

## VI. Trade Policy Development

### A. Trade Capacity Building (TCB)

Trade Capacity Building (TCB) is a critical part of the United States' strategy of enabling developing countries to negotiate and implement market-opening and reform-oriented trade agreements. It is important to improve the linkage between trade and development by providing developing countries with the tools to maximize trade opportunities. Many developing countries lack a framework for understanding how agreements to reciprocally lower trade barriers vitally serve their development interests. Furthermore, they may need assistance to implement their trade commitments in a full and timely manner, and to build the human and institutional capacity needed to take full advantage of the opportunities to spur economic growth and combat poverty that their participation in the global, rules-based trading system create.

Trade agreements can drive positive internal reforms that: (a) challenge the frequently protected and failed domestic status quo with a breath of competition from abroad; and (b) result in better use of current developing country resources and movement onto a path of more rapid economic growth.

The evidence for this proposition is clear. World Bank research shows, for example, that income per capita in globalizing developing countries grew more than three times faster than in other developing countries in the 1990s. Absolute poverty rates for globalizing countries also have fallen sharply over the last 20 years. The World Bank also finds that trade barrier elimination in conjunction with related development policies would accelerate the decline in the number of people in poverty in 2015 by an additional 300 million -- more than

the whole population of the United States. Developing countries that generate growth through trade will be less dependent on official aid over time.

Many developing countries, particularly the least-developed countries, still need help to take advantage of the opportunities offered in existing trade preference programs such as the African Growth and Opportunity Act, let alone the new opportunities that would arise from successful accomplishment of the DDA or a new bilateral trade agreement.

Total U. S. funding for TCB activities in FY2004 was \$903 million, up 19 percent from FY2003. Regionally, TCB was distributed as follows:

- Asia: \$132 million, up 41 percent from FY2003 (\$94 million).
- Central and Eastern Europe: \$72 million, up 9 percent from FY2003 (\$66 million).
- Former Soviet Republics: \$63 million, down 25 percent from FY2003 (\$85 million).
- Latin America and Caribbean: \$225 million, up 44 percent from FY2003 (\$156 million).
- Middle East and North Africa: \$187 million, up 5 percent from FY2003 (\$179 million).
- Sub-Saharan Africa: \$181 million, up 36 percent from FY2003 (\$133 million).

**Coherence.** The United States was the largest single-country contributor to the World Bank and other multilateral development banks. These institutions provide an increasingly broad range of TCB assistance related to the DDA, the Free Trade Area of the Americas's Hemispheric Cooperation Program, and other technical assistance frameworks. The United States recognizes that coherence among the WTO,

World Bank and the International Monetary Fund not only involves consistent global economic policy making, but also coordination with regard to technical assistance activities. For this reason, the United States closely coordinates with these and other donors, whether on initiatives like the Development Aspects of Cotton or the Integrated Framework, to avoid duplication and to identify and take advantage of donor complementarities in programming. In the future, the United States will work with these organizations to explore new ways to increase coherence – such as complementary work on sector-wide initiatives – while maintaining flexibility to react to new obstacles arising during trade negotiations and taking full advantage of existing U.S. resources in the field.

**WTO Trade-Related Technical Assistance. (TRTA)** The United States directly supports the WTO’s TRTA (see Chapter II). For example, in May of 2004, U.S. Trade Representative Robert B. Zoellick announced that the United States would contribute approximately \$1 million for trade-related technical assistance to the WTO. This latest contribution brought total U.S. TRTA for the DDA to almost \$4 million since the launch of negotiations in November 2001.

This money was in direct support of programs like the annual WTO Technical Assistance Plan. In 2004, the WTO introduced a new approach to technical assistance designed to ensure a “sustainable footprint” of capacity in developing countries, so their participation in the negotiations and implementation would be more effective. This involved having assistance go beyond introductory level instruction as well as increasing the number of advanced courses for recipients. The WTO’s Institute for Training and Technical Cooperation (ITTC) spent much of 2004 meeting with donors and recipients to design the 2005 plan to be more oriented toward quality, product, process and program, development, impact and results while being more geographically balanced. The 2005 Plan would have broader and deeper coverage, be more simple and flexible, and designed to build and strengthen strategic partnerships and coherence. The result has been a much improved, streamlined plan that presents a good

framework for WTO assistance. The challenge now is to implement the programs in a way that meets these goals, particularly the goal of being as flexible as possible. The Plan takes into account the Decision adopted by the General Council on August 1, 2004 (the “July Framework Agreement”). As a result, there is an emphasis on issues like trade facilitation, which will be an area of particular importance in 2005.

