# THE YEAR IN TRADE 1998

# Operation of the Trade Agreements Program





USITC Publication 3192

May 1999

# **THE YEAR IN TRADE:** OPERATION OF THE TRADE AGREEMENTS PROGRAM DURING 1998

**50th Report** 



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Prepared in Conformity With Section 163(b) of the Trade Act of 1974

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### UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

#### LETTER TO READERS

**The Year in Trade**, 1998 is the 50th in a series of reports issued by the United States International Trade Commission (USITC) on the Operation of the Trade Agreements Program. The report for 1998 coincides with the 50th anniversary year of the multilateral trading system under the General Agreement on Tariffs and Trade (GATT), and its successor, the World Trade Organization (WTO).

Historically, the U.S. trade agreements program was made up of those international trade agreements concluded under the Reciprocal Trade Agreements Act of 1934, under extensions and amendments of that Act, and under the Trade Expansion Act of 1962. From 1934 until the GATT was agreed to in 1947, the United States had developed a network of bilateral agreements designed to facilitate the reduction of trade barriers and to strengthen diplomatic ties with other nations. The creation of the GATT marked a shift for the United States from an emphasis on bilateral trade agreements to multilateral efforts to liberalize trade.

Achievements in trade liberalization since the GATT have been significant. Between 1947 and 1967, six rounds of GATT negotiations took place, addressing primarily tariff and quota issues. The Tokyo Round of GATT negotiations, initiated in 1973, was the first round to address nontariff trade barriers in addition to traditional tariff barriers. In 1986, the Uruguay Round negotiations were launched, culminating in the entry into force in early 1994 of the Uruguay Round Agreements, which established the WTO to succeed the GATT secretariat. The Uruguay Round succeeded by including in the multilateral trade agenda agricultural trade, services, investment, and intellectual property rights protection.

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Executive Order 9832, issued by President Harry Truman on February 20, 1947, directed the USITC (then known as the U.S. Tariff Commission) to prepare an annual report on the operation of the Trade Agreements Act of 1934. That report (now entitled *The Year in Trade*) was intended to inform government officials and private sector representatives of changes that had occurred in U.S. trade and trade policy as a result of reciprocity activities. The first report was issued in 1948 and covered the period from June 1934 to April 1948, followed by subsequent annual reports. In 1975, Congress passed the Trade Act of 1974, which included a provision that the Commission shall at all times keep informed on the operation and effect of provisions of trade agreements entered into that relate to duties and other import restrictions of the United States.

As the scope and complexity of U.S. international trade relations have expanded over the past 50 years, so has The Year in Trade by thoroughly chronicling the milestones in U.S. bilateral and multilateral trade developments. In 1976, the United States initiated its Generalized System of Preferences program, and in 1983, Congress enacted the Caribbean Basin Economic Recovery Act. The United States and Israel entered into a free trade area agreement in 1985, and in 1986, the United States-Canada Free Trade Agreement was signed. The United States replaced its Tariff Schedules of the United States with the Harmonized Tariff Schedule of the United States in 1989. Also in that year, the United States participated in establishing the Asian Pacific Economic Cooperation forum with the goal of achieving free trade in the Asia Pacific region. In 1990, the United States launched the Enterprise for the Americas Initiative to create a new economic relationship with Latin America, and in 1991, the Andean Trade Preference Act was enacted into law. In 1993, the United States, Canada, and Mexico signed the North American Free Trade Agreement, and in 1994, the United States enacted the Uruguay Round Agreements Act to implement the results of the Uruguay Round trade negotiations. Finally, in 1998, the leaders of 34 Western Hemisphere countries commenced the Free Trade Area of the Americas negotiations.

The achievements of the multilateral trading system in liberalizing world trade can be credited with contributing to an extraordinary period of growth in world trade and output. World trade flows have increased fifteen-fold since 1960. Country participation in the global marketplace has also widened. Since 1947, the GATT system has grown from 23 mostly North American and European nations to 134 WTO members from every region of the world; admissions of another 30 applicants, including reforming Communist nations, are pending. As a result, the benefits of trade liberalization are increasingly

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reaching more nations, and opportunities for economic growth, prosperity and innovation are provided to more people.

Former WTO Director-General Renato Ruggiero has noted on numerous occasions that the post-war architects of the multilateral system were guided by the central idea that a durable international peace must be built on a foundation of progressive liberalization and economic interdependence. Moreover, we must be ever mindful that the rationale of the trade agreements program was that countries and their citizenry could mutually benefit from the elimination or reduction of trade restrictions. We recognize that the need to make that goal a reality is just as relevant today. As part of the necessary fabric of such a system, the Commission is entrusted to carry out the administration of those laws within its jurisdiction.

The third WTO Ministerial is to be held in the United States this year and may result in a new round of multilateral trade negotiations. No one can predict what the next millennium will bring, but we are confident that the Commission will continue its tradition of factual and objective analysis of the U.S. trade agreements program as a means of keeping public officials and private sector representatives informed while they strive to meet the challenges of the 21st century.

Bragg, Chairman

Marcia E. Miller, Vice Chairman

Carol T. Crawford, Commissioner

Jeginifer A. Hullman, Commissioner

Stephen Koplan, Commissioner

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# List of Frequently Used Abbreviations and Acronyms

ACP	African, Caribbean, and Pacific
AD	Antidumping
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
ATPA	Andean Trade Preference Act
CBERA	Caribbean Basin Economic Recovery Act
CFTA	United States-Canada Free-Trade Agreement
CVD	Countervailing Duty
EU	European Union
FTA	Free-Trade Agreement
FTAA	Free Trade Area of the Americas
FY	Fiscal Year
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
HTS	Harmonized Tariff Schedule
IFTA	Israel Free Trade Agreement
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ITA	Information Technology Agreement
LTFV	Less Than Fair Value
MFA	Multifiber Arrangement
NAFTA	North American Free Trade Agreement
NTM	Nontariff Measure
NTR	Normal Trade Relations
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control
SITC	Standard Industrial Trade Classification
SMC	Singapore Ministerial Conference
TAA	Trade Adjustment Assistance
TRIMs	Trade-Related Investment Measures
TRIPs	Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff-Rate Quota
UNCTAD	United Nations Conference on Trade and Development
URA	Uruguay Round Agreements
URAA	Uruguay Round Agreements Act
USITA	International Trade Administration, U.S. Department of Commerce
USITC	U.S. International Trade Commission
USTR	United States Trade Representative
WTO	World Trade Organization

# CHAPTER 1 Introduction

# Purpose and Organization of the Report

This report is the 50th in a series of reports submitted to the U.S. Congress under section 163(c) of the Trade Act of 1974 and its predecessor legislation.<sup>1</sup> Figure 1-1 presents a chronology of significant trade agreements activities during the 50-year history of this reporting series. The report is one of the principal means by which the U.S. International Trade Commission (USITC or the Commission) provides Congress with factual information on trade policy and its administration. The report also serves as a historical record of the major trade-related activities of the United States to be used as a general reference by government officials and others with an interest in U.S. The trade agreements program trade relations. includes "all activities consisting of, or related to, the administration of international agreements which primarily concern trade and which are concluded pursuant to the authority vested in the president by the Constitution" and congressional legislation.<sup>2</sup> Regional or other trade agreements activities without U.S. participation are not covered in this report.

