to coordinate effectively with other international bodies such as the IMF and World Bank. The United States seeks to strengthen public confidence in the WTO as an institution by improving its transparency and openness, particularly in WTO dispute settlement proceedings, including the review of the system that is to be completed before the Seattle meeting. Civil society must be able to contribute to the work of the WTO, to ensure both that the WTO hears many points of view including those from business, labor, environmental, consumer and other groups, and that its work will rest on the broadest possible consensus.

Finally, the U.S. vision for the new round requires that we set an agenda that accommodates rapid technological developments and addresses the broadest range of concerns. The Ministerial, and the time prior to the meeting itself, provide the United States the opportunity to showcase the relevance of the WTO to the information revolution, the development of electronic commerce, and other rapidly changing, high-technology fields. We seek to reach agreements expanding the product coverage in the landmark Information Technology Agreement (ITA) and expand on the 1998 Ministerial Declaration on Electronic Commerce which calls on WTO Members to refrain from imposing customs duties on electronic transmissions. We also intend to strengthen the system to contribute to the Administration's wider policy of eradicating the potential for bribery and corruption and promoting economic efficiency, by completing an agreement on transparency in government

procurement at the Seattle meeting. Expanding market access opportunities, including through early agreements to liberalize tariffs in sectors first identified in APEC (i.e., chemicals, energy and environment-related goods, medical and scientific equipment, forest products, fish, gems and jewelry, and toys), remains a priority.

B. Implementation of Existing WTO Commitments

Full implementation of existing WTO agreements is critical to ensuring that the United States achieves the full benefit of what it bargained for in the Uruguay Round of multilateral trade negotiations, as well as to maintaining public confidence in an open trading system and building public support for the new round of negotiations. There are five critical aspects of WTO implementation: compliance with WTO commitments that entered into effect in January 1995; compliance with WTO commitments that are subject to transition periods or phase-in provisions, many of which will enter into effect by January 1, 2000; acceptance of the protocols on basic telecommunications services and financial services and implementation of the corresponding commitments; compliance with accession protocols; and compliance with the rulings resulting from WTO dispute settlement proceedings in a timely and complete manner.

The primary means of enforcing WTO commitments that have entered into effect is the WTO dispute settlement mechanism, which is discussed in further detail below. In the coming months, one of USTR's top priorities will be to focus on Members' preparations for the phase-in by January 1, 2000 of commitments in three critical areas:

- Intellectual Property Protection—WTO developing country members are required to implement most of their commitments under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) by the end of this year. We are monitoring this closely and are prepared to both assist countries in developing laws and enforcement mechanisms at their request and invoke dispute settlement procedures in the event members fail to meet their obligations.
- Customs Valuation—More than 50 countries are required to fully implement the obligations of the Agreement on Customs Valuation—a critical obligation in realizing market access. Full and effective implementation of this Agreement will head off disputes in the future. The United States is also concerned about implementation of existing customs valuation obligations, which is discussed in further detail below.
- Trade Related Investment Measures (TRIMs)—December 31, 1999, is the deadline established in the TRIMs Agreement for developing countries to eliminate measures which they notified as inconsistent with the TRIMs Agreement. Throughout the remainder of 1999, the United States will be monitoring steps taken by those countries due to come into compliance by this deadline, and will be prepared to bring dispute settlement cases for measures which have not been removed by the agreed deadline.

In addition, USTR will work bilaterally and within the Council for Trade in Services to ensure the full implementation of Members' commitments under the Fourth Protocol to the General Agreement on Trade in Services (GATS), i.e., the Basic Telecom Agreement, which entered into force on February 5, 1998, and the Fifth Protocol to the GATS, i.e., the Financial Services Agreement, which entered into force on March 1, 1999. The United States will continue to insist that all countries that failed to meet the deadline for acceptance of these two agreements bring their commitments into force as soon as possible. For the Basic Telecom Agreement, those countries are: Brazil, Dominica, Guatemala, Papua New Guinea, and the Philippines. For the Financial Services Agreement, those countries are: Australia, Bolivia, Brazil, Bulgaria, Costa Rica, Dominican Republic, El Salvador, Luxembourg, Ghana, Honduras, Jamaica, Kenya, Nigeria, Nicaragua, the Philippines, Poland, Slovenia, and Uruguay.

USTR will continue to use WTO committees and bilateral mechanisms to address implementation issues. For example, the United States will work through the WTO Committee on Agriculture to seek compliance with the various obligations under the Agriculture Agreement, including those on tariff-rate quotas, domestic support and export subsidies. Likewise, the United States will be vigilant in its enforcement of textile quotas and implementation of textile market access requirements overseas. Preventing circumvention is a high priority as well. Last year, we reached an important new agreement with Hong Kong on measures to improve information-sharing and strengthen cooperation to prevent circumvention, and we are working with Macau, China and others on similar initiatives.

In addition, we will continue to work with other WTO Members under the aegis of the Committee on Antidumping Practices and its Ad Hoc Group on Implementation to secure better adherence to WTO rules and procedures governing the conduct of antidumping investigations and administrative reviews. The increased use of these remedies by a growing number of WTO Members with different legal systems and levels of experience poses special challenges to U.S. exporters. The United States expects strict compliance with the WTO Antidumping Agreement's substantive obligations, as well as its rules which guarantee transparency and due process, so that these remedies can remain a fair yet effective complement to ongoing trade liberalization.