The Integrated Framework (IF) is a multi-agency multi-donor program aimed to coordinate technical assistance to the least developed countries (LDC) to assist them in enhancing their trade opportunities. Its main objective is to assist LDCs to identify the main barriers to the expansion of trade and provide trade-related technical assistance in a coordinated way to remove these barriers. Of the 49 LDCs that are members of the WTO, 31<sup>1</sup> are in the program and another 5<sup>2</sup> are being actively considered, with more applicants expected.

The United States is a strong supporter of the IF, and currently joins Switzerland as one of the two bilateral donor coordinators in the Integrated Framework Working Group (IFWG). In addition, the USAID missions in Mali and Mozambique are currently serving as IF donor facilitators in the field, and several other

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<sup>1</sup> Current IF countries are Angola, Benin, Burkino Faso, Burundi, Cambodia, Chad, Djibouti, Eritrea, Ethiopia, Guinea, Lao PDR, Lesotho, Malawi, Maldives, Mali, Madagascar, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Yemen and Zambia. Tanzania, the Gambia, Haiti, and Uganda had gained entry under an old form of the IF and are now being transitioned into the current IF process. Bangladesh entered under the old IF and has not asked to participate under the current IF process.

<sup>2</sup> Central African Republic, Comoros, Equatorial Guinea, Liberia, and Sudan.

missions have offered to assume this role in other IF countries.

As bilateral donor coordinator in the IFWG, the United States is spearheading efforts to improve the IF process so that delivery of assistance flows even more smoothly. Priority issues that are being addressed include disbursement of Window II projects (transitional projects that bridge the time it takes donors to operationalize programs), fully engaging donors' field missions in both the diagnostic and follow up stages of the IF process, strengthening the IF Secretariat, and coordinating between the IF and other international initiatives. The United States has contributed funds for the past few years to the Integrated Framework Trust Fund to finance Diagnostic Trade Integration Studies (DTIS) and Window II projects. Further, USAID's bilateral assistance to LDC participants supports initiatives both to integrate trade into national economic and development strategies and to address high priority "behind the border" capacity building needs designed to accelerate integration into the global trading system. The total FY2004 bilateral TCB assistance to the 31 IF countries was \$79 million. These countries could also be benefiting from part of \$161 million in regional funding

**Cotton.** The United States fully mobilized its development agencies in 2004 to address the obstacles faced by West African countries -- particularly Benin, Burkina Faso, Chad, Mali and Senegal -- in this sector. The Millennium Challenge Corporation (MCC), USAID, the Agriculture Department, and the United States Trade and Development Agency (USTDA) all worked together to come up with a coherent long-term development program based on the priorities of the West Africans. The United States will continue to coordinate with the WTO, World Bank, the African Development Bank, and others to be a part of the multilateral effort to address the development aspects of cotton. This includes active participation in the WTO Secretariat's monthly meetings with donors and recipient countries to discuss the development aspects of cotton.

There were consistent activities on the development aspects of cotton throughout 2004:

- In March, representatives from USAID, USTR and USDA participated in the WTO African Regional Workshop on Cotton in Cotonou, Benin. At this meeting, the United States committed itself to supporting the efforts of African countries, in particular the West African countries, as they seek to address the development obstacles of their cotton sectors and their ability to participate profitably in world trade.
- In support of the momentum created at Cotonou, USDA and Burkina Faso sponsored a ministerial conference on science and technology in June of 2004, where heads of West African regional agricultural research centers, representatives from West African universities and intergovernmental organizations met with U.S. technical experts to discuss technology, water and soil management, and policy frameworks.
- In July of 2004, USDA sponsored the U.S. cotton industry orientation program for agriculture, commerce and environment ministers and ambassadors from Benin, Burkina Faso, Chad, Mali and Senegal. During this ten day tour, the ministers gained valuable exposure to the National Cotton Council, research universities engaged in world class cotton and agricultural research, and U.S. corporations doing business across the entire cotton value chain.
- From September 25 to October 15, 2004, an assessment team led by USAID and including the Agriculture Department, Tuskegee University, the National Cotton Council and Abt Associates visited Benin, Mali, and Chad to assess the qualities and constraints of cotton production, transformation, utilization and commercialization in these countries.

- In December, USTR Zoellick traveled to Senegal, Benin, and Mali as a follow-up to a commitment he made in Geneva in July to learn more about the factors affecting the cotton sector in West Africa.

- A high-level U.S. delegation comprised of officials from USDA, USAID, State and the National Cotton Council traveled to Bamako, Mali, January 11-13, 2005, to discuss a preliminary assessment of problems and issues with respect to the cotton sectors for the West African countries. Comments from the ministers will guide assistance that can be offered by USAID within the next three years.