Chapter 1 summarizes selected trade events and trade agreements activities during the year and provides an overview of the 1998 economic environment; these subjects are generally discussed in greater depth elsewhere in the report. Chapter 2 focuses on the 1998 activities of the World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD). Chapter 3 discusses developments in major regional forums. Chapter 4 focuses on bilateral trade agreements concluded during the year, as well as other selected activities, between the United States and its major trading partners—the European Union (EU), Canada, Japan, Mexico, China, Taiwan, and Korea. Chapter 5 discusses the administration of U.S. trade laws, regulations, and programs. The report covers the 1998 calendar year and, occasionally, early 1999 events. The report also has a statistical appendix.

# Summary of 1998 Trade Agreements Activities

U.S. trade agreements activities continued in 1998 within multilateral, regional, and bilateral forums (figure 1-2). Highlights of other trade agreements activities described later in the report are presented below, and those portions of the report note sources of the information presented.

### The World Trade Organization

The WTO continued to administer the Uruguay Round Agreements, focusing largely on implementing the "built-in agenda" embedded in the agreements that mandates new trade negotiations to begin in 2000. During 1998, WTO members again discussed subjects from work programs adopted at the first ministerial conference held in Singapore in December 1996, as well as at the second ministerial conference held in May 1998 in Geneva; the latter marked the 50th anniversary of the GATT multilateral trade system. Two new members were cleared for accession once their domestic ratification was notified to the WTO. The Kyrgyz Republic was the only country to accede to the WTO in 1998, bringing membership to 133. Latvia officially joined in early 1999. Accession negotiations are continuing for over 30 other Discus- sions opened regarding the applicants. successor to Renato Ruggiero, the first WTO Director-General, whose term ended in April 1999. As of May 1999, the successor issue had not been resolved.

<sup>&</sup>lt;sup>1</sup> Section 163(c) of the Trade Act of 1974 (Public Law 93-618, 88 Stat. 1978) states that "the International Trade Commission shall submit to the Congress at least once a year, a factual report on the operation of the trade agreements program."

<sup>&</sup>lt;sup>2</sup> Executive Order No. 11846, Mar. 25, 1975.

#### Figure 1-1 Trade agreements time line, 1947-98

#### 1947-48

The first General Agreement on Tariffs and Trade (GATT) round of trade negotiations is held at Geneva, Switzerland. The Trade Agreements Extension Act of 1948 (the second extension of the 1934 Trade Agreements Act) is enacted.

#### 1949

The second GATT round of trade negotiations is held at Annecy, France.

#### 1950-51

The third GATT round of trade negotiations is held at Torquay, England. The Trade Agreements Extension Act of 1951 is enacted.

#### 1951

The Schuman Plan establishes the European Coal and Steel Community (ECSC), basic for the future European Union (EU), on April 18<sup>th</sup> among Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands.

#### 1955

The Trade Agreements Extension Act of 1955 extends the President's negotiating authority from June 12, 1955, to June 30, 1958.

#### 1956

The fourth GATT round of trade negotiations is held at Geneva, Switzerland.

#### 1957

The Treaty of Rome creates the European Economic Community (EEC) among 6 member states (EC-6).

#### 1958

The Trade Agreements Extension Act of 1958 further extends the President's negotiating authority.

#### 1960

The Stockholm Convention establishes the European Free-Trade Association (EFTA) among 6 countries outside the EC-6: Austria, Finland, Iceland, Liechtenstein, Norway, and Sweden.

#### 1960-62

The fifth GATT round of trade negotiations, the so-called Dillon Round, is held at Geneva, Switzerland.

#### 1961

The Organization for Economic Cooperation and Development (OECD) succeeds the Organization for European Economic Cooperation (OEEC), the agency administering post-World War II Marshall Plan funds to revive war-torn European economies.

#### 1962

The Trade Expansion Act (TEA) of 1962 provides authority for U.S. participation in the sixth GATT round of trade negotiations, the so-called Kennedy Round. Congressional negotiating authority provided for the establishment of a "Special Representative for Trade Negotiations to superintend U.S. activities at the next round of GATT agreements."

#### 1963-67

The sixth GATT round of trade negotiations, the Kennedy Round, is held at Geneva, Switzerland.

#### 1963

Central American Common Market (CACM) is formed.

#### 1964

The first United Nations Conference on Trade and Development (UNCTAD I) is held at Geneva, Switzerland.

#### 1967

The Association of Southeast Asian Nations (ASEAN) is formed.

#### 1968

The second United Nations Conference on Trade and Development (UNCTAD II) is held at New Delhi, India. The conference approves the principle of offering trade preferences to exports from developing countries through Generalized System of Preferences (GSP) programs. This principle gives rise to special and differential treatment for developing countries under GATT multilateral trade rules, waiving the otherwise nondiscriminatory "most-favored-nation" (MFN) basis for these rules, in order to assist economic development in these countries.

#### 1969

Enlargement negotiations opened between the EC-6 and the United Kingdom (UK), Denmark, and Ireland, leading in 1973 to the first EC enlargement from EC-6 to EC-9.

The Andean Group for subregional integration is established under the Cartagena Agreement, signed at Cartegena, Colombia.

#### 1970

Clarifications and revisions of GATT Article VI regarding antidumping practices are developed by a number of major trading partners, establishing the first GATT Antidumping Code.

#### 1973

The Tokyo Declaration formally initiates the 1973-79 GATT round of multilateral trade negotiations, the so-called Tokyo Round.

The UK, Ireland, and Denmark join the European Community (EC-9).

The Caribbean Community (CARICOM), a free-trade area among a number of Caribbean economies, is formed by the Treaty of Chaguaramus (1977).

#### 1975

President Ford signs the U.S. Trade Act of 1974, which provides authority for U.S. participation in the Tokyo Round and changes the name of the United States Tariff Commission to the United States International Trade Commission. The 1974 Trade Act is the most complex trade legislation since 1934—embodying the U.S. negotiating authority and defining the scope and limitations of U.S. participation at the GATT negotiations.

#### 1976

The U.S. Generalized System of Preferences program is inaugurated.

#### 1979

The Trade Agreements Act of 1979 authorizes implementation of agreements negotiated during the Tokyo Round, the first GATT round to deal with nontariff trade barriers, as well as more traditional tariff barriers.

#### 1981

Greece joins the European Community as its 10th member (EC-10).

#### 1983

Caribbean Basin Economic Recovery Act (CBERA) is enacted.

#### 1985

The United States and Israel enter into a free trade area agreement.