C. Strategic Enforcement of WTO Rights and U.S. Trade Laws

One of this Administration's top trade expansion priorities is vigorous monitoring and enforcement of trade agreements, which includes the active use of the WTO dispute settlement process and strategic application of U.S. trade laws.

1. WTO Dispute Settlement Process

Since the WTO's creation in 1995, the United States has filed more complaints—44 to date—than any other WTO Member and has participated as a third party in a number of other cases. Our overall record of success is very strong. We have prevailed in 22 of the 24 U.S. complaints acted upon so far, either by successful settlement or panel victory. These favorable rulings and settlements have involved an array of sectors within the fields of manufacturing, agriculture, services, and intellectual property.

a. WTO Disputes

As a result of this year's review of its trade expansion priorities, and its monitoring of compliance with U.S. trade agreements, the Administration will take the following actions to enforce U.S. rights under those agreements:

EU—Avionics. The United States will request WTO consultations with the European Union (EU) on French government subsidies for avionics equipment under the WTO Agreement on Subsidies and Countervailing Measures. In an effort to displace U.S.-sourced flight management systems, the French government, with European Commission approval, has agreed to grant 140 million French francs (approximately 40 percent of the projected costs) between 1997–1999 for a project involving Sextant Avionique of France and Smiths Industries of the United Kingdom to jointly develop a

new flight management system adapted to Airbus aircraft. The aid takes the form of a ''reimbursable advance payment'' to be repaid on a percentage of sales of the new system; however no repayment is required if the program is unsuccessful.

India—Auto TRIMs. The United States will request WTO consultations with India on its new auto policy. Last year, India implemented new measures governing investments in the automotive industry. All new and existing firms wishing to operate auto manufacturing investments in India are required to sign a standardized agreement with the Government of India that contains local content and foreign exchange balancing requirements. The Indian program would inhibit the free flow of trade and investment and is inconsistent with India's obligations under the WTO Agreement on Trade-Related Investment Measures (TRIMs). According to the American Automobile Manufacturers Association (AAMA) the approximate size of the vehicle market in India in 1998 was 604,000 units. A large portion of vehicles sold in India are produced locally. Auto parts sales into India are also reduced by these measures.

Korea—Barriers to the Import and Distribution of Foreign Beef. In response to a 1989 GATT panel ruling, Korea agreed to phase out its import restrictions on beef. However, Korea simply replaced its ban with a temporary quota and comprehensive restrictions on the ability to import and distribute beef, including a requirement that imported beef be sold in separate retail establishments. These and other barriers prevented U.S. exporters from fully utilizing the 1997 and 1998 minimum market access commitments Korea had made for beef. In 1998, the underfill of Korea's beef import quota was approximately 60 percent.

The U.S. Government has worked to establish a market-driven beef import system in Korea by seeking the elimination of Korean Government measures that impede the entry and distribution of foreign beef. In September and November 1998, the U.S. and Korean Governments held two rounds of talks, and convened again in January 1999, in an attempt to conclude an agreement providing for liberalized beef trade. In the absence of an agreement, the United States requested WTO dispute settlement consultations on February 1, 1999. On April 28, the United States requested the establishment of a WTO dispute settlement panel on Korea's beef import and distribution system after WTO consultations held on March 11 and 12 failed to resolve the U.S. concerns.

Customs Practices: The benefits of market access commitments are undermined when countries engage in certain customs practices, such as the use of minimum reference prices to determine the customs value of an imported good. The WTO Customs Valuation Agreement (CVA) stipulates that the transaction price is the primary basis for customs valuation determinations, and the U.S. Government is working to ensure that countries comply fully with their obligations under the CVA. We are actively pursuing the issue of reference prices in the WTO Committee on Customs Valuation and are closely examining reports of non-compliance with CVA commitments, particularly in those countries with current obligations, such as Brazil, India and Mexico. We are soliciting additional information on these practices and, as appropriate, will subsequently pursue dispute settlement consultations with the relevant countries that do not satisfactorily address these concerns.

b. Dispute Settlement Rules

USTR's review of trade expansion priorities has shown that, while the WTO dispute settlement system generally works well, improvements in the rules governing compliance with panel and Appellate Body reports are necessary. The EU's failure to implement a WTO-consistent banana regime following WTO dispute settlement proceedings, and its impending failure to eliminate its import ban on meat produced with hormones, illustrate how a Member that fails to implement WTO dispute settlement rulings can continue causing harm to U.S. exporters for an extended period of time. The United States is seeking improvements in the rules governing implementation of panel and Appellate Body reports in the context of this year's review of the WTO Dispute Settlement Understanding (DSU), and there is ongoing review regarding other possibilities for improvement.

In the interim, we will continue to exercise our rights to suspend concessions with respect to the trade of a Member that fails to implement WTO recommendations. On April 19, the United States suspended concessions in the amount of $191.4 million against the EU because of its failure to implement a WTO-consistent banana regime. USTR is now preparing to take similar action against EU imports if the EU does not implement WTO findings against its meat import ban by May 13, 1999, which is the deadline for implementation in that dispute.