Benin, Mali and Senegal were among seventeen countries selected by the Board of the Millennium Challenge Corporation to negotiate compacts for potential funding from FY2004 and FY2005 funds. The Millennium Challenge Corporation is a new Presidential initiative in which development assistance is provided to those countries that are committed to the rule of law, investing in their people, and encouraging economic freedom. These countries have the opportunity to identify their greatest barriers to growth and to develop proposals to address selected priorities through a consultative process involving the private sector, civil society and government. Countries may decide to use MCC to increase the productivity of their agricultural sector, including cotton. Burkina Faso was selected as an FY2005 “Threshold” Country, entitling it to submit a proposal to improve performance on the following indicators so that it might become eligible for the full program in the near future: Days to Start a Business, Trade Policy, Fiscal Policy and Girls’ Primary Education Completion.

**Accession.** The United States also supports countries that are in the process of acceding to the WTO. For example, USAID provided WTO accession and implementation services to Nepal, which officially became a WTO member in 2003, and Cape Verde. In 2004, USAID responded to Ethiopia’s request for assistance in its accession process by initiating a major, three-year project there. In addition, Ukraine and a number of other countries in Eastern Europe and

the former Soviet Union have benefited from USAID support in this area. In 2004, the United States provided general accession support to Iraq and Afghanistan.

**Services.** One area of particular potential for developing countries is services. According to the World Bank, the services industry represented 54 percent of the GDP in low and middle income countries in 2000, up from 46 percent in 1990. To support requests for support in this area, the United States has reached an agreement with the International Trade Centre extending a grant which would, among other things, fund services capacity assessments in four countries: Bangladesh, Indonesia, Kenya, and Rwanda. In FY2004, the United States spent \$25 million on activities on services trade development, up from \$17 million in FY2003.

**TCB Working Groups.** Although the WTO and the Integrated Framework are priorities, they are only part of the U.S. TCB effort. In order to help our FTA partners participate in negotiations, implement the rules, and benefit over the long-term, USTR has created TCB working groups in free trade negotiations with developing countries. USAID, its field missions, and a number of other U.S. Government assistance providers actively participate in those working groups, so that the TCB needs identified can be quickly and efficiently incorporated into ongoing regional and country assistance programs. In the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), the Committee on TCB also invites non-government organizations, representatives from the private sector and international institutions such as the Inter-American Development Bank and the World Bank to join in building the trade capacity of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. Trade capacity building is also a fundamental feature of bilateral cooperation in support of our planned free trade agreements with the SACU countries (for Botswana, Lesotho, Namibia, and Swaziland) and with the Andean FTA negotiating countries (Colombia, Ecuador and Peru; Bolivia is also a full member

of the TCB Working Group although it is still an observer in the FTA process).

## **1. Hemispheric Cooperation Program**

The Hemispheric Cooperation Program (HCP), launched by the United States and its FTAA partners at the November 2002 Quito Ministerial Meeting, is a special trade capacity building initiative to assist FTAA countries in benefiting fully from hemispheric free trade. The Hemispheric Cooperation Program gives donors the opportunity to find innovative ways to work with other resource partners to integrate trade into development strategies such as the Poverty Reduction Strategies.

U.S. trade-related technical assistance in the hemisphere reached \$225 million in FY2004, up from \$156 million in FY2003.

## **2. Central America**

The United States and other international institutions have continued to work with the Central American countries (CA-5) via the CAFTA-DR TCB Working Group in 2004 on mutual goals. USG assistance from the TCB Working Group for these countries has increased from \$66 million in 2003 to over \$80 million in 2004. The establishment and function of the TCB Committee has helped funding levels in 2004 despite other demanding pressures faced this year. The existence of the TCB Committee has also provided Congress a tangible mechanism to support. This resulted in Congress setting aside \$20 million for the Central American countries on labor and environment in 2005.

The TCB Working Group held two CAFTA Committee meetings in 2004, fulfilling the goal set during CAFTA negotiations. The second CAFTA Committee meeting was recently completed in December in Guatemala. During these Committee meetings, the TCB Working Group continued to work on CA-5 requests for assistance, such as rural diversification programs for agricultural products (e.g. coffee), market

linkages for goods and services, food industry development, strengthening of labor and customs systems, and combating exploitive child labor, to name a few. The United States also provided an in-depth summary to each Central American country reflecting detailed TCB assistance in 2004, including specific project summaries for the entire year -- a useful tool during the process leading up to approval of the agreement. Plans are already underway for the United States to host the next CAFTA-DR TCB Committee meeting in Washington, D.C. in Spring 2005.