#### 1986

Ministers from 74 nations meet at Punta del Este, Uruguay, to initiate a new GATT round of multilateral trade negotiations, the Uruguay Round.

Spain and Portugal join the European Community as its 11th and 12th members (EC-12).

#### 1988

President Reagan and Canadian Prime Minister Mulroney sign the United States-Canada Free Trade Agreement.

#### 1989

The United States implements the Harmonized Tariff Schedule of the United States (HTS), replacing the Tariff Schedule of the United States (TSUS).

The Asia Pacific Economic Cooperation (APEC) forum is established.

#### 1990

President Bush announces the Enterprise for the Americas Initiative (EAI), a plan to create a new economic relationship with Latin America.

#### 1991

Mercado Comun del Sur (MERCOSUR) is implemented by the Treaty of Asuncion, signed at Asuncion, Paraguay. The North American Free Trade Agreement (NAFTA) negotiations between Canada, Mexico, and the United States are initiated.

The U.S. Andean Trade Preference Act (ATPA) becomes law.

GATT Director-General Arthur Dunkel issues the Draft Final Act of the Uruguay Round, widely called the "Dunkel draft."

#### 1992

The EC-12 becomes a single, frontier-free market.

#### 1993

Congress approves NAFTA, and President Clinton signs implementing legislation.

More than 110 countries reach agreement on a new trade accord, completing the 1986-93 Uruguay Round after seven years of negotiations.

The Treaty of European Union, the so-called Maastricht Treaty, is signed by the EC-12 member states, widening the political, social, economic, and legal integration of its members.

#### 1994

Uruguay Round Agreements Act enacted, implementing the results of the GATT Uruguay Round.

#### 1995

The World Trade Organization (WTO) is established.

Austria, Sweden, and Finland join the European Union (EU), the successor to the EC, making 15 member states (EU-15).

#### 1996

The Helms-Burton Act (Liberatad Act) is passed.

#### 1998

The Free Trade Area of the Americas (FTAA) talks are launched.

Figure 1-2 Selected trade events, 1998

January	
January 14	The United States and Lithuania sign a bilateral investment treaty in Washington providing a strong basis for trade and investment with Lithuania.
January 15	The Appellate Body of the World Trade Organization (WTO) affirms a dispute settlement panel finding that the European Community's (EC's) ban on meat produced using growth–promoting hormones violates the Agreement on Application of Sanitary and Phytosanitary Measures (SPS Agreement).
January 27	The United States announces that it is prepared to lead in Information Technology Agreement II (ITA II) negotiations. ITA II will expand coverage beyond the core landscape of information products covered in the original ITA. ITA II will include important product areas driven by information technology such as inputs and manufacturing equipment for information products.
February	
February 3	The United States Trade Representative (USTR) and the Department of Commerce announce that they will establish an interagency monitoring and enforcement committee to review the Government of Japan's progress in implementing formal representations made to a WTO panel last year regarding Japan's efforts to ensure market openness to imports of film.
February 5	WTO rules that the tariffs on higher technology exports implemented by the European Union (EU), Ireland, and the United Kingdom violate WTO obligations.
	WTO members agree to set February 5, 1998, as the entry–into–force date of their global telecommunications agreement, reached February 15, 1997. The agreement will assure more open and competitive global markets.
February 12	A NAFTA dispute settlement panel finds that U.S. emergency tariffs on imports of corn brooms from Mexico violate NAFTA.
February 13	U.S.–Philippine Agricultural Agreement is concluded. The accord will result in the reform of trade barriers such as restrictive tariff rate quotas. Increased market access for U.S. pork and poultry meat exporters should also result.
February 18	USTR announces a section 301 investigation of Paraguay's failure to protect intellectual property rights.
February 20	The United States and Taiwan conclude a comprehensive market access agreement that includes both immediate market access and phased–in commitments, measures necessary for Taiwan's accession to the WTO.
March	· ·
March 4	USTR creates the Office of African Affairs and appoints an Assistant U.S. Trade Representative to lead this office, Rosa Whitaker.
March 6	Ambassador Barshefsky designates the city of Irbid, Jordan, as the first "qualifying industrial zone" (QIZ) from which goods can enter the United States duty-free.
March 11	The U.S. House of Representatives passes the Africa Growth and Opportunity Act. <sup>1</sup>
March 12	U.S. tariff-rate quota trigger level for raw cane sugar is increased by 200,000 metric tons.
March 16	Ambassador Barshefsky and Brazilian Foreign Minister Luiz Felipe Lampreia sign an agreement on autos requiring Brazil to terminate its auto program that currently benefits auto manufacturers in Brazil via trade-distorting investment requirements.

See footnote at end of figure.

#### Figure 1–2—*Continued* Selected trade events, 1998

March 20	The United States–Central American Regional Trade and Investment Framework Agreement (TIFA) is signed. The accord will advance economic cooperation between the United States and eight Central American countries.
	The U.S. apple industry reaches an agreement with the Government of Mexico to reopen the Mexican market to U.S. apple exporters.
March 26	The WTO finds in favor of the United States in the case of the Indonesian auto policy, agreeing that various Indonesian measures hinder market access for U.S. automotive products.
March 27	The WTO Appellate Body rules that Argentina's specific duties on textiles and apparel and 3 percent "statistical" tax applied on almost all imports violate WTO commitments.
March 30	The United States suspends trade preferences under the Generalized System of Preferences (GSP) and the Caribbean Basin Economic Recovery Act (CBERA) to Honduras because it failed to provide adequate and effective protection of intellectual property rights.
April	
April 6	The WTO finds Section 609 of U.S. Public Law 101–162, which restricts imports of shrimp harvested with fishing equipment that results in accidental sea turtle mortality, inconsistent with WTO rules.
April 17	The United States and Boliva sign a Bilateral Investment Treaty (BIT) to improve trade and economic ties between the two countries.
April 26	Hong Kong authorities take action against a major copyright syndicate found to be stealing U.S. movies, sound recordings, and software and seize a great number of reproductions.
Мау	
May 4	The WTO and the Office International des Epizooties sign a cooperation agreement that formalizes cooperation related to the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS), which establishes rules for human, animal, and plant health measures affecting international trade.
May 5	The United States announces that it will bring enforcement action against China for the illegal "transhipment " of textiles. The United States alleges that China is in violation of a 1997 bilateral trade agreement governing U.S.–China textile and apparel trade, specifically the Chinese practice of shipping textile products produced in China through other countries to circumvent quotas limiting the number of Chinese textiles and apparel sold in the United States.
May 6	USTR and the U.S. Department of Agriculture form a senior–level streering group on sanitary and phytosanitary agricultural trade to address foreign SPS trade issues that unfairly restrict U.S. agricultural exports.
May 18	USTR announces allocation of the 200,000–metric–ton increase in the in–quota amount available under the U.S. raw cane sugar tariff–rate quota.
May 27	USTR initiates an investigation of Mexican practices affecting high–fructose corn syrup (HFCS).
May 28	USTR announces the immediate initiation of a special 301 out–of–cycle review of the adequacy and effectiveness of New Zealand's intellectual property regime.
	A WTO arbitrator decides that the EU must comply with WTO recommendations and remove the beef hormone ban by May 1999.