2. U.S. Trade Laws

The U.S. trade laws are a vitally important means of ensuring respect for U.S. rights and interests in trade. We will continue to challenge aggressively market access barriers abroad using Section 301, Special 301, Section 1377, Super 301 and Title VII [1] to open foreign markets and ensure fair treatment for our goods and services, protect U.S. intellectual property rights, and ensure compliance with telecommunications agreements. These provisions work in tandem with dispute settlement procedures, and also assist us in completing and enforcing agreements with trading partners that are not WTO Members or in areas not covered by WTO rules. In addition, this Administration is fully committed to using U.S. antidumping, countervailing duty, and safeguards laws and will insist that America's trading partners play by the rules.

Section 301: On April 29, USTR initiated an investigation under Section 301 of the Trade Act of 1974, as amended, regarding Canadian regulations affecting tourism in the U.S.-Canada border region. Measures maintained by the Province of Ontario generally prohibit U.S. fishermen from keeping the fish they catch on lakes lying across the Minnesota-Ontario border if the U.S. fisherman does not spend the night in an Ontario commercial establishment or otherwise contribute to the Ontario tourist industry. Canadian federal measures impose work permit requirements on U.S. fishing guides who conduct tours on those lakes. These measures discriminate in favor of Canadian tourist establishments.

Special 301: Through the Special 301 process, USTR systematically monitors levels of intellectual property protection around the world. Each year, USTR identifies those foreign countries that deny adequate and effective protection of intellectual property rights or fair and equitable market access for U.S. persons that rely on intellectual property protection. As a result of the 1999 Special 301 review, USTR placed 17 trading partners on the ''Priority Watch List'' and 37 trading partners on the ''Watch List'', and announced the initiation of WTO dispute settlement

[1] These provisions can be found in: Sections 301–310 of the Trade Act of 1974 (''Section 301''); Section 182 of the Trade Act of 1974 (''Special 301''); and Section 1377 of the Omnibus Trade and Competitiveness Act of 1988 (''Section 1377''). The procedures set forth in Section 310 of the Trade Act of 1974 (''Super 301'') and Title VII of the Omnibus Trade and Competitiveness Act of 1988 (''Title VII'') were re-instituted by Executive Order 13116 of March 31, 1999.

proceedings involving Argentina, Canada and the European Union. See USTR Announces Results of Special 301 Review, released April 30, 1999, for further information concerning the protection of U.S. intellectual property rights.

Section 1377: This year's review, which was completed on March 30, 1999, focused on compliance with the WTO Basic Telecommunications Agreement by WTO Members, particularly the EU, Mexico, Japan and Germany. The review indicated that the WTO agreement has increased market access for U.S. telecommunications companies in foreign markets, but that ongoing enforcement of the agreement is needed to ensure continued growth in world-wide competition for telecommunications services. See USTR Press Release 99–29, March 30, 1999 for further information on this year's 1377 review.

Title VII: The Title VII report gives USTR the means to identify foreign countries that have failed to comply with their obligations under the WTO Agreement on Government Procurement (''GPA''), Chapter 10 of NAFTA, or other agreements relating to government procurement; or otherwise discriminated against U.S. products and services when making government purchases. In addition, USTR is directed to consider a number of other factors in making its determination of whether to identify a country in the Title VII report. The Title VII report, released simultaneously with this report and the Special 301 report, builds upon the information found in the President's 1999 Trade Policy Agenda and the 1999 NTE Report on Foreign Trade Barriers so as to be more flexible and effective in achieving its goal of eliminating unfair procurement practices. In the past, Title VII has been a useful and effective tool in challenging foreign governments' procurement barriers. For details on this year's report, see Title VII report, released on April 30, 1999.

Steel: It is critically important that we promote free and fair trade abroad and that we effectively enforce our trade laws in order to give Americans the confidence needed to keep our markets open. In response to the substantial increase in U.S. steel imports beginning in April 1998, the Administration responded with a comprehensive and effective set of actions which were outlined in the President's Steel Report to the Congress of January 7, 1999. Thanks to these measures, steel imports began to drop after November 1998. The Administration is committed to aggressively enforcing U.S. trade law to address the adverse impact that unfairly traded steel imports have on U.S. steel companies and U.S. jobs. In the report, the Administration stated its willingness, if needed, to self-initiate trade cases with respect to steel imports from Japan—the single largest source of the import surge—if imports did not return to appropriate pre-crisis levels. With respect to the antidumping cases filed by U.S. industry and workers concerning imports of carbon flat-rolled products, the Commerce Department expedited these investigations and, with respect to imports from Japan and Russia, invoked the critical circumstances provision with a view to retroactive application of the antidumping margins. Additionally, the Administration invoked, for the first time, the market disruption article of the 1992 U.S.-Russia Trade Agreement to negotiate a restraint agreement on imports into the United States from Russia of all steel products not already subject to restraints or dumping orders.

