
IV. Regional Negotiations

One of the major achievements in trade policy has been the use of regional arrangements to further trade liberalization. Passage and implementation of the North American Free Trade Agreement (NAFTA), the initiation of the Free Trade Area of the Americas (FTAA) negotiations and the negotiation of sectoral agreements in the Asia Pacific Economic Cooperation forum (APEC), all have played a seminal role in trade policy.

In 1993, in recognition of the growing strength and dynamism of our trade and economic links with the Asia Pacific region, President Clinton convened the first APEC Leaders meeting in Seattle, Washington, giving U.S. trade and economic policy an Asian regional focus at the highest level for the first time. In succeeding years, the President's vision and leadership transformed APEC from a largely consultative body to one with an active trade vision – to achieve open and free trade and investment in the region in the first two decades of the 21st century.

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada and Mexico entered into force. As the world's largest and most comprehensive free trade area, it provides market opening and fair rules for trade and investment across North America. The negotiation and implementation of trilateral environment and labor agreements dramatically increased cooperative activities across North America and encouraged effective enforcement of environmental and labor laws.

Finally, in December of 1994, the 34 democratically elected leaders of the Western hemisphere agreed to conclude negotiation of a comprehensive Free Trade Area of the Americas Agreement no later than 2005. It was recognized that the prosperity and competitiveness of the entire hemisphere would be enhanced by the elimination

of trade barriers and a single set of fair trade rules. In addition, economic cooperation supports other goals, such as democracy, the rule of law, anti-corruption, and social justice. With these objectives in mind, the Administration pursued a regional approach to the Western Hemisphere, with the FTAA as its center.

A. Free Trade Area of the Americas

Overview

At the first Summit of the Americas, held in Miami in December 1994, the 34 democratically elected leaders of the Western Hemisphere agreed to create the Free Trade Area of the Americas as a comprehensive free trade zone encompassing more than 800 million people in the Americas. They directed their Trade Ministers to conclude the negotiations of the FTAA no later than the year 2005. The leaders noted that free trade and economic integration are key factors for raising living standards, improving working conditions, and better protecting the environment. The Trade Ministers launched their work at the first FTAA Ministerial, hosted by the United States in Denver in June 1995. At the second Summit of the Americas, held in Santiago, Chile, in April 1998, the Leaders of the hemisphere formally initiated the negotiations and established nine Negotiating Groups – covering market access; agriculture; services; intellectual property; government procurement; investment; subsidies, antidumping and countervailing duties; competition policy; and dispute settlement. These groups have conducted negotiations for the last two years in Miami.

On the eve of the next Leaders' Summit, to be held in April 2001 in Quebec City, Canada, the countries of the Western Hemisphere are well on their way to making the vision of hemispheric free trade a reality. The nine Negotiating Groups have

produced initial draft bracketed text in each of the areas they cover.

An important component of the FTAA process has been an effort to build broad public understanding of and support for the FTAA by communicating openly with the public. For the first time in an international trade negotiation, a committee of all participating governments was established to provide an effective means for civil society to contribute to the negotiating process. Reports to the Ministers from the Government Committee on Civil Society summarize the range of views submitted by organizations and individuals from throughout the hemisphere in response to a formal invitation for written comments. The reports are available on the official FTAA internet homepage (www.ftaa-alca.org). In addition, USTR has posted on its homepage (www.ustr.gov) public summaries of key U.S. positions in the FTAA negotiations.

In order to ensure that the FTAA negotiations take into account new technologies in international commerce, the Ministers also established the Joint Private-Public Sector Committee of Experts on Electronic Commerce. This Committee's Reports to the Ministers also are available on the FTAA homepage. The Joint Committee will continue its work to expand the benefits and opportunities of the electronic marketplace in the Western Hemisphere and to provide guidance on how electronic commerce should be dealt with in the construction of the FTAA.

Finally, the FTAA countries are taking into account the differences in the levels of development and the sizes of the economies in the Americas, in order to create opportunities for full participation by all countries.

Highlights of the achievements since the launch of the FTAA in 1994 include:

< *Initiation of Negotiations.* Following a period of preparatory work among the 34 countries after the Miami Summit of the

Americas in 1994, the 34 leaders at the Santiago Summit of the Americas in 1998 initiated the negotiations. Since then, the Negotiating Groups developed annotated outlines and then initial bracketed drafts of their respective chapters of the FTAA Agreement. At the next FTAA Trade Ministerial meeting to be held on April 6-7 in Buenos Aires, the Ministers will provide further instructions to the Negotiating Groups on the development of the texts of their chapters of the FTAA Agreement.

< *Implementation of Business Facilitation Measures.* The FTAA countries developed and are implementing a set of 10 transparency and eight customs-related business facilitation measures to facilitate the conduct of trade in the hemisphere even before the negotiations are completed. Among the most significant measures are: linking via the internet the websites of relevant governmental institutions covering the issues under negotiation in all the countries of the hemisphere to the FTAA public website; the expediting of express shipments; the simplification of procedures for low-value shipment transactions and for goods related to business travel; and the development of national codes of conduct for customs officials.

2000 Activities

In 2000, the United States and the 33 other FTAA countries made substantial progress in negotiations toward creation of the Free Trade Area of the Americas. Each of the nine FTAA negotiating groups prepared draft bracketed text for chapters in their respective areas that will constitute the core disciplines in the FTAA Agreement. These draft texts will be reviewed by the trade ministers at their next meeting in April 2001.

The negotiations are being guided by general principles and objectives approved by the leaders of the 34 democratically-elected FTAA countries.