See footnote at end of figure.

June								
June 1	President Clinton, in response to an affirmative determination by the U.S. International Trade Commission under the U.S. safeguard law, imposes a safeguard measure in the form of a quota on imports of wheat gluten.							
June 5	APEC concludes the telecommunications equipment Mutual Recognition Arrangement (MRA). The MRA allows U.S. telecommunications equipment manufacturers to take greater advantage of new technology and shortening life cycles of high technology.							
	The WTO finds that the EU has not violated WTO obligations by raising tariffs on U.S. computer-networking equipment.							
June 26	Ambassador Barshefsky reacts to the EC banana decision, stating that the United States wiretaliate in order to protect U.S. interests, including withdrawal of concessions.							
June 30	The United States restores GSP and CBERA trade preferences to Honduras after the Government of Honduras takes steps toward stopping broadcast piracy.							
July								
July 1	USTR announces new reforms to the GSP that will enhance market access opportunities in the United States for sub–Saharan African countries in an effort to accelerate their economic integration and cooperate to expand their exports.							
July 13	USTR files a formal notice of appeal to the WTO regarding its ruling on shrimp turtles.							
July 17	Kyrgyz Republic becomes 133 <sup>rd</sup> member of the WTO.							
July 21	The WTO and the World Intellectual Property Organization (WIPO) announce an initiative on the implementation of the WTO Intellectual Property Rights (IPR) Agreement, or the "TRIPs" Agreement. These organizations will help developing countries meet their WTO obligations to protect intellectual property by the January 1, 1999, deadline.							
August								
August 3	President Clinton announces the elimination of tariffs on a variety of Mexican products in an effort to eliminate tariffs on approximately \$1 billion in trilateral trade.							
August 5	The United States wins the WTO case on Korean liquor taxes, as Korean taxes on distilled spirits are found to violate Korea's WTO obligations concerning discriminatory taxes.							
August 7	The United States and Taiwan come to agreement on the bilateral access portion of the negotiations for Taiwan's accession to the WTO and formally submit the trade package to the WTO.							
August 10	Because of allegedly growing losses by U.S. industry, USTR extends for three months the Special 301 investigation of inadequate IPR protection and enforcement in Paraguay.							
August 11	USTR places Taiwan on the Special 301 "watch list" to monitor the enforcement of IPRs in Taiwan.							
September	•							
September 11	The USTR announces new measures to ensure that imports of certain textile products from Macau follow country–of–origin requirements for importation into the United States.							
September 15	The United States and the Hong Kong Special Administrative Region agree to steps to combat illegal circumvention of textile and apparel quota arrangements. This agreement is part of a larger agreement to combat illegal textile transshipments.							
See footnote at en								

See footnote at end of figure.

October							
October 1	Canada terminates a discriminatory restriction that prohibits the routing of international telecommunications services to or from Canada through the United States. This practice was identified during the USTR's annual review of the operation of U.S. telecommunications trade agreements.						
October 21	Latvia signs WTO accession protocol. Latvia will become a WTO member 30 days after it notifies the WTO Secretariat that its national ratification proceedings have been completed.						
October 22	President Clinton signs into law the renewal of the GSP through June 30, 1999, retroactive to June 30, 1998.						
October 27	Conclusion of the first round of trade negotiations for the Free Trade Area of the Americas (FTAA) in Miami.						
October 30	The WTO finds that Japanese testing requirements for agricultural products violate Japan's obligations to the WTO.						
	The United States and five members of the Andean Community sign an agreement establishing a U.SAndean Community Trade and Investment Council.						
November	·						
November 9	The United States and the EU agree to implement the Transatlantic Economic Partnership (TEP) initiative.						
November 14–15	The Tenth Asia Pacific Economic Cooperation (APEC) ministerial meeting is held in Kuala Lumpur, Malaysia.						
November 17	The United States and the Republic of Paraguay sign a Memorandum of Understanding and an Enforcement Action Plan in an effort to combat piracy and counterfeiting in Paraguay.						
December							
December 1	The United States and Mozambique sign a bilateral investment treaty.						
December 3	The United States and Sweden come to agreement on the enforcement of intellectual property protection in Sweden.						
December 4	The United States and Canada sign an agreement on an initial set of measures to open further Canadian markets to U.S. agricultural products.						
December 21	The USTR announces the list of EU products that will be subject to a prohibitive tariff as a result of a dispute with the EU over its discriminatory banana regime.						
December 23	The United States and Vietnam bilateral copyright agreement enters into force.						

<sup>1</sup> The U.S. Senate took no action on this measure in 1998.

The WTO was involved in a diverse range of areas in 1998. WTO members adopted the Declaration on Global Electronic Commerce in May 1998. The work program will examine all trade-related issues relating to global electronic commerce ("e-commerce"), taking into account the economic, financial, and development needs of developing countries, as well as recognizing work being undertaken in other international forums. Negotiations to expand the Information Technology Agreement (ITA) took a difficult course during 1998, leading only to agreement in December—after several false starts—to resume negotiations yet again in early 1999. In 1998, Hong Kong, Switzerland, the Netherlands, Britain, and the United States, each made technical assistance contributions to help better integrate the developing-country members and members with transition economies into the world trading system. The WTO Secretariat also continued in 1998 to expand its cooperation with other international organizations in an effort to integrate more fully the multilateral rules on trade with rules in related fields.

Use of arbitration provisions in the WTO dispute settlement process grew in 1997, and that trend continued in 1998. The growing number of dispute cases brought under WTO rules during 1998 continued to be widely seen as indicating that both developing and developed country members support the multilateral dispute-settlement system. Increasingly, arbitration is being used to determine how long a member government may take to implement the conclusions of a panel or an Appellate Body report.

### The Organization for Economic Cooperation and Development

In 1998, discussions continued in the OECD on how to conclude negotiations over the Multilateral Agreement on Investment (MAI). OECD ministers confirmed in October 1998 that MAI negotiations were no longer taking place, although they agreed on the importance of the multidisciplinary work on investment continuing to take place at the OECD. The ministers have directed negotiators to continue work to reach a conclusion and seek broad participation in an MAI.

The OECD work program also began to review individual national laws and regulations related to the 1997 OECD Convention on Combating Bribery and the 1997 report to ministers on regulatory reform. Although the Convention was adopted in November 1997 with the expectation that it would enter into force by the end of 1998, entry into force did not occur until February 1999, when a sufficient number of signatories had deposited their ratification with the organization. Regarding a recent addition to the OECD work program, discussion began regarding barriers and solutions to electronic commerce.

Following the 1997 report to ministers on regulatory reform, the OECD launched in 1998 its first set of reviews of individual national laws and regulations—assessing Japan, Mexico, the Netherlands, and the United States. The second set of reviews—examining Denmark, Korea, Spain, and another country to be identified—is expected to be launched in early 1999 and scheduled for completion in early 2000.