The Administration also expanded discussions on steel issues with Korea, the third largest source of the 1998 steel import surge, with the objective of substantial progress toward eliminating Korean government involvement in the steel sector. U.S. industry has long-standing concerns with the Korean government's support for Korean steel producers, for example, through directed lending, which has resulted in uneconomic steel capacity expansions in Korea. For example, the U.S. and Korean governments conducted an exchange of letters in August 1998 and April 1999 regarding steel.

These actions, grounded in U.S. trade law and fully consistent with U.S. international obligations, resulted in a sharp reduction of unfairly traded steel imports beginning in December 1998. Active import monitoring is underway with a view to prompt application of U.S. trade laws should injurious import growth resume.

D. Integrating Other Economies Into the WTO System

The WTO is engaged in accession negotiations with 30 separate economies, including China, Chinese Taipei, Russia, Ukraine, and Vietnam. Their accession to the WTO will make the trading system nearly universal. It will remove a source of distortion and frustration in trade for the United States and will give the newly-acceding members a greater stake in stability and prosperity beyond their borders—thus strengthening peace in the next century. To support both domestic reform and the rules of the trading system, these countries must be brought into the WTO on commercially meaningful terms. The result must be enforceable commitments to open markets in goods, services and agricultural products; transparent, non-discriminatory regulatory systems; and effective national treatment at the border and in the domestic economy.

In the months to come, we will negotiate intensely with all acceding economies, including China—the largest prospective WTO Member. We have made important progress with China in the past two years, particularly during the visit of Premier Zhu Rongji in April 1999, and intensive negotiations are continuing.

E. Bilateral/Regional Trade Expansion Priorities and Trade Practices of Concern

1. Africa

President Clinton's Partnership for Economic Growth and Opportunity in Africa, announced and adopted in 1997, established a vigorous U.S. trade policy approach toward sub-Saharan Africa. The key objectives of the Partnership Initiative include: Support for economic reforms underway in the region; enhanced U.S.-sub-Saharan African trade and investment ties; support for Africa's full integration into the multilateral trading system; and support for sustainable economic development. The Partnership Initiative also aims to strengthen U.S. economic engagement with countries of sub-Saharan Africa.

USTR is also committed to facilitating greater African integration into the global economy by helping African nations and their regional organizations develop greater capacity to expand trade and investment protection. At the recently concluded U.S.-Africa Ministerial in Washington D.C., the USTR underscored the resolve of the United States and Africa to build capacity to promote broader participation by African countries in the multilateral trading system. Specifically, the United States agreed to continue technical assistance workshops in Africa on the WTO. The United States and African participants also agreed on the need for multilateral institutions to more effectively coordinate and cooperate with the WTO on trade and investment issues affecting African countries and to support African Economic Community (AEC) permanent observer status in the WTO, pending the decision of the WTO on modalities for observership. African and U.S. representatives will establish a mechanism for regular consultations on WTO and related matters, in Geneva and Washington, as preparation for the WTO Ministerial advances.

USTR recently hosted roundtables with African Trade Ministers on mechanisms to strengthen U.S.-Africa cooperation in the WTO and in the GSP Program and U.S. market access requirements. In 1997, USTR enhanced the Generalized System of Preferences Program (GSP) by adding over 1,700 new tariff lines for least developed countries, 29 of which are in Africa. True to President Clinton's vision, USTR's unprecedented engagement with African countries has resulted in trade agreements, incentives for reform and regional integration, and initiatives to enhance Africa's participation in the global trading system.

2. Asia—Pacific

The Clinton Administration has developed a wide-ranging program of bilateral, regional and multilateral initiatives to reduce barriers to U.S. exports of goods, services, and investment in the Asia-Pacific region. The major trade policy priorities for this important economic region are:

- To harness the momentum for reform generated by the financial crisis to promote economic recovery and the type of trade policy changes that the United States has consistently advocated: Enhanced market access, transparency, economic deregulation and investment decisions based upon market disciplines. Such trade policies complement firmly the goals of financial market stabilization, as evidenced by the strong emphasis on structural reform in the International Financial Institution (IFI)'s programs. The United States is actively pursuing these objectives both through bilateral and multilateral channels, in particular, the Asia Pacific Economic Cooperation (APEC) forum;
- To realize the commitment of APEC members to long-term trade and investment liberalization through improved assessment and implementation of individual and collective APEC action plans and special initiatives such as EVSL (Early Voluntary Sectoral Liberalization); and
- To secure full implementation of WTO obligations by APEC members. This aspect of USTR's work will assume heightened importance over the coming year given the obligation of developing countries to fully implement the WTO agreements on TRIPS, TRIMs, and Customs Valuation as of January 1, 2000. This requirement should greatly strengthen our efforts to address inadequate protection of intellectual property rights, trade-distorting investment requirements, and inefficient and corrupt customs practices which have been pervasive problems throughout the region.

Priority issues for three of our largest trading partners in the region—China, Japan, and Korea—are outlined in the relevant sections below.