## **3. Panama**

In 2004, the TCB working group addressed Panama's request for assistance on civil society outreach and labor programs. The USG provided \$3 million in TCB assistance to Panama in FY2004. Panama and the United States envision the creation of a Committee on TCB upon completion of the negotiations to build on the work done during negotiations. The Committee on TCB would continue its work as Panama develops its National Action Plan. Plans are currently underway for a TCB Committee meeting in Spring 2005.

## **3. Andean Countries**

The United States, international institutions, non-government organizations, and private sector participants are actively working with Colombia, Peru, Ecuador, and Bolivia on TCB efforts during the current United States-Andean FTA negotiations. The TCB Working Group continues to address the Andean's request for assistance on civil society outreach, small and medium enterprise development, transition to free trade and competitiveness, and technical assistance on trade topics (e.g. customs and services). The U.S. provided \$82 million in TCB assistance to the Andean countries in FY2004, up from \$30 million in FY2003.

The Andean partners and the United States envision the creation of a Committee on TCB upon completion of the negotiations to build on work done during negotiations. The Committee

on TCB would continue to work with the Andean partners on TCB assistance as the Andean partners work to further refine and implement their national TCB strategies. This committee will continue to foster critical assistance in promoting economic growth, reducing poverty, and adjusting to liberalized trade.

## **4. Africa**

### **A. Southern African Customs Union (SACU)**

The cooperative group supporting the U.S.-SACU FTA underscores the Administration's position that providing SACU with demand-driven assistance will ultimately result in an agreement that is beneficial for all involved. TCB in the SACU process has included:

- Buying computers for Botswana, Lesotho, Namibia, and Swaziland (BLNS) Trade Ministries to better facilitate intra-SACU coordination.
- Hiring and supporting a Trade Capacity Building Facilitator in each BLNS Trade Ministry to work with the negotiators, other ministries, the private sector, and civil society to identify needs and coordinate assistance.
- Using BLNS experts to support workshops and studies in areas such as general trade policy, services, tariff setting, rules of origin, and environmental negotiations.
- Supporting the BLNS to complete in depth TCB needs assessments for each individual country.

United States TCB funding for SACU and its members was divided as follows:

- Bilateral U.S. support for SACU countries in FY2004 was \$6.7 million, up from \$6.6 million in FY2003. Most TCB support for SACU comes out of \$34.3 million in regional funding.

- Bilateral U.S. funding for TCB activities in Botswana for FY2004 was \$594,000, down from FY2003 funding of \$618,000. Most TCB support for Botswana comes out of \$34.3 million in regional funding.

- Bilateral U.S. funding support for TCB activities Lesotho comes out of regional funding that cannot be broken down by country only -- there is no bilateral support. The regional funding is \$34.3 million.

- Bilateral U.S. funding for TCB activities in Namibia for FY2004 was \$556,000, down from FY2003 funding of \$1.2 million. Most TCB support for Namibia comes out of \$34.3 million in regional funding.

- Bilateral U.S. funding for TCB activities in South Africa for FY2004 was \$4.8 million, up from FY2003 funding of \$4.2 million. South Africa has access to regional funding of \$34.3 million.

- Bilateral U.S. funding for TCB activities in Swaziland comes out of regional funding that cannot be broken down by country. The regional funding is about \$34.3 million.

### **b. African Growth and Opportunity Act (AGOA)**

Trade capacity building is an important element of AGOA implementation. Several U.S. agencies -- including USAID, Homeland Security's Customs and Border Protection, and the Departments of State, Agriculture, and Commerce -- have conducted technical assistance and outreach programs designed to assist beneficiary countries to maximize their AGOA benefits. AGOA implementation is a major focus of the three USAID-funded Regional Hubs for Global Competitiveness in sub-Saharan Africa (in Botswana, Kenya, and Ghana).

Animal Plant and Health Inspection Service (APHIS) experts are being posted to the three Hubs to assist government in complying with U.S. regulations relating to imports. The APHIS

expert posted to the Botswana Hub paid early dividends: by early 2004, the APHIS expert helped Southern African nations complete pest lists on products such as Namibian table grapes. In addition, APHIS completed pest mitigation recommendations for Zambian baby carrots and baby squash, to which the Zambian Ministry of Agriculture has agreed, paving the way for export of these products to the United States.

Other examples of TCB successes under AGOA include:

- The Hub in Botswana assisted the Zambian government in complying with AGOA's export visa regulations. As a result, Swarp Spinning Mills has exported nearly \$6 million worth of yarn to Botswana, Mauritius, and South Africa for producing garments for the AGOA market.
- Through USAID funded assistance, the Mozambican Customs and the Ministry of Trade passed critical regulations required by the United States for garment imports under AGOA. USAID support to the Mozambican Employers' Federation also helped in the establishment of the government's AGOA visa system. Within a year, two Mozambican factories were shipping a total of over 200,000 garments a month to the United States.
- USAID also assisted Uganda in complying with AGOA's visa requirements. In early 2003, Uganda sent its first ever shipment of apparel to the United States.