## **Regional Trade Initiatives**

In 1998, the North American Free Trade Agreement (NAFTA) marked its fifth year of existence. A second round of accelerated tariff elimination on approximately 600 product categories was successfully agreed upon and completed at the annual NAFTA Commission meeting on April 29, 1998. Issues of particular importance in 1998 included market access, labor rights, and intellectual property rights. On June 10, 1998, the United States and Mexico signed a Joint Statement committing the two governments to cooperation in the area of food safety. The Commission for Labor Cooperation (CLC) completed its four-year review of the North American Agreement on Labor Cooperation (NAALC) and undertook ministerial consultation on three public submissions of allegations of violations of the safety, health, and civil rights of workers in Mexico. Mexico announced its National Campaign Against Piracy on November 11, 1998, in an effort to increase enforcement of intellectual property rights. In the area of dispute settlement, the number of pending Chapter 11 investor-state cases more than doubled in 1998, with the submission of four new claims and the resolution of one of the three cases filed in 1997. Ten new requests for Chapter 19 panel reviews of antidumping/countervailing duty determination (AD/CVD) were filed in 1998. In addition, two new requests for Chapter 20 general dispute settlement panel reviews were filed by Mexico against the United States in 1998 on issues relating to cross-border trucking services and investment and cross-border bus services.

Negotiations for the Free Trade Area of the Americas (FTAA) were formally launched in Miami on August 31, 1998, with the first meeting of the negotiating group on market access. By year-end 1998, all nine FTAA negotiating groups had met. Three special FTAA committees, addressing civil society, electronic commerce, and smaller economies, held their first meetings in October 1998. At its meeting, the committee on civil society established a period for public comments on the FTAA from November 1, 1998, through March 31, 1999.

1998. the Asia-Pacific Economic During Cooperation (APEC) forum primarily focused on implementing the APEC leaders' 1997 directive to initiate Early Voluntary Sectoral Liberalization (EVSL) in 15 sectors. Nine of the sectors were to be concluded by the Ministerial Conference in November and included environmental goods and services, energy equipment and services, fish and fish products, toys, forest products, gems and jewelry, medical equipment and instruments, chemicals, and a telecommunications mutual recognition agreement. The remaining six sectors (autos, oilseeds, food, civil aircraft, fertilizers, and rubber) were to be further developed for review by trade ministers in June and possibly recommended to APEC leaders in November 1998.

At the APEC Ministerial Conference during November 14-15, with regard to EVSL, APEC ministers agreed to lower tariffs and other trade barriers in the nine key sectors and agreed to include end-rates, end-dates, and product coverage. The ministers also agreed to broaden participation in the agreement by striving to conclude an agreement in the WTO by the end of 1999 on the nine-sector package. In the six remaining sectors, covering \$1.6 trillion in trade, ministers agreed to advance market-opening work in time for review by the trade ministers in June 1999.

### **Bilateral Trade Relations**

#### **European Union**

U.S.-EU trade relations were marked by both cooperation and confrontation during 1998. In December, U.S. and EU officials launched a major new trade initiative called the Transatlantic Economic Partnership, which outlines ways that the United States and EU can cooperate to facilitate bilateral trade and strengthen the multilateral trading system. Bilaterally, the initiative covers a broad range of issues, including regulatory barriers to trade in goods and services, government procurement, and intellectual property rights. In addition, a mutual recognition agreement concluded in 1997 was implemented on December 1, 1998.

However, trade officials also addressed a series of bilateral disputes, most notably EU implementation of a WTO-consistent banana import regime. The U.S.-EU banana dispute is the first major controversial case to progress so far through the WTO's dispute settlement system, established under the 1995 Dispute Settlement Understanding.

### Canada

During the first year of essentially duty-free trade for most goods between the United States and Canada, economic and trade relations between the world's largest trading partners were relatively smooth. On January 1, 1998, one of the goals of the U.S.-Canada Free Trade Agreement—reciprocal duty-free status for all goods originating in the United States and Canada—was accomplished.

While the volume of trade between the two countries is unofficially estimated at nearly \$1 billion a day, a free trade agreement will not resolve all bilateral trade difficulties, and a certain number of issues will inevitably receive substantial attention. One major irritant in U.S.-Canada trade relations during 1998 was the unresolved issue of Canadian magazines, a case that was supposedly resolved in 1997 as a result of a ruling by a WTO dispute settlement panel, which was affirmed by a WTO Appellate Body ruling. At year-end 1997, Canada was in the time period allowed under the dispute settlement mechanism for a country to come into compliance with a WTO Appellate Body ruling. It had been anticipated that the issue would be resolved by mid-1998. By the end of the year, the issue was still in dispute, and threats of action on both sides of the border were continuing.

A positive development in the bilateral relationship took place during 1998 with the successful negotiation of an agricultural agreement between the United States and Canada. Agriculture has been an area of discipline that has eluded full incorporation into international trade agreements over the years, and an examination of recent differences between the United States and Canada would indicate that difficulties in the sector were frequent (lumber, grain, dairy pricing, swine, potatoes, and salmon are among recent bilateral disputes). The U.S.-Canadian Agricultural Agreement is seen as an initial step toward greater management of the bilateral agricultural trading relationship. While the immediate effects are more likely to be regional or crop-specific, the agreement focuses on an area for further attention and cooperation.

#### Japan

During 1998, Japan came under pressure from the United States and other nations to stimulate its economy, resolve loan problems in its banking sector, and reduce its trade surplus. Restrained government spending during mid-1996 to early 1998 appeared to be a drag on the economy. Despite the public funds made available to Japanese banks, nonperforming loans also appeared to hold back a general economic recovery. Against this backdrop, Japan's overall trade surplus and its surplus with the United States rose significantly, reflecting the impact of the lagged effects of the weakened yen and the economic downturn in Asia.

In 1998, bilateral agreements concerning autos, insurance, and deregulation appeared to receive the most attention from negotiators. The United States continued to monitor other bilateral agreements such as those covering semiconductors, computers, flat glass, legal services, telecommunications, and harbor services.

### Mexico

Mexican access to the U.S. sugar market and U.S. access to the Mexican high-fructose corn syrup

(HFCS) market continued to be major issues of dispute in 1998. In recent years, Mexican sugar producers have expressed interest in accelerating the NAFTA timetable, which provides for a tenfold expansion from the year 2001 of the present U.S. sugar quota allocated to Mexico. Mexican sugar producers also have expressed concerns that various HFCS products imported from the United States, which are less expensive than sugar, might replace Mexican sugar in soft drinks and in candy and confectionary. Mexico's antidumping charges regarding various HFCS products imported from the United States and U.S. trade action contesting the validity of these charges are discussed later in this report.