3. Canada

Agriculture: Even though Canada is our largest trading partner and our second largest agricultural market, Canada continues to have restrictive policies limiting market access to key U.S. agricultural products. In 1998, the United States exported over $7 billion while importing $7.7 billion of agricultural products. In December 1998, we took an important step toward reducing these restrictions by concluding an initial bilateral market access package opening opportunities for American grain farmers, cattle ranchers and other agricultural producers. We are closely monitoring implementation of the December agreement and have already witnessed improved access for cattle and rail shipments of wheat. For example, over 51,000 head of cattle moved into Canada in the first three months of 1999, compared to only 1,000 head of cattle in all of 1998. In addition, over 225,000 tons of wheat and barley were transshipped through Canada on the rail system. Nevertheless, Canada still maintains a number of policies that restrict access of U.S. agricultural products, including grain. We pressed the government of Canada in March 1999 concerning unequal access to Canadian grain handling facilities and the Canadian Wheat Board, excessive monitoring by the Canadian Grains Commission on wheat imports, and unequal access to rail cars and rail rates. We are continuing frequent discussions with Canada on these and other related issues to provide U.S. producers improved market access for agricultural products. We hope these issues will be resolved in the near term.

Magazines: USTR continues to seek a negotiated settlement with Canada on its continued discriminatory practices against U.S. magazines. In 1997, the United States successfully challenged Canada's protectionist magazine regime in the World Trade Organization. By the WTO deadline, October 1998, Canada terminated its longstanding ban on split-run imports, eliminated the 1995 special excise tax on split-runs, and modified its discriminatory postal rates and postal subsidies for magazines. However, Canada introduced Bill C–55, which simply accomplishes the same result as the import ban and excise tax—keeping U.S. and other foreign-produced split run magazines from competing in the Canadian market. If negotiators are unsuccessful in resolving this dispute and Bill C–55 is enacted, the United States will take action of an equivalent commercial effect to protect its interests.

4. China

China remains a major focus of our bilateral trade initiatives. We are actively monitoring China's implementation of our trade agreements on intellectual property rights, textiles, and market access. Obtaining strengthened protection and enforcement of trademarks, copyrights and other intellectual property rights (IPRs), enhanced market access and national treatment for products that depend on intellectual property, such as pharmaceuticals and motion pictures, are key objectives. In addition, we are addressing issues relating to market access and investment in the telecommunications and direct marketing sectors. We will follow up on recent progress on resolving sanitary and phytosanitary (SPS) issues with China to ensure that China's government fully implements our market opening agreements, which will allow U.S. exports of meat, citrus fruit, and Pacific Northwest wheat.

While we are working bilaterally to open up particular sectors of China's market, we are also working in the multilateral context to achieve broad-ranging reform of China's trade regime through negotiations on China's accession to the WTO. Recently, we have made significant progress on the market access aspects of these negotiations, including on agriculture, services, and industrial goods. Reaching agreement on these issues as well as on application of WTO rules to China will mark an important step forward in China's overall accession process.

5. Europe

With the U.S.–EU trade and investment relationship being the largest and most complex in the world, the United States is very committed to strengthening trade relations with the EU. USTR will address problems in our trade relations both bilaterally and through the new multilateral negotiating round President Clinton has proposed. The United States hopes to make progress through the Transatlantic Economic Partnership (TEP) initiative begun last year. The TEP Action Plan calls for bilateral U.S.–EU consultations and/or negotiations in several specific issue areas: technical trade barriers, agriculture (including biotechnology and food safety), intellectual property, government procurement, services, electronic commerce, environment, labor and advancing shared values such

as transparency, environmental protection, and participation for civil society. The initiative also encompasses enhanced U.S.–EU cooperation on multilateral trade issues. USTR also is working to ensure the protection of U.S. interests as the EU expands to include Central and Eastern European nations.

Nevertheless, the United States has a number of serious concerns regarding certain EU activities related to trade. Our decision to request WTO consultations with the EU on its action affecting U.S. flight management systems (the ''avionics case'') underscores U.S. determination to challenge the EU's use of those measures which advance, in a manner inconsistent with trade rules, EU commercial interests at the expense of those of its trading partners. The United States also has serious concern with the continued lack of a transparent and timely EU approval process for foodstuffs containing genetically modified organisms (GMOs). The United States hopes to work in coming weeks and months with the European Commission and EU Member States to address this problem, but will take action if the uncertainty and arbitrariness reflected in recent EU actions in this area continue to undermine U.S. exports.

The United States also remains extremely concerned about the EU's failure to implement WTO dispute settlement rulings regarding its discriminatory bananas and beef hormones regimes. EU inaction undermines the credibility of the WTO dispute settlement mechanism and sends a disturbing message about the EU's willingness to abide by the commitments it has undertaken. In light of the five rulings in the past six years against the EU's banana import policy, most recently on April 6, the United States expects the EU to implement a WTO-consistent banana program as soon as possible. The United States also expects the EU to lift its WTO-inconsistent ban on meat produced with growth hormones by the May 13 deadline granted to the EU to comply with the WTO panel findings against its hormones policy. The United States has engaged in discussions with the European Commission regarding implementation of the EU's WTO obligations in both instances.