Among the most important principles are that the FTAA should improve upon WTO rules and disciplines wherever possible and appropriate, and the outcome of the negotiations will be a “single undertaking,” in the sense that signatories to the final FTAA agreement will have to accept all parts of it – they cannot pick and choose among the obligations. Among the most important objectives are progressively to eliminate tariffs and non-tariff barriers, as well as other measures with equivalent effects, which restrict trade; to bring under greater discipline trade-distorting practices for agricultural products, including those that have effects equivalent to agricultural export subsidies; to promote customs mechanisms and measures that ensure operations are conducted with transparency, efficiency, integrity, and accountability; to liberalize trade in services to achieve hemispheric free trade under conditions of certainty and transparency; to ensure adequate and effective protection of intellectual property rights, taking into account changes in technology; to establish a fair and transparent legal framework for investment and related capital flows; to make our trade liberalization and environmental policies mutually supportive; and to further secure the observance and promotion of worker rights, in particular the observance of internationally recognized core labor standards.

The United States participated actively in the nine negotiating groups established following the 1998 Santiago Summit of the Americas. Each of the negotiating groups – covering market access, agriculture, services, intellectual property, investment, competition policy, government procurement, subsidies/antidumping/ countervailing duties, and dispute settlement – met several times over the course of the last year in Miami, which has been hosting the negotiations and the Administrative Secretariat for the first three years of the negotiations. In addition, the United States chaired the Negotiating Group on Services during the year 2000.

Other governments throughout the hemisphere have joined in sharing the responsibility of leading the

negotiations. During the year 2000, the following countries chaired the Negotiating Groups: Chile (Market Access), Brazil (Agriculture), Mexico (Intellectual Property), Trinidad and Tobago (Investment), Canada (Government Procurement), Colombia (Competition Policy), Venezuela (Subsidies/Antidumping/Countervailing duties), and Costa Rica (Dispute Settlement). Also during the year 2000, Bolivia chaired the Government Committee on the Participation of Civil Society, Guatemala chaired the Consultative Group on Smaller Economies, and Uruguay chaired the Joint Public-Private Sector Committee of Experts on Electronic Commerce.

As a result of U.S. efforts, the FTAA countries have been implementing eight customs-related and ten transparency-related measures which will help reduce obstacles to doing business in the hemisphere while the FTAA negotiations continue. The 34 countries are implementing these measures based on a common set of elements that specify what steps each country will undertake. Such measures will contribute to the FTAA goal of achieving economic prosperity through free trade and economic integration. Among the most significant measures to be implemented are: procedures to expedite express shipments, including customs authorities releasing shipments by within six hours of submission of necessary customs documentation; simplified procedures for low-value shipment transactions and for goods related to business travel; development of national codes of conduct for customs officials; and application of the 1996 Harmonized Commodity Description and Coding System at the six-digit level.

In order to improve transparency and facilitate business in the hemisphere, the participating governments also agreed to continue to make public commercially-useful information by posting on the official FTAA internet homepage (www.ftaa-alca.org) detailed information on each country’s trade regime. The business facilitation measures were developed as a result of extensive consultation with the private sector, including identification of

customs efficiency as a priority area. The FTAA countries view business facilitation as an ongoing initiative and accordingly will be identifying a second round of business facilitation measures at the Ministerial meeting in April 2001.

As agreed at the 1998 San Jose trade ministerial meeting, Argentina has been chairing both the Ministerial and the Vice Ministerial (Trade Negotiations Committee) meetings for the period 2000-2001. Ecuador will take on this responsibility at the close of the April Ministerial meeting and hold the chairmanship from 2001 to 2002. Following Ecuador's chairmanship, the FTAA negotiations will conclude under the co-chairmanship of Brazil and the United States, the two largest economies in the hemisphere. The Trade Negotiations Committee (TNC) focused its work on both guiding the negotiations and the implementation of business facilitation measures. The TNC will continue both of these aspects of its work in the next period. It will also begin to examine general and institutional issues related to the negotiations, including ways to treat the differences in levels of development and size of economies in the hemisphere to ensure the full participation of all countries in the construction and benefits of the FTAA.

In keeping with the leaders' mandate to conduct the FTAA negotiations in a manner that will build broad public understanding of and support for the FTAA and recognizing the need for open communication with the public throughout the hemisphere, the trade ministers established a Committee of Government Representatives on the Participation of Civil Society. The Committee was created to provide an effective means for civil society (i.e., all segments of the public, including individuals and organizations representing interests such as business, labor, consumers, academics, and the environment) to contribute to the negotiating process. Ministers directed the Committee to obtain ongoing input from civil society and to provide reports, outlining the full range of views received, at their ministerial meetings for their consideration. The United States has pressed for

the Committee's reports to encompass recommendations based on input from civil society; other FTAA participants have opposed the inclusion of recommendations. The Civil Society Committee has invited the public throughout the hemisphere to provide its views on the FTAA negotiations in order for the Committee to present the full range of views to Ministers before each Ministerial meeting. In addition to placing this invitation on the official FTAA website (www.ftaa-alca.org), countries agreed to use national mechanisms to disseminate the invitations further. In the United States, the invitations were disseminated through a variety of means, including press releases, letters and public meetings. In order to further enhance transparency of the negotiations, the U.S. Government also held open briefings and issued several Federal Register notices soliciting public comment on various aspects of the FTAA negotiations. The ministers made a major advance in opening the negotiations to civil society by reaching agreement on and publicizing through the official FTAA internet homepage (www.ftaa-alca.org) Committee Reports outlining the views received from civil society in the hemisphere during the course of the negotiations.

The United States has used the framework of the FTAA negotiations to identify and pursue trade-related environmental issues, consistent with the agreement at the 1994 Miami Summit of the Americas to pursue mutually supportive trade and environment policies. In 2000, the United States initiated an environmental review of the FTAA. Consistent with Executive Order 13141, the review was initiated through the Federal Register with a request for public comment. The review is intended to ensure that the potential environmental implications of the FTAA are taken into account during the negotiations. USTR also developed guidance in 2000 regarding the quantitative and methodological parameters of the review, which was placed on the USTR website for public comment.