In FY2004, the United States provided \$97.9 million in trade-related technical assistance to AGOA-beneficiary countries, up 41 percent (\$69.3 million) from FY2003.

The United States and Thailand have recently created the "Group on SME and Other Cooperation" that coordinates cooperation between the two countries on small business issues as well as on general trade capacity building issues. Over the next year, the group will look to draw in private sector and other partners in cooperation efforts.

## **Other**

For more details on TCB efforts for APEC, Middle Eastern countries and the WTO, please see corresponding sections.

## **B. Congressional Affairs**

In 2004, USTR worked closely with the 108<sup>th</sup> Congress to move forward the President's bilateral, regional and multilateral trade agenda. Using guidance from the Bipartisan Trade Promotion Authority Act of 2002, USTR held meaningful consultations before and after each round of negotiations. These consultations provided the Administration with valuable advice on agreements that were launched, concluded, and approved by the Congress in 2004.

Consultations with the Congress enabled USTR to conclude free trade negotiations with Australia and the Kingdom of Morocco. Congress enacted legislation approving and implementing these agreements with strong bipartisan support.

USTR also worked closely with Congress on the successful conclusion of negotiations on agreements with Bahrain and Central America and the Dominican Republic, which await congressional consideration this year.

Congressional consultations also were important with respect to the initiation of talks with Panama, Thailand and the Andean nations of Colombia, Ecuador and Peru, as well as ongoing negotiations with the Southern African Customs Union (SACU) and the Free Trade Area of the Americas (FTAA). In November 2004, after meeting with the Congressional Oversight Group (COG), USTR also announced the President's intent to enter into negotiations with Oman and the United Arab Emirates (UAE).

In addition to free trade agreements, USTR maintained an ongoing dialogue with the Congress on multilateral initiatives in 2004. USTR consulted with the Congress on the WTO DDA and on legislation that brought the United States into compliance with WTO rulings with respect to the Foreign Sales Corporation and the 1916 Act.

USTR also worked with the Congress to successfully implement enhancements to the African Growth and Opportunity Act.

### **C. Private Sector Advisory System and Intergovernmental Affairs**

USTR's Office of Intergovernmental Affairs and Public Liaison (IAPL) administers the federal trade advisory committee system and provides outreach to, and facilitates dialogue with, state and local governments, the business and agricultural communities, labor, environmental, consumer, and other domestic groups on trade policy issues.

The advisory committee system, established by the U.S. Congress in 1974, falls under the auspices of IAPL. The advisory committee system was created to ensure that U.S. trade policy and trade negotiating objectives adequately reflect U.S. public and private sector interests. The advisory committee system consists of 27 advisory committees, with a total membership of more than 700 advisors. It is managed by IAPL, in cooperation with other agencies including the Departments of Agriculture, Commerce Labor, and the Environmental Protection Agency.

IAPL also has been designated as the NAFTA and WTO State Coordinator. As such, the office serves as the liaison to all state and local governments on the implementation of the NAFTA and the WTO, bilateral free trade agreements (FTAs), and other trade issues of interest.

Finally, IAPL also coordinates USTR's outreach to the public and private sector through notification of USTR Federal Register Notices soliciting written comments from the public,

consulting with and briefing interested constituencies, holding public hearings, speaking at conferences and meetings around the country, and meeting frequently with a broad spectrum of groups at their request.

### **1. The Advisory Committee System**

The advisory committees provide information and advice with respect to U.S. negotiating objectives and bargaining positions before entering into trade agreements, on the operation of any trade agreement once entered into, and on other matters arising in connection with the development, implementation, and administration of U.S. trade policy.

In 2004, the number of industry committees at the technical level was streamlined and consolidated to better reflect the composition of the U.S. economy, in response to recommendations by the U.S. Government Accountability Office (GAO).

The system currently consists of 27 advisory committees. Currently, there are approximately 700 advisors and membership can grow to a total of up to 1,000 advisors. Recommendations for candidates for committee membership are collected from a number of sources including Members of Congress, associations and organizations, publications, other federal agencies, and individuals who have demonstrated an interest or expertise in U.S. trade policy. Membership selection is based on qualifications, geography, and the needs of the specific committee. Members pay for their own travel and other related expenses.