6. Japan

The United States attaches utmost importance to opening Japan's markets to U.S. goods and services. To this end, the Clinton Administration has consistently emphasized the need for major structural reform and deregulation to open Japan's economy to competition; monitoring and enforcing existing trade agreements covering key sectors; the negotiation of new trade agreements; and addressing concerns through regional and multilateral fora. The Administration remains determined to press Japan to take the necessary steps to dismantle the numerous trade and regulatory barriers that have sheltered the Japanese economy from foreign competition for far too long.

Insurance: The United States and Japan concluded bilateral insurance agreements in 1994 and 1996 designed to open to competition the world's second largest insurance market, with annual premium revenues of $329 billion in JFY 1997. In December 1997, Japan agreed to bind certain key commitments from these agreements under the WTO Financial Services Agreement.

The bilateral agreements have had some positive impact. For example, in September 1997 the Ministry of Finance granted the first ever license for direct marketing of risk-differentiated automobile insurance to a U.S. firm. Nevertheless, the Administration is seriously concerned that Japan has not fully implemented all of the specific deregulation actions called for under our bilateral insurance agreements, including reform of its rating organizations and timely approval of product applications. In addition, the United States is extremely concerned with the diminution of the ''third sector'' safeguards caused by increased activity on the part of Japanese insurance firms and subsidiaries in this market segment critical to U.S. insurers. Since all of the primary sector deregulation criteria had not yet been fulfilled, USTR announced on July 1, 1998, that the United States does not support the initiation of the two-and-one-half year clock regarding termination of the third sector safeguards. The Administration is prepared to utilize all of the tools at our disposal to ensure the full benefits to U.S. industry from our bilateral Insurance Agreement.

The U.S. underscored its concerns regarding both primary and third sector issues at consultations with Japan under the bilateral agreements held on April 16 in Washington. These consultations also included a constructive regulator-to-regulator exchange between representatives of the National Association of Insurance Commissioners and select state insurance commissioners, and Japan's Financial Supervisory Agency. It is essential that both governments expeditiously resolve outstanding issues. The U.S. has proposed that the next insurance talks take place in Tokyo this summer.

Autos and Auto Parts: The United States and Japan concluded an agreement in 1995 to eliminate market access barriers and significantly expand sales opportunities in the automotive sector. Although initial results in many areas were satisfactory, recent progress toward achieving the Agreement's key objectives has been disappointing. Sales in Japan of autos produced by the Big Three in North America declined 34.5 percent in 1998, after declining 20 percent in 1997. Exports of U.S.-made auto parts to Japan fell 7.5 percent in 1998, the first drop since 1991, and the continued fall off in new orders of U.S. auto parts by Japanese manufacturers suggest that this decline is likely to continue. These trends are the result of a variety of factors, including Japan's recession, which has inhibited consumer spending and business investment and weakened the yen, and continuing market access and regulatory issues.

To address these concerns, the U.S. Government presented Japan at the annual review of the Automotive Agreement in October 1998 with 11 proposals, including measures to strengthen and improve access to dealerships, the main distribution channel to Japan's automotive market. The U.S. Government also urged Japan to eliminate unnecessary regulations in the auto parts aftermarket that limit the ability of independent garages to compete for high-profit vehicle inspection and repair business. While Japan has agreed to implement some of these proposals, the U.S. Government will continue to urge Japan at all levels to take concrete steps to achieve additional progress under the Agreement. In addition, the United States will continue to monitor developments regarding Japan's new fuel economy regulations to ensure that this rulemaking process is fully transparent and that foreign vehicle manufacturers receive treatment no less favorable than that offered to domestic manufacturers, recognizing the important environmental concerns that underlie these regulations.

Flat Glass: The 1995 U.S.-Japan Flat Glass Agreement has helped American firms to a limited extent, but the basic problem remains the same: U.S. glass manufacturers still have a minuscule share of the Japanese flat glass market, despite the fact that Japanese companies and distributors readily acknowledge the competitiveness of U.S. glass. While Japan committed in the agreement to take measures to facilitate access by foreign companies to the Japanese glass

distribution system, major Japanese distributors still do not carry foreign glass in meaningful quantities. The three dominant Japanese producers continue to exert tight control of the domestic glass distribution system in many ways, including majority ownership of glass distributors, equity and financing ties, employee exchanges, and purchasing quotas. Indeed, there is evidence that their control is increasing, as they use Japan's tight credit market to impose closer financial ties on the most important glass distributors.

Japan recently agreed with the United States to examine these issues in surveys of the sector by the Japan Fair Trade Commission (JFTC) and the Ministry of International Trade and Industry. The former will be particularly important in this regard, and it is therefore imperative that the JFTC scrutinize the core problems in a thorough and credible way. Japan has also agreed to U.S. proposals to hold government-industry consultations on access to and the state of Japan's flat glass market this Spring and to allow U.S. Government representatives to attend the Japanese Government's periodic meetings with flat glass distributors to remind them of the objectives and provisions of the agreement. This progress notwithstanding, the principal impediments to genuine market access in the flat glass sector remain. The United States will continue to urge Japan to take actions to remove these barriers.