In recognition that the FTAA negotiations must take into account new technologies in international

commerce, the ministers established the Joint Private-Public Sector Committee of Experts on Electronic Commerce. The Joint Committee's Reports to Ministers are publicly available on the official FTAA internet homepage (www.ftaa-alca.org) and are circulated to relevant authorities within the respective governments in the hemisphere. The dividends of electronic commerce are expected to benefit particularly the smaller companies and smaller economies in the hemisphere which traditionally have been hampered by limited information, high market entry costs, and distance from major markets. The Joint Committee concludes that electronic commerce "can make an important contribution to future sustainable economic growth in the Western Hemisphere." The Joint Committee will continue its work aimed at expanding the benefits and opportunities of the electronic marketplace in the Western Hemisphere and providing guidance on how electronic commerce should be dealt with in the construction of the FTAA.

As noted in the Santiago Summit Declaration, the participants in the FTAA are to "take into account the differences in the levels of development and size of the economies in the Americas, in order to create opportunities for the full participation by all countries." In order to ensure the full participation of smaller economies in the FTAA negotiations, the FTAA ministers established the Consultative Group on Smaller Economies. The Consultative Group, in which all 34 FTAA countries participate, keeps under review the concerns and interests of the smaller economies and makes recommendations to the Trade Negotiations Committee to address such issues.

The FTAA will result in greater market access for U.S. exports. U.S. goods exports to Latin America (excluding Mexico) have been in surplus since 1992 before falling into deficit in 1999 as a result of the recessionary economic conditions through much of Latin America. Since 1992, U.S. goods exports have increased 56.8 percent. Jobs supported by goods exports to Latin America (excluding Mexico) increased from an estimated

460,000 in 1992 to more than 660,000 in 1998 (latest data available).

B. North American Free Trade Agreement

Overview

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada and Mexico entered into force. The NAFTA is the largest and most comprehensive free trade agreement in the world. It also includes the most significant labor and environmental cooperation agreements that the United States has negotiated as part of a trade agreement. The NAFTA has dramatically improved our trade and economic relations with our neighbors. Trade among the three countries has expanded enormously, thus helping to fuel our unprecedented economic expansion and promoting our global economic leadership. In addition, we are engaged in a singularly intensive trade, labor and environmental cooperation program. The net result of these efforts is more economic opportunity and growth, greater fairness in our trade relations, and a coordinated effort to better protect worker rights and the environment in North America.

We intend to build on the remarkable record to date that has seen Mexico become our second largest single-country trading partner and our fastest growing major export market over the last five years, despite the worst economic setback in Mexico in 60 years in 1994-95. The magnitude of our trade relations in North America is impressive: U.S. two-way trade with Canada and Mexico exceeds U.S. trade with the European Union and Japan combined.

More than 25 different NAFTA Committees, Working Groups and their subsidiary bodies complement our active bilateral agendas with Canada and Mexico. Overall direction to NAFTA implementation is provided by the annual NAFTA Commission, which is made up of the U.S. Trade Representative, the Canadian Minister for International Trade, and the Mexican Secretary of Economy.

NAFTA, which built on the U.S.-Canada Free Trade Agreement (CFTA) of 1989, includes nearly 400 million people producing more than \$10 trillion worth of goods and services. Since the Agreement's entry into force on January 1, 1994, the United States has worked to ensure that its market opening objectives are met, thus eliminating barriers to U.S. exports. (Bilateral issues are discussed in the separate sections on Canada and Mexico).

Upon the Agreement's entry into force, half of all U.S. exports to Mexico became eligible for duty-free treatment. This benefitted many sectors in which the United States is most competitive, such as semiconductors, computers, machine tools, aerospace equipment, and medical devices. Remaining tariffs are being eliminated on a ten or fifteen-year staging schedule.

January 1, 2001, marked the eighth consecutive year of reciprocal tariff reductions. The estimated average Mexican trade-weighted tariff on U.S. products has fallen from 10.0 percent to 1.27 percent, while the average U.S. tariff on Mexican products has fallen from 4.0 percent to 0.35 percent. Thus, U.S. firms have obtained more than an eight percentage point margin of preference compared to non-NAFTA competitors, while Mexican firms have obtained roughly a three percentage point margin of preference in the United States. Nearly all goods traded between Canada and the United States now enter each country free of any tariff.

Trade among the three NAFTA Parties has soared during the first six years of the Agreement, and continues to set new records. U.S. goods exports to our NAFTA partners rose more than 75 percent, to \$253 billion. U.S. merchandise exports to Canada, our largest trading partner, climbed nearly 66 percent since the NAFTA entered into force. Despite the setback in export growth to Mexico in 1994-95 due to the peso crisis and economic downturn, U.S. merchandise exports to Mexico have more than doubled from pre-NAFTA levels (growing from \$41.6 billion in 1993 to \$87 billion

in 1999). As a result, Mexico became our second largest single-country trading partner in 1999. Exports to our two North American trading partners, combined, account for approximately 36 percent of our global exports. Jobs supported by goods exports to NAFTA countries increased by 32.5 percent, from an estimated 2.0 million in 1993 to an estimated 2.6 million in 1998 (latest data available).

Elements of NAFTA

1. Tariffs

Following procedures set out in the NAFTA, the United States, Canada and Mexico concluded a third NAFTA tariff acceleration exercise on January 1, 2001. In the third round of tariff acceleration, the early elimination of tariffs on a variety of products affected nearly \$750 million in trade. The trilateral agreements to eliminate tariffs demonstrated the broad support for increased trade among the NAFTA countries. The items identified for accelerated tariff elimination were selected based on requests by consumers, producers and traders who are eager to take advantage of the benefits of free trade throughout North America. Under the last agreement, the United States and Mexico eliminated tariffs on an equivalent set of products, while Mexico and Canada eliminated tariffs between their two countries on a parallel package of goods. As a result of the tariff acceleration, hundreds of items now enter each country free of tariff barriers, including chemicals, pharmaceuticals, leather footwear, and heavy machinery. The NAFTA countries will continue to consider additional tariff acceleration requests, based on expedited procedures agreed upon in 1999.