The system is arranged in three tiers: the President's Advisory Committee for Trade Policy and Negotiations (ACTPN); four policy advisory committees; and 22 technical and sectoral advisory committees. Additional information on the advisory committee can be found on the USTR website (<http://www.ustr.gov/outreach/advise.shtml>).

Private sector advice is both a critical and integral part of the trade policy process. USTR

maintains an ongoing dialogue with interested private sector parties on trade agenda issues. The advisory committee system is unique, however, since the committees meet on a regular basis and receive sensitive information about ongoing trade negotiations and other trade policy issues and developments. Committee members are required to have a security clearance.

USTR in 2003 introduced a significant improvement to facilitate the work of the advisory committees, by creating, for the first time, a secure encrypted advisors' website with password protection. Confidential draft texts of FTA agreements were posted throughout 2004 to the secure website on an ongoing basis to allow advisors to provide comments to U.S. officials in a timely fashion during the course of negotiations. This has enhanced the quality and quantity of input from cleared advisors, especially from those advisors who reside outside of Washington, DC and have had difficulty accessing documents.

In 2004, USTR introduced additional procedural innovations to improve the operation of the advisory committee system. This included a single monthly advisory committee Chairs teleconference call for all 27 committees. This keeps Chairs apprised of ongoing developments and important dates on the trade negotiations calendar and facilitates greater transparency. Additionally, USTR and the Department of Commerce instituted periodic plenary sessions of all 16 technical and sectoral committees, in order to make more efficient use of negotiators' time with the committees and allow the further exchange of ideas.

#### **a. President's Advisory Committee on Trade Policy and Negotiations**

The ACTPN consists of no more than 45 members who are broadly representative of the key economic sectors affected by trade. The President appoints ACTPN members for two-year renewable terms. The ACTPN is the highest-tier committee in the system that examines U.S. trade policy and agreements from the broad context of the overall national interest.

#### **b. Policy Advisory Committees**

At the second tier, the members of the four policy advisory committees are appointed by the USTR alone or in conjunction with other Cabinet officers. The Intergovernmental Policy Advisory Committee (IGPAC) is appointed and managed solely by USTR. Those policy advisory committees managed jointly with the Departments of Agriculture, Labor, and the Environmental Protection Agency are, respectively, the Agricultural Policy Advisory Committee (APAC), Labor Policy Advisory Committee (LAC), and Trade and Environment Policy Advisory Committee (TEPAC). Members serve two-year renewable terms or until the committee's charter expires. Each committee provides advice based upon the perspective of its specific area.

#### **c. Technical and Sectoral Committees**

At the third tier, the 22 technical and sectoral advisory committees are organized into two areas: industry and agriculture. Representatives are appointed jointly by the USTR and the Secretaries of Commerce and Agriculture, respectively. Each sectoral or technical committee represents a specific sector or commodity group and provides specific technical advice concerning the effect that trade policy decisions may have on its sector or issue. There are six agricultural technical committees co-chaired by USTR and Agriculture.

In 2004, the industry trade advisory committee system was streamlined and consolidated by USTR and Commerce to ensure that the committees reflect today's U.S. economy and vision for the future, since the original committees were put in place more than twenty-five years ago. The new structure reflects important changes in the U.S. economy since then. As of spring 2004, sixteen new Industry Trade Advisory Committees (ITACs) replaced the existing twenty-one committees. The restructuring is consistent with recommendations in a recent U.S. Government Accountability Office Report, "International Trade: Advisory Committee System Should be

Upgraded to Better Serve U.S. Policy Needs" (GAO 02-876), and reflects the commitment of Commerce and the USTR to improve the trade advisory committee system. All current members of the industry advisory committee system were invited to continue their service within the new structure.

## **2. State and Local Government Relations**

With the passage of the NAFTA Implementation Act in 1993, and the Uruguay Round Agreements Act in 1994, the United States created expanded consultative procedures between federal trade officials and state and local governments. Under both agreements, USTR's Office of IAPL is designated as the "Coordinator for State Matters." IAPL carries out the functions of informing the states, on an ongoing basis, of trade-related matters that directly relate to or that may have a direct effect on them. U.S. territories may also participate in this process. IAPL also serves as a liaison point in the Executive Branch for state and local government and federal agencies to transmit information to interested state and local governments, and relay advice and information from the states on trade-related matters. This is accomplished through a number of mechanisms:

### **a. State Point of Contact System**

For day-to-day communications, pursuant to the NAFTA and Uruguay Round implementing legislation and Statements of Administrative Action, USTR created a State Single Point of Contact (SPOC) system. The Governor's office in each State designates a single contact point to disseminate information received from USTR to relevant state and local offices and assist in relaying specific information and advice from the states to USTR on trade-related matters. The SPOC network ensures that state governments are promptly informed of Administration trade initiatives so their companies and workers may take full advantage of increased foreign market access and reduced trade barriers. It also enables USTR to consult with states and localities directly on trade matters which affect them. SPOCs regularly receive USTR press

releases, Federal Register notices, and other pertinent information.