Mexican antidumping investigations against imported U.S.-origin live cattle and beef products and hogs for slaughter were important bilateral trade issues in 1998. Although under NAFTA most Mexican imports of live cattle and hogs and most beef and veal from the United States and Canada now enter free of duty, affirmative determinations in these dumping cases may result in imposition of new antidumping duties which will affect the duty reductions. All of these dumping cases were prompted by recent increases in U.S. exports. The U.S. industry asserts that the real problem in all these cases concerning HFCS and live animals and meat is that Mexican industries producing these products are not competitive and are therefore calling for U.S. duty protection.

#### China

In 1998, China took steps to reduce tariffs pursuant to its bilateral commitments and in an effort to support its WTO accession bid. Average tariff rates have dropped from 23 percent ad valorem in 1996 to 17 percent in 1997, and China's President Jiang Zemin has announced that China will reduce the average tariff rate to 15 percent by the year 2000. After 12 years of WTO accession negotiations, China's 1998 proposals still did not address satisfactorily a wide range of issues such as market opening in agricultural products, industrial goods, consumer goods, and services. In particular, progress has been slow in opening the services sector to foreign competition, including the fields of legal, architectural, distribution, and financial services.

Arrangements for Hong Kong's reversion to China as a special administrative region have allowed the region to maintain a high degree of autonomy as well as maintain its status as one of the most open economies within the WTO system. The majority of bilateral discussions between the United States and Hong Kong during the past 2 years have involved issues relating to the protection of intellectual property rights (IPRs). Hong Kong enacted stronger copyright and licensing laws in 1998. Although the region has increased antipiracy measures, copyright piracy remains a serious problem.

### Taiwan

Bilateral relations between Taiwan and the United States in 1998 focused on the continuing problem of IPR enforcement. In April 1997, USTR removed Taiwan from the Special 301 list for the first time since 1988. In its annual Special 301 review in May 1998, the USTR indicated that Taiwan authorities had made assurances to address U.S. concerns regarding IPR enforcement and that USTR would closely monitor implementation of the specific measures over the following several months. However, IPR enforcement actions in Taiwan were ineffective in reducing the production and export of pirated and counterfeit goods, and the country remained one of the top four sources of infringing goods that U.S. Customs agents seized on importation. As a result, USTR placed Taiwan back on the Special 301 "watch list" in August 1998.

### Korea

U.S.-Korean trade relations continued to be relatively calm in 1998, reflecting an easing of trade frictions in recent years. There was one major bilateral trade issue involving the United States and Korea in In October, the United States and Korea 1998. announced a Memorandum of Understanding ending a U.S. section 301 action concerning the access of foreign-made motor vehicles to the Korean market. The Korean Government agreed to lower its WTO-bound tariff rate on motor vehicles, reduce taxes on motor vehicles with larger engine displacements, introduce a system of secured financing that will enable Korean consumers to finance purchases of U.S. vehicles more easily, and streamline its standards and certification procedures for imported vehicles.

# Administration of U.S. Trade Laws and Regulations

The following developments in U.S. trade programs occurred during the year:

• The Department of Labor instituted 1,400 investigations for trade adjustment assistance to workers in fiscal year (FY) 1998, a slight increase from the number instituted in FY 1997. In addition, 809 petitions were filed under the U.S. NAFTA-related transitional adjustment assistance program for

workers. This figure represents a small increase over the number of such filings in the previous fiscal year. The Department of Commerce certified 167 firms as eligible to apply for trade adjustment assistance during FY 1998, a slight increase over the number in FY 1997.

- Following final affirmative determinations by the Commission and the Department of Commerce, nine new antidumping duty orders were issued in 1998. Following final affirmative determinations by the Commission and the Department of Commerce, one new countervailing duty order was issued in 1998.
- The Commission's section 337 caseload continues to be dominated by investigations involving complex technologies, particularly in the computer and telecommunications fields. The Commission concluded fifteen investigations under section 337 during the year. No exclusion orders were issued in 1998.
- USTR initiated two section 301 investigations in 1998. These included investigations of Mexican market access barriers to high-fructose corn syrup and Paraguay's protection of intellectual property rights. In addition, further developments occurred in four investigations initiated prior to 1998. These included terminations of investigations into EC policies regarding banana imports and Brazil's tariff barriers to automotive imports.
- The U.S. Generalized System of Preferences (GSP) expired on June 30, 1998, but was renewed retroactively through June 30, 1999, by legislation signed by the President on October 21, 1998. On January 1, 1998, six trade partners (Aruba, Cayman Islands, Cyprus, Greenland, Macau, and the Netherlands Antilles) were removed as beneficiaries under the GSP.
- On January 1, 1998, the WTO countries integrated another 17 percent of their textiles and apparel trade into the WTO regime, as required by the Uruguay Round Agreement on Textiles and Clothing (ATC). In 1998, the United States initiated three requests for consultations ("calls") with supplying countries to establish new quotas one safeguard action under the ATC on combed cotton yarn from

Pakistan and two calls under section 204 of the Agricultural Act of 1956 on certain apparel articles from Cambodia.

- U.S. imports of textiles and apparel rose by 14 percent over the 1997 level to a record 26.1 billion square meter equivalents valued at \$60.5 billion. Mexico, Canada, and the Caribbean Basin countries accounted for a considerable share of the increase in sector imports in 1998. U.S. apparel producers continued to expand their use of offshore assembly operations in Mexico and Caribbean Basin countries to cut costs in the face of a highly competitive retail market. For the third consecutive year, Mexico remained ahead of China as the single-largest country supplier of textiles and apparel by quantity, and for the first time, Mexico also surpassed China as the single-largest supplier of sector imports by value. Competition from lower-priced sector imports from the East Asian nations that had devalued their currencies in 1997 contributed to the decline in sector imports from China in 1998.
- The United States continued to impose economic sanctions on a number of countries in 1998, including trade sanctions that were imposed and subsequently removed against India and Pakistan. Also during 1998, sanctions imposed by the Commonwealth of Massachusetts against companies that do business with Burma were considered by U.S. trading partners at the WTO.

# The International Economic Environment and World Trade in 1998

# International Economic Environment

In 1998, world economic growth and world trade expanded at slower rates than in the previous year because of the impact of the financial and exchange markets crisis in Asia, Japan, and Russia. The impact of the crisis on industrial countries' economic growth has been limited so far, in part, because of the prudent management of monetary policies in the United States, Europe, and Canada. World merchandise trade volume in goods and services grew by 3.7 percent in 1998, a precipitous decline from the 9.7 percent growth posted in 1997. World real output is estimated to have grown by 2.0 percent in 1998, following a 4.1 percent annual growth rate in 1997.<sup>3</sup> Prudent monetary policies and commitments to reduce budget deficits in a number of countries, including the United States, Canada, and the EU members, have played a major role in keeping inflation low and inducing stable rates of economic expansion. Table 1-1 shows economic indicators of the United States and selected U.S. trading partners for 1998 and prospects for 1999.