2. Removing Nontariff Barriers

The NAFTA went beyond tariffs and quotas by reducing or eliminating numerous nontariff barriers, such as import licensing and performance requirements. These were more prevalent in Mexico than in Canada. For example, pursuant to

the Agreement, Mexico eliminated rules that had forced U.S. manufacturing investors in Mexico to export their output (usually to the United States) rather than sell it in the Mexican market in order to qualify for significant tax benefits. Requirements that U.S. companies produce in Mexico in order to sell there are being phased out. These barriers had been especially hard on small U.S. businesses, which are often ill-equipped to wrestle with complex procedures and unable to invest in overseas manufacturing facilities.

3. Government Procurement

The NAFTA defines broad categories of government procurement contracts on which firms from the three Parties can bid, including many services, such as construction services. The Agreement provides for transparent tendering and bid protest procedures, establishes a bid challenge mechanism, and prohibits offsets, without restricting U.S. small and minority business programs. There is an effort underway in the NAFTA trilateral Working Group on Government Procurement to build upon the existing progress.

4. Intellectual Property Rights

The NAFTA contains specific obligations requiring high levels of protection for owners of patents, copyrights, trademarks, trade secrets, and integrated circuit designs. Such protection will increase trade while decreasing losses from piracy and counterfeiting. Products that benefit from the NAFTA's intellectual property rights (IPR) chapter are, for example, computer software, motion pictures, audio recordings, pharmaceuticals, agricultural chemicals, and computer chips. In response to U.S. industry concerns, the United States is pursuing strengthened IPR enforcement jointly with Mexico. (See bilateral section on Mexico in Chapter V for more details.)

5. Investment

The NAFTA provides comprehensive disciplines to ensure that foreign investors are provided the same

treatment as domestic investors. The NAFTA includes disciplines on performance requirements which prohibit most requirements for local content, for the transfer of technology to competitors, and for exclusive suppliers of a particular product to a specific region or market.

The NAFTA Investment and Services Working Group (ISWG) maintains an active agenda. The Group continues to review the implementation of commitments related to investment and cross-border trade in services (NAFTA Annex I). In addition, the Group monitored the progress of various professions in their efforts to reach mutual recognition agreements for licensing and certification and discussed the status of implementation of the agreement on mutual recognition of engineers. The Group also discussed issues related to investor-state provisions of the NAFTA and continued its discussion of interpretation of certain provisions of Chapters Eleven and Twelve.

6. Rules of Origin

The NAFTA raised the North American content requirement for duty-free treatment of automobiles from 50 percent (as provided in the CFTA) to 62.5 percent, and introduced mechanisms to improve accountability. The NAFTA also contains special rules of origin for high technology products, textiles, and apparel.

The United States, Mexico, and Canada agreed to certain technical rectifications to the rules of origin contained in Annexes 401 (product-specific rules of origin) and 403.1 (tariff provisions for tracing purposes) of the NAFTA. These rectifications are intended to maintain consistency between Annexes 401 and 403.1 and the tariff schedules of the NAFTA Parties and became effective in March 2000. The NAFTA Rules of Origin Working Group discussed ways to simplify the rules of origin and agreed to develop a work plan to develop an appropriate methodology for such simplification, as well as to address automotive tracing requirements.

7. Agriculture

The NAFTA mandates the eventual elimination of all nontariff barriers to agricultural trade between the United States and Mexico. All quantitative restrictions on agricultural trade between the United States and Mexico were eliminated upon the NAFTA's entry into force, although a small number of products are subject to tariff-rate quotas during the transition periods. For import-sensitive industries, long transition periods for the elimination of over-quota tariffs and special safeguards allow for an orderly adjustment to barrier-free trade with Mexico. All agricultural provisions will be implemented by the year 2008.

Under the provisions of the CFTA, which were incorporated into the NAFTA, all tariffs affecting agricultural trade between the United States and Canada were removed on January 1, 1998. The only special exceptions are for U.S. imports of dairy products, sugar, certain sugar containing products, peanut butter, and Canadian imports of dairy products, poultry, eggs and margarine, which are covered by tariff-rate quotas.

The NAFTA Committees and Working Groups which oversee the implementation of the NAFTA's agricultural provisions include the Committee on Agricultural Trade, the Working Group on Grade and Quality Standards in Agriculture, the Working Group on Agricultural Subsidies, and the Advisory Committee on Private Commercial Disputes Regarding Agricultural Goods. These groups addressed issues such as tariff rate quotas, export subsidies and domestic support programs. As a result of work of the Advisory Committee on Private Commercial Disputes Regarding Agricultural Goods, an independent body was established in 2000 to mediate commercial disputes involving trade between the United States, Mexico and Canada in fresh fruits and vegetables.

8. Food Safety and Sanitary/Phytosanitary Measures

The NAFTA recognizes the right of its members to

impose measures necessary to protect food safety and animal and plant health. However, the NAFTA requires that measures not be merely a way to protect domestic industries from foreign competition. Also, measures must be based on scientific principles and risk assessments and must be applied only to the extent necessary to provide a country's chosen level of protection.

The NAFTA created a trilateral Committee on Sanitary and Phytosanitary Measures for resolution of issues surrounding food safety and animal and plant health. The Committee has considered a range of bilateral issues, facilitating trade in a number of agricultural goods, and is helping to implement the U.S. food safety initiative, which was first announced in 1997.

9. Safeguards

The NAFTA provides methods for protecting American industries and workers from injury – or the threat of injury – from surges in imports through two safeguard provisions. A bilateral safeguard permits a temporary “snap-back” to applied MFN tariff rates, and a global safeguard maintains our right to impose measures on Canada and Mexico as part of a multilateral action when imports from either country seriously injure U.S. firms.

10. Services

The NAFTA strengthens rules and broadens coverage to all service providers, except those that are specifically excluded. The Agreement opens new market opportunities for U.S. service companies by allowing them to provide services directly from the United States on a non-discriminatory basis. It encourages elimination of citizenship requirements for licensing and certification of professionals.