7. Korea

Korea is one of the United States' major trading partners but has been described as one of the toughest markets in the world for doing business. In response to its financial crisis, the Kim Dae Jung administration has implemented structural reforms aimed at putting the Korean economy on a more open, market-oriented basis. Resistance to key trade reforms remains, however, and many issues have arisen on Korea's compliance with its international obligations.

The Administration is focused on eliminating Korean barriers to entry and distribution of U.S. products using U.S. trade law, WTO dispute settlement procedures, negotiation and enforcement of bilateral trade agreements, and close coordination with other countries. In addition, the Administration will, through an interagency process, closely monitor Korea's implementation of its trade-related stabilization commitments.

Over the past year, the Administration has made solid progress toward opening the Korean market to U.S. goods. In October 1998, we successfully concluded a Memorandum of Understanding (MOU) with the Government of the Republic of Korea to improve market access for foreign motor vehicles. Under this MOU, Korea agreed to (1) bind in the WTO its 80 percent applied tariff rate at 8 percent; (2) lower some of its motor-vehicle-related taxes and to eliminate others; (3) adopt a self-certification system by 2002; (4) streamline its standards and certification procedures; (5) establish a new financing mechanism to make it easier to purchase motor vehicles in Korea; and (6) continue to actively and expeditiously address instances of anti-import activity and to promote actively a better understanding of free trade and open competition. This MOU was negotiated after Korea's motor vehicle trade barriers were named as a ''priority foreign country practice'' in the 1997 Super 301 report and USTR initiated a section 301 investigation of such barriers. On October 20, 1998, with the conclusion of the MOU, the USTR decided to terminate this investigation and to monitor Korea's implementation of the measures in the MOU to eliminate those barriers. The first formal review of Korea's implementation of the 1998 MOU was held on April 29 and 30, 1999. The Administration will continue to work closely with the Korean Government to ensure that the provisions in the 1998 MOU are fully and faithfully implemented in a manner that substantially increases market access for foreign motor vehicles in Korea and establishes conditions so that the Korean motor vehicle sector operates according to market principles.

In addition, the Deputy U.S. Trade Representative concluded an exchange of letters in August 1998 on the operation and sale of Hanbo Steel, and the U.S. Government initiated comprehensive discussions with Korea on broader steel issues of concern to U.S. industry. In April 1999, the Deputy U.S. Trade Representative concluded another letter exchange with the Korean Government to address issues of concern and interest to U.S. industry relating to POSCO, Hanbo, and competition in the Korean steel sector generally.

In July 1998, a WTO dispute settlement panel ruled in favor of the United States and the European Communities (EC) by finding Korea's taxes on alcoholic beverages to be discriminatory. In January 1999, the WTO Appellate Body upheld this panel decision, and the panel and Appellate Body reports were adopted on February 17, 1999. The United States and the EC have requested arbitration to determine the length of the period within which Korea will come into compliance with the reports.

Pharmaceuticals: One of the top trade expansion priorities on the U.S.-Korea trade agenda is Korea's treatment of foreign, research-based pharmaceuticals. Korea does not now provide imported drugs with national treatment with respect to listing and pricing on the Korean national health insurance reimbursement schedule, and the current reimbursement system discourages hospitals and other large end-users from buying imported drugs. Dispensers of imported products also must comply with additional administrative procedures for reimbursement. U.S. pharmaceutical producers face other market access barriers in Korea including non-science-based requirements for clinical testing. In addition, the United States has raised concerns about Korea's regime for protecting test data against unfair commercial use. Finally, lack of coordination between Korean health authorities and Korean IPR authorities allows manufacturers of patent infringing products to gain approval for the launch of their products into the Korean market to the commercial detriment of the holders of the patents.

In response to high-level bilateral consultations and a letter from the Deputy U.S. Trade Representative, the Korean Government has indicated that it is taking steps to address some of the U.S. Government's and industry's concerns about treatment of foreign pharmaceuticals. The Administration will continue its active efforts to further advance progress on our pharmaceuticals trade issues until U.S. concerns are fully and satisfactorily addressed. Specifically, the U.S. Government will engage the Korean Government on U.S.-Korea pharmaceuticals-related trade issues and a Bilateral Investment Treaty (BIT), in an out-of-cycle Special 301 review on TRIPS consistency, and in other fora.

8. Mexico

Since 1994, trade with Mexico has largely been governed by the North American Free Trade Agreement (NAFTA). Mexico is also a WTO Member. As a result, U.S. trade and investment relations with Mexico are subject to a set of comprehensive disciplines setting high standards of openness and providing for effective resolution of disputes covered by these agreements. By any measure, NAFTA has contributed to the increased trade between the United States and Mexico. During NAFTA's first five years, U.S.

merchandise exports to Mexico increased by 90 percent, with imports from Mexico increasing by 137 percent. As is to be expected from such a large trading relationship, the United States does continue to have concerns about Mexico's trade practices in some areas. The most important of these concern Mexico's enforcement of its intellectual property laws, telecommunications policy, and market access for high fructose corn syrup.

Mexico has committed to implement and enforce advanced levels of intellectual property protection and has just enacted new legislation to this effect. However, as noted in USTR's Special 301 Report issued today, piracy and counterfeiting remain major problems, with current enforcement action inadequate to deter piracy. Mexico has been added to the Special 301 Watch List.