During 1998, the U.S. economy grew to near full capacity as real output expanded buoyantly. Real gross domestic product (GDP) grew in 1998 by 3.9 percent,<sup>4</sup> following the same annual rate of growth in 1997. Inflation reached its lowest level in years. Unemployment dipped to an annual average of 4.5 percent, the lowest level in nearly 20 years.<sup>5</sup> Favorable conditions in U.S. financial markets bolstered growth. Longterm interest rates were their lowest in many years. The stock market, with the exception of a few downturns, registered all-time highs, and credit has remained readily available to investors. This combination of strong growth and low inflation reflected, among other things, favorable influences of declining commodity prices and a strong dollar, but was also attributable to more durable changes in the product market and the flexibility of U.S. labor markets. As in past years, gains in competitiveness in labor and product markets and more rapid technology-driven gains in efficiency have supported strong economic growth and low inflation. In 1998, domestic demand was the major source of U.S. economic growth. The spillover from the Asian financial crisis has been felt most on the U.S. trade balance and the current account. Both trade and current account deficits increased substantially in 1998. The U.S. merchandise trade balance recorded a deficit of \$272.9 billion, a substantial increase over the 1997 merchandise trade deficit of \$198 billion, and the current account deficit rose to \$233.5 billion from a deficit of \$155.2 million in 1997.<sup>6</sup>

Major U.S. trading partners experienced slower rates of output growth than the United States. In Canada, real output grew in 1998 at an annual rate of 3.0 percent, following a 3.7 percent growth rate in 1997. Canada's economic growth in 1998 was underpinned by tight fiscal policies that reduced budget deficits and by a relaxed monetary policy that lowered long-term interest rates. This mix of tight fiscal and relaxed monetary policies has encouraged domestic investment and, in the meantime, boosted domestic demand. In Canada, foreign demand for exports also rose in large part because of the depreciation of the Canadian dollar over the major part of the year; however, because of the strengthening of domestic demand, imports also increased much more, thus reducing Canada's trade surplus and increasing the current account deficit.

In the EU, output growth strengthened, labor market conditions improved, and, to a high degree, inflation rates converged closer to price stability. These conditions set the stage for the launching in 1999 of the Euro, the common currency adopted by 11 EU members. In 1998, real output grew by 2.9 percent in the EU.7 Unemployment declined a little, but remained high, ranging from 11.2 to about 12.2 percent in France, Germany, and Italy. The unemployment rate in the EU averaged 10.6 percent.<sup>8</sup> Despite some adverse effects from the Asian financial crisis, economic growth in a number of EU countries has been gathering momentum. Increased domestic demand partially replaced the decline in exports to Asian countries, bolstering economic growth. In addition, foreign exchange markets have stabilized, and reductions of fiscal deficits have been achieved in most, if not all, of the EU members. However, recurrent uncertainties about the feasibility of the EU common monetary system, combined with the rigidity of EU labor markets, have increased labor costs and may have served to dampen employment growth.

In Japan, economic growth decelerated in 1998 from previous years because of a slow rise in domestic demand, despite intensive public-sector investment and expanding housing construction. Following a surge in 1996, economic activity decelerated sharply in 1997 and 1998. Japan's financial sector has suffered bad debt problems, although the severity is much less than in other Asian economies.<sup>9</sup> However, the Asian

<sup>&</sup>lt;sup>3</sup> International Monetary Fund (IMF), *World Economic Outlook*, Oct. 1998, p. 20, table 2.2.

<sup>&</sup>lt;sup>4</sup> U.S. Department of Commerce, Bureau of Economic Analysis, BEA 99–05, *Gross Domestic Product Fourth Quarter*, 1998.

<sup>&</sup>lt;sup>5</sup> U.S. Department of Labor, *The Unemployment Situation*, USDL 99–52, Feb. 1999.

<sup>&</sup>lt;sup>6</sup> U.S. Department of Commerce, Bureau of Economic Analysis, BEA 99–07, U.S. International Transactions: Fourth Quarter and Year, 1998; and Official Trade Statistics of the U.S. Department of Commerce.

<sup>&</sup>lt;sup>7</sup> OECD, *World Economic Outlook, vol.64*, Dec. 1998, Annex p. 191, table 1.

<sup>&</sup>lt;sup>8</sup> Ibid., Annex p. 211, table 21.

<sup>&</sup>lt;sup>9</sup> Ibid., p. 42.

Country	Real GDP		Inflation rates <sup>1</sup>		Unemployment rates <sup>2</sup>		Governments' budget balances <sup>3</sup>		Merchandise trade balances		Current account balances <sup>4</sup>	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
		— Percer	ercent change from previous period —				Percent of GDP		- Billion dollars -		-Percent of GDP-	
G-7 countries:												
United States	3.9	1.5	0.8	1.2	4.4	5.0	1.6	0.8	-255.7	-286.2	-2.7	-3.1
Canada	3.0	2.4	1.0	1.7	8.4	8.1	2.0	2.2	10.4	9.8	-2.1	-2.0
Japan	-2.6	0.2	0.6	-0.7	4.2	4.6	-6.1	-7.8	126.0	150.0	3.2	3.3
Germany	2.7	2.2	1.0	1.2	11.2	10.8	-2.4	-2.1	88.3	101.5	0.4	0.7
United Kingdom	2.7	0.8	2.0	2.8	6.5	7.4	-0.4	-0.7	-29.2	-31.7	-0.6	-1.2
France	3.1	2.4	0.5	0.9	11.8	11.2	-2.9	-2.4	27.9	27.0	2.6	2.4
Italy	1.5	2.1	2.3	1.8	12.2	12.1	-2.6	-2.2	51.0	55.6	3.2	3.3
European Union	2.8	2.2	1.5	1.7	10.6	10.3	-1.8	-1.6	176.7	188.3	1.4	1.3
Mexico	4.6	3.6	16.0	13.5	3.4	3.5	-2.9	-1.8	-7.1	-9.2	-3.8	-4.0
Total OECD	2.2	1.7	3.3	2.5	7.1	7.3	-1.0	-1.5	53.6	48.7	0.0	0.1
China	7.6	7.7	-2.5	1.0	NA	NA	NA	NA	NA	NA	2.6	1.6
Taiwan	4.5	4.0	1.2	0.0	2.6	2.4	-0.5	-0.5	9.8	14.4	1.9	1.3
Republic of Korea	-6.5	0.5	8.3	3.5	7.3	8.3	-6.2	-6.2	38.3	342	12.5	9.9
Hong Kong												
(China)	-4.5	1.5	3.5	3.0	5.0	5.7	-1.6	-1.8	-20.0	20.5	-1.1	-0.2
Singapore	0.0	0.5	-0.2	0.5	4.4	5.7	2.2	1.1	N/A	N/A	18.5	18.1
Thailand	-7.0	2.0	8.5	5.5	NA	NA	NA	NA	N/A	N/A	11.5	10.7
Malaysia	-4.7	-0.5	5.3	4.0	NA	NA	NA	NA	N/A	N/A	6.4	5.2

#### Table 1-1 Comparative economic indicators of the United States and specified major trading partners, 1998-99

<sup>1</sup> Private consumption deflators and/or retail prices percent change from previous year. <sup>2</sup> Percentage of total labor force.