Subsidiaries of securities firms from NAFTA countries had individual and aggregate capital limits during the 1994-1999 transition period. The limits were eliminated in 2000 but foreign

securities firms are still subject to the same three-year safeguard as banks. The NAFTA Financial Services Committee has finalized rosters for financial services panelists for disputes under Chapter Fourteen, established “inquiry points” for each Party pursuant to the requirement of NAFTA Article 1411(6), agreed to update, on an annual basis, federal reservations set out in the Annex VII Schedules, consulted on Mexico’s aggregate limit on limited scope financial institutions, and reviewed market access issues arising from NAFTA Article 1403(3) following the entry into force of the U.S. Interstate Banking and Branching Efficiency Act.

11. Standards

The NAFTA ensures that Canadian and Mexican product standards, regulations, and conformity assessment procedures do not discriminate against U.S. exports or create needless barriers to trade. The Agreement preserves our right to establish and enforce our own product standards and regulations, particularly those designed to promote safety and protect human, animal and plant life, and health and the environment. In 2000, the trilateral NAFTA Committee on Standards-Related Measures met to discuss issues associated with implementation (e.g., the operation of central contact points for information), and to exchange information on standards-related developments in the respective countries and related international and regional fora.

The Telecommunications Standards Subcommittee (TSSC), made up of telecommunications trade and regulatory officials from the three NAFTA signatory countries, meets to discuss, monitor, and facilitate the implementation of the telecommunications-related provisions of the NAFTA. Work focuses on implementing the TSSC’s multi-year work program on standards harmonization for wired and wireless equipment, and facilitating more streamlined testing and certification procedures within the NAFTA.

The NAFTA Land Transportation Standards Subcommittee (LTSS) continues its work on safety

issues. In 2000, the LTSS progressed toward developing more compatible standards related to truck, bus & rail operations and the transport of hazardous materials among the United States, Mexico and Canada. Specifically, the LTSS addressed issues related to vehicle and driver standards, vehicle weights and dimensions, and the transport of hazardous materials. The NAFTA Subcommittee on Labelling of Textile and Apparel Goods is developing a trilateral standard in the area of care labelling of textiles.

12. Review of Dumping and Subsidy Determinations

Under NAFTA Chapter 19, the United States is not required to make any substantive change in its antidumping (AD) or countervailing duty (CVD) laws. The NAFTA did require Mexico to undertake far-reaching reforms to provide full due process guarantees and effective judicial review to U.S. exporters. The NAFTA establishes a mechanism for independent binational panels to review final U.S., Canadian, and Mexican AD and CVD determinations when such a review is requested by a person entitled to judicial review under the domestic law of the importing country. This is essentially the same review system that the United States and Canada have applied under the U.S.-CANADA FTA. In the six years that the NAFTA has been in force, 53 Chapter 19 panels have completed their work or have cases pending.

13. Mechanisms to Implement the Agreement

The NAFTA’s central oversight body is the NAFTA Free Trade Commission, chaired jointly by the U.S. Trade Representative, the Canadian Minister for International Trade, and the Mexican Secretary of Economy. The NAFTA Commission, modeled after the U.S.-Canada Trade Commission under the U.S.-Canada FTA, is responsible for overseeing implementation and elaboration of the NAFTA and for dispute settlement. The Commission held its last annual meeting in April 1999 in Ottawa, Ontario. At that meeting, it

directed officials to continue a trilateral operational review of the work program of the NAFTA Committees, Working Groups, and their sub-committees and sub-groups. As a result of the review, new direction was provided to the more than 25 different committees, subcommittees and working groups. The work program itself is guided by the NAFTA Coordinators operating under the oversight of deputy ministers.

14. NAFTA and Labor

The North American Agreement on Labor Cooperation (NAALC), a supplemental agreement to the NAFTA, promotes effective enforcement of domestic labor laws and fosters transparency in their administration. The NAALC also has generated an unprecedented trilateral work program in the areas of industrial relations (i.e., the right to organize and bargain collectively), occupational safety and health, employment and training and child labor and gender initiatives.

Each NAFTA Party also has established a National Administrative Office (NAO) within its Labor Ministry to serve as a contact point for information, to examine labor concerns, and to coordinate the expansive cooperative work programs. In addition, the Agreement created a trinational NAFTA Labor Secretariat.

Under the NAALC and various NAO procedural guidelines, citizens of any NAFTA signatory can file a submission to request their government to review the labor practices of a NAFTA partner. Several submissions have resulted in ministerial consultations and the adoption of work programs to address the underlying concerns. For example, the National Law Center for Inter-American Free Trade (NLCIFT) has presented to the U.S. NAO a report on Emergency Procedures for Resolving Labor-Management Disputes in the United States, Canada, and Mexico, which examines laws and procedures that can be used in the event of special or extraordinary circumstances associated with labor disputes in the NAFTA countries. The report is relevant to the issues raised in a U.S. NAO submission.

The Secretariat for the Commission of Labor Cooperation is engaged in several important ongoing research projects. Among them are a comprehensive, three-volume comparison of labor law in North America; a study of standard and advanced labor relations, work organization practices and use of technology in the garment industry; and a study focusing on the participation of women in the labor forces of the NAALC countries. The work of the Secretariat has greatly enhanced our understanding of each other's labor laws, and has resulted in better cooperation among the NAFTA countries.

The Parties have held more than 45 trilateral conferences, seminars, and technical exchanges to share information and make improvements in many critical areas. Conferences held in 2000 addressed issues related to health and safety in the workplace, freedom of association, the rights of women in the workplace, and migrant labor. By addressing issues of labor rights, the NAALC has contributed to the growth and development of labor unions within our countries as democratic institutions that will help ensure the participation of workers and their prosperity.

15. NAFTA and the Environment

A further supplemental accord, the North American Agreement on Environmental Cooperation (NAAEC), ensures that trade liberalization and efforts to protect the environment are mutually supportive. The NAAEC created the North American Commission on Environmental Cooperation (CEC), the Council of which is made up of the environmental ministers from the United States, Canada, and Mexico. The Commission's work is supported by an Environmental Secretariat located in Montreal.