Regarding telecommunications, the United States is concerned that ongoing regulatory processes are non-transparent and potentially ineffective. USTR's Section 1377 Report, released on March 30, expressed doubts about Mexico's implementation of its commitments under the WTO agreement with respect to international services and interconnection rates. The Mexican government has said it will review its international service and interconnection/universal service regulations in 1999. USTR will conduct an out-of-cycle examination by July 30 regarding the progress of Mexico's ongoing regulatory process, and expects that Mexico will respond favorably to the requests from all the new entrants to permit International Simple Resale (ISR) immediately. At that time USTR will take appropriate action including, if warranted, the initiation of WTO dispute settlement proceedings, to assure that new competitors in the market are treated fairly.

The United States continues to raise its concerns regarding the Mexican Government's application of antidumping measures on U.S. exports of high fructose corn syrup (HFCS). A dispute settlement panel was established by the World Trade Organization in November 1998 and hearings were held in April 1999. A decision is expected late this year. U.S. exporters are also challenging Mexico's measure under the Chapter 19 provisions of the NAFTA and last year filed a Section 301 petition with USTR, alleging that the policies and practices of the Government of Mexico are unreasonable and deny fair and equitable market opportunities for U.S. exporters. USTR accepted the petition for review on May 15, 1998.

9. Middle East

Building upon our Free Trade Agreement with Israel, the United States has inaugurated a program that aims to bolster the peace process, while advancing American interests. Starting with a framework of bilateral trade and investment consultations in the region and a newly inaugurated industrial zones program, the United Sates will help the Middle Eastern countries work toward a shared goal of increased intra-regional trade. Most recently, the USTR expanded the first Jordan-Israel Qualifying Industrial Zone, designated another, and completed a Trade and Investment Framework Agreement with Jordan.

10. Western Hemisphere

The Miami and Santiago Summits of the Americas called on us to complete work on a Free Trade Area of the Americas no later than the year 2005. This year, also in accordance with Summit directions, the United States intends to achieve concrete progress toward the FTAA in the work of our nine Negotiating Groups (market access, agriculture, services, investment, government procurement, intellectual property, anti-dumping and countervailing duties, competition policy, and dispute settlement) and through business facilitation measures. In addition, the FTAA has initiated a private sector-public sector experts group on electronic commerce to advise the ministers on how electronic commerce can benefit the countries of this hemisphere, especially in the context of the FTAA negotiations. The ministers also have established a government committee on the participation of civil society, which has solicited the views of the different sectors of society concerning the FTAA and will analyze them for the consideration by the ministers at the next FTAA ministerial in Toronto in November 1999.

At the same time, the Clinton Administration will seek approval from Congress for an expanded and improved Caribbean Basin Initiative with duty-free treatment for products currently excluded from the program. The Administration seeks to use the program to promote the adoption by beneficiary countries of sound trade and investment policy reforms that will prepare them for the obligations and responsibilities of the FTAA.

Demetrios J. Marantis,

Assistant General Counsel, Section 301 Committee.

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DEPARTMENT OF TRANSPORTATION

Amtrak Reform Council; Notice of Seminar

AGENCY: Amtrak Reform Council.

ACTION: Notice seminar.

SUMMARY: As provided in Section 203 of the Amtrak Reform and Accountability Act of 1997, the Amtrak Reform Council (ARC) gives notice of a seminar on Amtrak. The seminar will deal with how and why Amtrak was established, Amtrak's current status and future plans. For comparative purposes, the program will also include international performance statistics and examples of how other countries operate and finance their intercity passenger trains. Amtrak and the U.S. Department of Transportation's Bureau of Transportation Statistics will open the seminar with a statistical profile of passenger travel in the U.S. In addition, the Council has invited speakers from the U.S. railroad industry, rail labor organizations, the World Bank, the consulting industry, and the European Bank for Reconstruction and Development.

DATES: The seminar is scheduled from 8:30 a.m. to 5:30 p.m. on Tuesday, May 18, 1999.

ADDRESSES: The seminar will be held at the Crystal Gateway Marriott in Crystal City, 1999 Jefferson Davis Highway, Alexandria, VA (703–413–5500). The seminar is open to the public on a first-come, first-serve basis. Persons in need of special arrangements should contact the person listed below.

FOR FURTHER INFORMATION CONTACT: Deirdre O'Sullivan, Amtrak Reform Council, Room 7105, JM–ARC, 400 Seventh Street, S.W., Washington, D.C. 20590, or by telephone at (202) 366–0591; FAX: 202–493–2061.

SUPPLEMENTARY INFORMATION: The ARC was created by the Amtrak Reform and Accountability Act of 1997 (ARAA), as an independent commission, to evaluate Amtrak's performance and to make recommendations to Amtrak for achieving further cost containment, productivity improvements, and financial reforms. In addition, the ARAA requires: that the ARC monitor cost savings resulting from work rules established under new agreements between Amtrak and its labor unions; that the ARC provide an annual report to Congress that includes an assessment of Amtrak's progress on the resolution of productivity issues; and that after two years the ARC has the authority to determine whether Amtrak can meet certain financial goals specified under