### **b. Intergovernmental Policy Advisory Committee**

For advice from states and localities on trade policy matters, USTR has established an Intergovernmental Policy Advisory Committee on Trade (IGPAC). It is one of the four policy advisory committees discussed above. The IGPAC is comprised entirely of state and local officials and associations. Appointed on a bipartisan basis, the committee makes recommendations to the USTR and the Administration on trade policy matters. In 2004, USTR took important steps to improve and reenergize the IGPAC and USTR's partnership with states and localities. These include holding more frequent IGPAC meetings and briefings; inviting permanent staff liaisons from the National Governors' Association (NGA), National Conference of State Legislatures (NCSL), National Association of Attorneys General (NAAG), Council of State Governments (CSG), National Association of Counties (NACo), and National League of Cities (NLC) to become full IGPAC members; and extending an invitation to all of USTR's State Points of Contact to obtain the security clearance necessary to join the IGPAC. Augmenting IGPAC's membership will greatly expand opportunities for state and local governments, including U.S. territories, to provide comments and advice on trade agreements, since cleared advisors are allowed access to a secure advisors' website in order to review draft negotiating texts. In 2004, IGPAC was briefed and consulted on trade priorities of interest to states and localities, including: voluntary government procurement commitments in FTAs (such as Australia, Central America, and Morocco), and services trade, and investment issues in the WTO, FTAA, and bilateral FTA negotiations.

### **c. Meetings of State and Local Associations**

USTR officials participate frequently in meetings of state and local government associations to apprise them of relevant trade

policy issues and solicit their views. Associations include the NGA, NCSL, CSG, NACo, U.S. Conference of Mayors, National League of Cities, National Association of State Procurement Officials and other associations.

#### **d. Consultations Regarding Specific Trade Issues**

USTR initiates consultations with particular states and localities on issues arising under the WTO and other U.S. trade agreements, and frequently responds to requests for information from state and local governments. Topics of interest included the WTO Government Procurement Agreement (GPA); WTO services issues; Free Trade Area of the Americas, bilateral FTA negotiations; NAFTA investment issues, and others.

On the issue of voluntary coverage of state government procurement under the GPA and FTAs, USTR consults extensively with governor's offices and other state officials. USTR also prepared a "Trade Facts" sheet to address various concerns and dispel misunderstandings. In particular, the factsheet emphasized the voluntary nature of commitments, and the ability of states to maintain practices such as environmentally-friendly procurement, preferences for minority- and small-businesses, and other state sensitivities.

USTR also consulted extensively with states on the WTO internet gaming services case brought by Antigua and Barbuda. USTR arranged frequent conference calls and email updates for interested State Points of Contact and a wide group of other state officials to seek their input, comments, and advice in the U.S. preparation of the case.

### **3. Public and Private Sector Outreach**

It is important to recognize that the advisory committee system is but one of a variety of mechanisms through which the Administration obtains advice from interested groups and organizations on the development of U.S. trade

policy. In formulating specific U.S. objectives in major trade negotiations, USTR also routinely solicits written comments from the public via Federal Register notices, consults with and briefs interested constituencies, holds public hearings, and meets with a broad spectrum of private sector and non-governmental groups.

#### **a. 2004 Outreach Efforts**

The 2004 trade agenda provided many opportunities for USTR to conduct outreach to, and consultations with, diverse trade policy stakeholders including the advisory committees, state and local governments, private sector and non-governmental groups.

#### **i. World Trade Organization**

Throughout 2004, USTR continued to solicit advice from cleared advisors, other domestic stakeholders, and the general public regarding U.S. objectives for the DDA in areas such as agriculture, non-agriculture market access, services, and trade facilitation. At the July General Council meeting in Geneva, advisors received frequent teleconference briefing updates, and advisors and the public received timely e-mail notifications and fact sheets regarding progress in the negotiations. In the fall of 2004, technical and sectoral advisory committees held plenary meetings focused on key aspects of the Doha agenda. During the year, USTR also held public briefings on the WTO and issued several notices in the Federal Register seeking public comments on WTO matters including dispute settlement, government procurement, and other issues.

#### **ii. Free Trade Area of the Americas**

In 2004, USTR briefed and facilitated consultations with advisory committees, other stakeholders, and the general public on the FTAA agenda following the November 2003 Trade Ministerial meeting in Miami.