The 2000-2002 Program Plan is centered around four core program areas: Environment, Economy and Trade; Conservation of Biodiversity; Pollutants and Health; and Law and Policy. Within these areas, a number of programs are set out to further the objectives of the NAAEC. Specific projects

outline the concrete steps to be undertaken by the organization to implement these objectives. The programs and projects will continue to evolve over a three-year cycle in response to the results achieved each year.

In November 1993, Mexico and the United States agreed on arrangements to help border communities with environmental infrastructure projects, in furtherance of the goals of the NAFTA and the NAAEC. The governments established two institutions, the Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB), which now are working with close to 100 communities along the Mexico-U.S. border.

As of September 30, 2000, the BECC had certified 42 water, wastewater, and municipal solid waste infrastructure projects. These projects will represent a total estimated investment of \$945 million, benefitting over seven million border residents. Twenty-five certified projects are located in the United States; seventeen are located in Mexico. Under Articles 14 and 15 of the NAAEC, the CEC Secretariat may consider a submission from any person or non-governmental organization asserting that a Party to the NAAEC is failing to effectively enforce an environmental law. Such submissions can result in the preparation of a factual record and the publication of this record. In 2000, six new submissions were filed bringing the total to twenty-eight. To date, two factual records have been prepared (one involving a commercial pier in Cozumel, Mexico and another involving hydroelectric facilities in British Columbia, Canada) with one more currently under development (involving an abandoned lead smelter in Tijuana, Mexico). In 2000, the CEC Secretariat notified the CEC Council that a factual record is warranted on three more submissions (one involving the Migratory Bird Treaty Act in the United States, another relating to a shrimp farm in Nayarit, Mexico, and a third regarding fish habitat and environmental assessments in Alberta, Canada).

16. Temporary Entry of Business Persons

Under provisions set out in Chapter 16 of the NAFTA, a citizen of a NAFTA country may work in a professional occupation in another NAFTA country provided that the profession is on the NAFTA list of professions; the alien possesses the specific criteria for that profession; and the prospective position requires someone in that professional capacity. The NAFTA Temporary Entry Working Group is responsible for the implementation and administration of NAFTA Chapter 16. The interagency U.S. delegation meets annually with its counterparts from Canada and Mexico to review progress and address issues related to implementation.

C. Asia Pacific Economic Cooperation

Overview

Over the past seven years, the Asia Pacific Economic Cooperation (APEC) forum, which was founded in 1989, was transformed from a largely consultative body to a dynamic force for market opening and trade expansion in the Asia Pacific region, and in the world. Recognizing that the Asia Pacific accounted for more than half of the U.S. exports to the world, and had steadily increased in importance in recent years, President Clinton invited Leaders from 18 Asia Pacific economies to Blake Island, Washington in 1993, the first ever regional meeting of Leaders.

The growth in U.S. goods exports to APEC clearly demonstrates the benefits of market opening and trade expansion. Since 1992, U.S. exports to APEC increased nearly 80 percent, including a 15 percent increase in 2000. In 2000, two way trade with APEC members is estimated to reach \$1.28 trillion, a 17.5 percent increase over 1999 (annualized estimate based on 10 month data). It was at Blake Island that APEC Leaders first expressed their collective desire to move toward an "Asia Pacific community" of economies. This presaged a series of accomplishments which

established APEC as the preeminent forum for trade liberalization and open markets in the Asia Pacific region. In particular:

- < In 1994, APEC Leaders announced their commitment to the “Bogor vision” to establish free and open trade and investment in the region by 2010 for industrialized economies and 2020 for developing economies;
- < In 1995, the Osaka Action Agenda, which developed a specific road map for opening markets in the region in 14 substantive areas, was agreed upon;
- < In 1996, APEC economies submitted their first “Individual Action Plans” indicating how they intended to move toward fulfillment of the Bogor goals. Moreover, APEC Leaders called for conclusion of the Information Technology Agreement (ITA) in the WTO, which acted as a decisive catalyst toward successful completion of this agreement – one of the world’s largest trade agreements ever in terms of trade coverage – in 1997; and
- < In 1997 and 1998, APEC Leaders, seeking to further advance APEC’s leadership role in the multilateral trading system, called for the opening of 15 key sectors on a global basis, developed the details for market opening in each sector, and affirmed their commitment to working to this end in the WTO.
- < In 1999, APEC Leaders called for a new round of WTO negotiations, to include among other things industrial tariffs, the abolition of agricultural export subsidies, as well as the eight “accelerated tariff liberalization” sectors that they had identified in 1997-98.
- < In 2000, APEC Leaders reiterated the importance of agreement on a WTO agenda as soon as possible in 2001, and

the need to launch a new WTO round before the end of the year in 2001. They also launched a broad based Action Agenda on the New Economy, to ensure that APEC members used advances in information technology to boost productivity and stimulate economic growth in the region.

2000 Activities

As economic recovery from the financial crisis took hold in the region in 2000, APEC Trade Ministers and Leaders reaffirmed the importance of moving forward to launch multilateral trade negotiations in the coming year, stressed the region’s continued commitment to trade expansion and market opening, and moved forward in concrete ways to facilitate, open and expand trade. Though APEC economies continued to grow and open their markets in 2000 (see the *APEC 2000 Economic Outlook*, and the *2000 Individual Action Plans* at www.apecsec.org.sg, for further detail on growth and trade liberalization, respectively), Ministers and Leaders stressed the need to show continued leadership on global trade issues, in particular in view of the inconclusive results of the WTO Ministerial meeting in December 1999. They took note of the extraordinary economic and social progress that had been experienced in APEC economies during the past decade, resulting from an unwavering commitment to open markets and continued trade liberalization. Analysis of this progress is detailed in *Open Economies Delivering to People, APEC’s Decade of Progress* (also found at www.apecsec.org.sg).

Important activity took place at all APEC levels in 2000, from the Leaders and Ministerial agreements to the work of Senior Officials and the Committee on Trade and Investment to give effect to APEC’s vision of free and open regional trade and investment and to fulfill Ministerial and Leaders instructions. APEC demonstrated its continuing commitment to this vision in several concrete ways. In particular, it:

- < reaffirmed its commitment to play a leading role in the multilateral trading system;
- < took specific steps to advance its own work program of regional trade and investment liberalization and facilitation; and
- < began to discuss and express views on the proliferation of sub-regional trade agreements in the Asia Pacific region.

1. Leadership in the Multilateral Trading System

APEC Trade Ministers indicated clearly their desire for the region to continue to play a leading, catalytic role in fostering the opening of markets worldwide. With the aim of restoring momentum to the multilateral trading system after the inconclusive WTO Ministerial in December 2000, APEC Trade Ministers at their June 2000 meeting in Darwin, Australia stressed the need for an early launch to a new WTO round, and in addition to endorsing ongoing and mandated negotiations in services and agriculture, called for preparatory work in the WTO on industrial tariffs and related areas. APEC Ministers and Leaders built on this outcome when they met in November, when they agreed that a balanced and sufficiently broad based agenda responding to the interests and concerns of all WTO members should be formulated and finalized as soon as possible in 2001, and that a round be launched in 2001. They also called for the establishment of an ad hoc analytic task force in the WTO which would examine how WTO rules are relevant to the evolution of electronic commerce.

In addition, to contribute in a concrete way to building confidence in the WTO, APEC Ministers and Leaders endorsed a strategic plan on building capacity in developing countries to implement existing WTO agreements. This strategic plan will be further developed and implemented in 2001.

2. Advancement of APEC's Work on Trade and Investment Liberalization and Facilitation

APEC continues to take concrete steps to ensure that its member economies make steady progress toward achieving the "Bogor goals" of free and open trade and investment in the region. APEC work on trade and investment liberalization and facilitation is overseen by the *Committee on Trade and Investment* (CTI) and its sub-fora. The CTI and sub-fora have well-developed, specific work programs in the fifteen substantive issue areas, as first defined in the 1995 Osaka Action Agenda. These areas are: tariffs, non-tariff measures, services, investment, government procurement, standards and conformance, customs, competition policy, deregulation, intellectual property rights, dispute mediation, mobility of business people, rules of origin, and implementation of the Uruguay Round.

While the CTI has overall responsibility for developing and overseeing work in these 15 areas, much of the work program at a technical level is conducted by CTI sub-fora. The Committee met three times during 2000 in Bandar Seri Begawan: 16-17 February; 30-31 May; and 19-20 September. In addition, the following CTI sub-fora met:

- *Market Access Group* (MAG) – Bandar Seri Begawan, 18 February; and Bandar Seri Begawan, 17 September;
- *Group on Services* (GOS) – Bandar Seri Begawan, 18-19 February; Bandar Seri Begawan, 28-29 May; and Bandar Seri Begawan, 17-18 September;
- *Investment Experts' Group* (IEG) – Shanghai, China, 17-18 March; Bandar Seri Begawan, 27-28 May; and Bandar Seri Begawan, 15-16 September;
- *Sub-Committee on Standards and*

Conformance (SCSC) – Bandar Seri Begawan, 18-19 February; Bandar Seri Begawan 28-29 May; and Bandar Seri Begawan, 17-18 September;

- *Sub-Committee on Customs Procedures* (SCCP) – Bandar Seri Begawan, 18-20 February; and Bandar Seri Begawan 16-18 September;
- *Intellectual Property Rights Experts' Group* (IPEG) – Sapporo, Japan, 2-3 March; and Cheju, Korea, 12-13 July;
- *Competition Policy/Deregulation Workshop* – Bandar Seri Begawan, 27-28 May;
- *Government Procurement Experts' Group* (GPEG) – Bandar Seri Begawan, 12-13 February; and Bandar Seri Begawan, 15-16 September;
- *Informal Experts' Group on the Mobility of Business People* (IEGBM) - Bandar Seri Begawan, 18-19 February; and Bandar Seri Begawan, 30-31 May.

Progress on Collective Action Plans

Among other things, the CTI and its sub-fora are responsible for implementing APEC's "Collective Action Plans" in each of the fifteen areas. The objective of the Collective Action Plans is to develop cooperative means and programs by which APEC members progress toward the APEC goals of regional open and free trade and investment. In 2000, a number of concrete results were achieved in the implementation of these Collective Action Plans. A complete description of steps undertaken in advancing Collective Action Plans can be found in the *Committee on Trade and Investment's 2000 Annual Report to Ministers*, which is at the APEC Secretariat's website (<http://www.apecsec.org.sg>). In 2000 and 2001, the United States serves as the Chair of the Committee on Trade and Investment.

Highlights of Collective Actions conducted by

some of the key of the CTI Sub-fora are outlined below.

The *Sub-Committee on Standards and Conformance* (SCSC), in addition to furthering its core work of further aligning member economy standards with international standards, developed the Principles and Features of Good Practice for Technical Regulations and the Information Notes, which would provide APEC member economies with guidance for adoption of efficient regulatory arrangements leading to reductions in technical barriers to trade. It also developed a work program on trade facilitation in information technology products in collaboration with the Information Technology Industry Council (ITI).

The *Sub-Committee on Customs Procedures* (SCCP) completed much of its agreed work programs on important customs areas such as WTO Valuation, WTO TRIPS (on border control), Clear Appeals Provisions, Advance Classification Ruling, Temporary Importation and Express Consignment. The SCCP has published the 2000 SCCP Blueprint: Meeting the Challenges of Modern Business Environment, an annual publication which maps out the SCCP work program to enable the business sector to visualize the future changes and positive impacts they will have on the trading community. It also developed plans to improve the levels of "Integrity" in Customs Administrations, a collective action newly introduced in 1999.