The Ministers at Miami recognized the efforts of the FTAA Committee of Government Representatives on the Participation of Civil Society (SOC) to improve two-way

communication with civil society by holding open public meetings on issues under discussion in the negotiations. The SOC held its third public issue meeting in January 2004 in the Dominican Republic focused on intellectual property rights, with active participation from U.S. private sector and NGO representatives.

In Miami, Ministers also received the Fourth Report of the SOC summarizing public comments on all aspects of the FTAA negotiations. Comments received from U.S. and hemispheric civil societies were forwarded on an ongoing basis to the FTAA technical negotiators throughout the year. Also, advisory committees and interested domestic stakeholders were briefed by USTR on the status of informal meetings and consultations among FTAA countries.

### **iii. Bilateral Trade Agreements**

In 2004, USTR briefed and facilitated consultations with advisory committees and other stakeholders on the negotiations to conclude free trade agreements with Australia, Morocco, Bahrain, five Central American countries and the Dominican Republic. This included frequent teleconference briefings on the progress of negotiations, issuing public fact sheets, and making materials widely available on the USTR website. Advisory committee reports on the FTAs, as required under the Trade Act of 2002, were delivered to the President, USTR, and Congress, and made public on USTR's website well in advance of congressional consideration of the FTAs to enable informed public discussion. Throughout the year, USTR also consulted with advisors and other stakeholders regarding other FTA negotiations in progress, including the SACU; Thailand; Panama; and the Andean countries.

### **iv. Monitoring and Compliance Activities**

USTR briefed and facilitated consultations with advisors, state officials, and other stakeholders on disputes such as the WTO civil aircraft subsidies case, Continued Dumping and Subsidy Offset case (Byrd Amendment), China Value-Added Tax, Mexico beverage tax, Antigua and

Barbuda internet gaming services case, and other items. Other issues of interest to advisors and domestic groups included the Bush Administration's Strategy Targeting Organized Piracy (STOP!); the protection of U.S. intellectual property rights, and agriculture and biotechnology issues.

### **v. Public Trade Education**

USTR continues its efforts to promote and educate the public on trade issues. USTR has participated in education efforts regarding the range of trade activities and benefits through speeches, publications, and briefings. In 2004, USTR continued its new e-mail service, called Trade Facts, to update interested parties on important U.S. trade initiatives. This service provides USTR press releases, fact sheets, and background information to advisors and to the general public. USTR's Internet homepage also serves as a vehicle to communicate to the public. During 2004, IAPL assisted in efforts to revise the USTR website, including improving the organization of the website and adding a search engine, buttons, and links to make the site more user-friendly. The USTR internet address is <http://www.ustr.gov>.

### **D. Policy Coordination**

USTR leads the Executive Branch in the development of policy on trade and trade-related investment. Under the Trade Expansion Act of 1962, the Congress established an interagency trade policy mechanism to assist with the implementation of these responsibilities. This organization, as it has evolved, consists of three tiers of committees that constitute the principal mechanism for developing and coordinating U.S. Government positions on international trade and trade-related investment issues.

The Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC), administered and chaired by USTR, are the subcabinet interagency trade policy coordination groups that are central to this process. The TPSC is the first line operating group, with representation at the senior civil servant level. Supporting the TPSC are more than 80

subcommittees responsible for specialized issues. The TPSC regularly seeks advice from the public on its policy decisions and negotiations through Federal Register notices and public hearings. In 2004, the TPSC held five public hearings on the following proposals: United States-Andean Free Trade Agreement (March 17, 2004); United States-Panama Free Trade Agreement (March 23, 2004); United States-Thailand Free Trade Agreement (March 30 2004); China's Compliance with WTO Commitments (September 23, 2004); and EU Rice Tariffs (September 25, 2004) The transcripts of these hearings are available on <http://www.ustr.gov/outreach/transcripts/index.htm>

Through the interagency process, USTR assigns responsibility for issue analysis to members of the appropriate TPSC subcommittee or task force. The conclusions and recommendations of this group are then presented to the full TPSC and serve as the basis for reaching interagency consensus. If agreement is not reached in the TPSC, or if particularly significant policy questions are being considered, issues are referred to the TPRG (Deputy USTR/Under Secretary level).

Member agencies of the TPSC and the TPRG consist of the Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, Energy, Health and Human Services, Homeland Security, the Environmental Protection Agency, the Office of Management and Budget, the Council of Economic Advisers, the Council on Environmental Quality, the International Development Cooperation Agency, the National Economic Council, and the National Security Council. The USITC is a non-voting member of the TPSC and an observer at TPRG meetings. Representatives of other agencies also may be invited to attend meetings depending on the specific issues discussed.