The *Market Access Group* (MAG) undertook a stock-take of work in the non-tariff measures (NTMs) area by various fora, including identifying the types of NTMs with a view to intensifying work on reducing NTMs. It discussed a list of ideas for future NTMs Work Program and agreed to adopt some of the elements as CAPs for implementation in 2001. These elements included (i) undertaking research and providing a basis for policy discussions on trade regulations and administrative arrangements that focus on procedural elements of trade processes in collaboration with other APEC fora; (ii)

undertaking a series of policy discussions on NTMs with a view to exploring issues surrounding their progressive reduction, and devising practical options for their progressive reduction on a voluntary basis; (iii) further developing the MAG homepage of links to websites of APEC member economies dealing with trade regulations and associated administrative arrangements as a resource to business and other economies; (iv) expanding the MAG website by publishing other appropriate MAG papers on the website; and (v) maintaining a dialogue with other APEC fora on aspects of their work programs which address NTMs. In addition, MAG also agreed to undertake a study in the tariffs area with respect to trade data and tariff information.

The *Group on Services (GOS)* completed its development of a broader policy framework for work on services, taking into account the cross-cutting nature of services work. The Framework will facilitate the better organization of APEC services work as well as better coordination of the APEC service-related fora/sub-fora. To implement the Policy Framework, GOS has commenced development of the Menu of Options for Voluntary Liberalization, Facilitation and Promotion of Economic and Technical Cooperation in Service Trade and Investment.

The *Intellectual Property Experts' Group (IPEG)*, in response to the post TRIPS era, is in its final stages of completing a new Collective Action Plan on IPR. As part of the new CAP, the IPEG agreed to undertake a program of information exchange and technical cooperation to promote strong management practices for software and other IP assets in APEC economies.

The *Workshop on Competition Policy and Deregulation (CPD)* considered effective ways to implement the APEC Principles on Competition and Regulatory Reform. It identified two areas, which it would be looking into as part of its future work program. These relate to (i) the facilitation of the basic understanding by APEC fora and sub-fora of the Principles and its implications for the

process of implementation in each respective area and (ii) the design of effective and efficient means for reporting on the advancements of the process of implementation of the Principles by APEC fora and sub-fora.

The *Government Procurement Experts' Group (GPEG)* advanced the process of voluntary reviews by economies on consistency of their government procurement regimes with the APEC Non-Binding Principles on Government Procurement. Four economies presented full review reports in 2000, and others will report in 2001, regarding the transparency principle. GPEG adopted a work program to address capacity building for implementing the principles, including electronic procurement. It also discussed alternative approaches to encourage domestic suppliers to participate in competing to supply government procurement needs without restricting competitive opportunity for foreign suppliers.

The *Informal Experts' Group on Mobility of Business People (IEGBM)* continues to work to facilitate business transfers. IEGBM focused on streamlining business temporary residence and undertook activities such as: (i) conducting an evaluation of the extent to which member economies have implemented streamlined arrangements for the intra-company transfer of senior executives and managers; (ii) considering extending streamlined business temporary residence processing to specialists; and (iii) undertaking a capacity building project in immigration facilitation techniques, aimed at helping member economies make progress on the temporary residence initiatives. The IEGBM has started to consider standards for travel, entry and stay in APEC economies, a new collective action for 2000/01.

Work on the "EVSL" Sectors

The CTI also oversaw work to address non-tariff measures, facilitate trade, and conduct economic and technical cooperation in each of the sectors selected by APEC Leaders for "early voluntary liberalization." Key among these was agreement

to a proposal by the Asia-Pacific Chemical Industry Coalition (APCIC) to set up a APEC *Chemical Dialogue* in which senior government and industry representatives would meet regularly. The terms of reference for this Dialogue will be developed in 2001.

In addition, the second meeting of the *APEC Automotive Dialogue* was held successfully on 6-8 April 2000 in Manila with more than 170 participants from industry and government. A substantive work program requiring close consultation with other APEC fora, particularly in the areas of customs, standards and intellectual property rights, has been established.

Several EVSL-related projects were also successfully implemented. These include:

- *Toys*: The APEC Seminar on the ISO Global Safety Standard, IS 8124 was held on 20-22 March 2000 in Hong Kong.
- *Medical equipment and instruments*: The Seminar for Government Regulators/ Harmonization of Medical Equipment Regulation was conducted on 1-2 March 2000 in Singapore. The Seminar covered topics such as Quality System Requirements and Guidance, Pre-market Review, Vigilance and Post-Market Surveillance and Auditing.
- *Gems & Jewelry*: The APEC Gems and Jewelry Trade and Technology Seminar was held in Beijing on 15-19 May 2000. The seminar discussed a broad range of topics in the area of processing and trade of Gems and Jewelry within APEC.
- *Forest Products*: The completion of the NTM study on Forest Products. The publication is available in both hard copy and electronically on the internet at the APEC Secretariat's homepage, www.apecsec.org.sg/pubs/freepubs.html#2000

- *Food*: The Seminar on Public Health Issues in Animal Production/Animal Products held in Beijing, China on 15-19 October 2000. The seminar was aimed at increasing the safety of food and enhancing environmental protection.

Improving the Individual Action Plans (IAPs)

The CTI and its sub-fora also played a lead role in responding to Ministerial instructions to improve the Individual Action Plan (IAP) process. IAPs, first developed in APEC in 1996, are the chief means by which APEC members report how they plan to comply with the goal of achieving free and open trade and investment in each of the 15 substantive areas. The major focus of work to reform and improve the IAP process in this work in 2000 was the development of the "electronic-IAP," which will enable information in the IAPs to more accessible, searchable, and comparable among economies and between years, on the internet. CTI completed work on a prototype "e-IAP" in 2000, which member economies will use in completing their action plans in the coming year. The delivery of the e-IAP responds to the APEC Business Advisory Council (ABAC) recommendations for IAPs to be more transparent, specific and comprehensive.

3. Regional Trade Agreements

Noting the increasing number of free trade agreements being either studied, negotiated, or concluded among countries in the APEC region, APEC officials and Ministers conducted several policy discussions in 2000 to exchange views on these developments, and the effect they may have on regional and multilateral efforts to free trade. APEC Ministers agreed in November that sub-regional and bilateral trade agreements should serve as building blocks for multilateral liberalization in the WTO. They considered it essential that such agreements be consistent with WTO rules and disciplines, and that they should be in line with APEC architecture and supportive of APEC goals and principles.