<sup>3</sup> Financial balances as a percentage of nominal GDP.
 <sup>4</sup> Surplus (+) or deficit (-) as a percentage of GDP.

Note.—1998 and 1999 data are projections of the IMF and OECD, except for U.S. GDP, inflation, and unemployment rates for 1998, which are actual.

Source: OECD, World Economic Outlook, vol. 64, Dec. 1998; International Monetary Fund (IMF), World Economic.Outlook, Oct. 1998, and official statistics of the U.S. Department of Commerce.

financial crisis has significantly reduced Japan's total exports because a large share of the country's exports is destined for Asia. A drastic decline in domestic demand has reduced Japan's imports further, resulting in a large surplus in Japan's current account. Japan's real GDP contracted by 2.6 percent in 1998 and unemployment rose to 4.2 percent from 3.4 percent a year earlier. <sup>10</sup>

Growth prospects in developing and emerging economies in 1998 were mixed. In Latin America (including Mexico and the countries of the Caribbean, Central America, and South America), economic activity continued to slow in 1998, especially in Argentina, Brazil, and Peru.

The Asian financial crisis and circumstances such as Russia's default on its foreign debt repayment discouraged foreign capital inflows to emerging markets. This adversely affected the current account positions of several Latin American countries, resulting in increased current account deficits. Toward the end of 1998, Brazil was at the center of foreign investor worries because of its growing fiscal deficit. The Brazilian currency experienced downward pressures. Because Brazil is the largest economy in South America and the ninth largest in the world, worries have grown that the financial crisis that began in Asia could also spread to other South American countries, particularly Argentina, Chile, and Peru. Real GDP is projected to grow at slower rates in 1998 than in the previous year. These annual growth rates were 0.8 percent in Brazil, following 3.7 percent growth in the previous year; 4.0 percent in Argentina, following 8.6 percent growth; 5.0 percent in Chile, following 7.1 percent growth; 2.5 percent in Columbia, following 3.1 percent growth; 2.5 percent in Peru, following 7.2 percent growth; and a negative growth in Venezuela, following a 6.1 percent growth in 1997.

In Mexico, economic growth slowed as a result of the contagion effects of the Asian financial crisis and the government's tightening of fiscal and monetary policies. The slowdown in overall economic activity seems to have reduced imports and stopped the deterioration of the deficit on the current account and the slide in the foreign value of the peso.

In the Pacific Rim, economic activity slowed substantially in 1998 in most of the region's countries because of the decline in investment and consumption spending resulting from the Asian financial crisis. According to OECD published data, growth rates for China slowed to 7.6 percent (at an annual rate) in 1998 from 8.8 percent in the previous year. Estimated 1998 growth rates for some other partners were Indonesia (-15.5 percent), Korea and Thailand (-7.0 percent), Malaysia (-4.7 percent), Philippines (-0.5 percent), and Hong Kong (China) (-4.5 percent).<sup>11</sup>

# U.S. Balance of Payments Position

In the foreign sector, the strengthening of domestic demand for imports because of relatively higher rates of U.S. economic growth led to a widening of the 1998 current account deficit.<sup>12</sup> The U.S. current account deficit grew to \$233.5 billion in 1998 (see table 1-2). The deficits on merchandise trade and investment income were partially offset by the surplus on services. The U.S. deficit on income from foreign investment grew in 1998 as payments on foreign assets in the United States of \$265.1 billion. Net flows of foreign capital into the United States declined from the previous year to \$237.1 billion in 1998.

The U.S. surplus on services trade declined to \$78.9 billion. U.S. total services trade (exports plus imports) reached about \$441.9 billion in 1998. U.S. exports of services in 1998 totaled \$260.4 billion; imports rose to \$181.5 billion. The U.S. deficit on goods and services grew by approximately \$59 billion to \$169.1 billion in 1998.

# U.S. Merchandise Trade in 1998

The United States ranked as the world's largest merchandise exporter, followed by Germany and Japan. U.S. merchandise exports declined to \$634.7 billion in 1998, from \$643.2 billion in 1997. Imports rose to about \$907.6 billion, up from \$862.4 billion in 1997. The U.S. merchandise trade deficit with the world rose to \$272.9 billion in 1998, from \$219.2 billion in 1997. The majority of U.S. exports consisted of manufactured goods, which accounted for about 72.3 percent of total U.S. exports in 1998. Chemicals accounted for 10.7 percent of exports, and all other goods 17.0 percent. The majority of U.S. imports were manufactured goods (76.4 percent), chemicals (6.2 percent), and all other goods (17.4 percent) (figure 1-3).

<sup>&</sup>lt;sup>10</sup> Ibid., pp. 191 and 211.

<sup>&</sup>lt;sup>11</sup> OECD World Economic Outlook , vol. 64, Dec. 1998, p. 125.

<sup>&</sup>lt;sup>12</sup> U.S. Department of Commerce, Bureau of Economic Analysis, BEA 99–07, U.S. International Transactions, Fourth Quarter and Year, 1998.

	1997	1998
Merchandise exports	679.3	671.1
Merchandise imports	-877.3	-919.0
Balance on merchandise trade	-198.0	-248.0
Services exports	258.3	260.4
Services imports	-170.5	-181.5
Balance on services	87.8	78.9
Balance on goods and services	-110.2	-169.1
Income receipts on U.S. assets abroad	241.8	242.6
Income payments on foreign assets in the United States	-247.1	-265.1
Balance on investment income	-5.3	-22.5
Balance on goods, services, and income	-115.5	-191.6
Unilateral transfers	-39.7	-41.9
Balance on current account	-155.2	-233.5
U.S. assets abroad, net, outflow (-)	-478.5	-305.4
Foreign assets in the U.S., net, inflow (+)	733.4	542.5
Net capital inflows (+), outflows (-)	254.9	237.1

#### Table 1-2 U.S. trade and current account balances, 1997-98 (Billion dollars)

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions: Fourth Quarter and Year 1997, BEA 98–06.

Figure 1-4 shows U.S. merchandise exports, imports, and trade balances with major trading partners. Leading U.S. exports to, and imports from, major U.S. merchandise trading partners are highlighted in the appendix. In 1998, U.S. merchandise trade with NAFTA countries accounted for about 31.1 percent of total U.S. exports and imports. Of the \$272.9 billion trade deficit in 1998, NAFTA accounted for \$54.6 billion, of which Canada accounted for \$36.9 billion and Mexico \$17.6 billion.

The U.S. trade deficit with Japan was \$66.4 billion, followed by China (\$56.9 billion), the EU (\$34.7 billion), Taiwan (\$16.1 billion), and Korea (\$7.7 billion). The U.S. trade deficit with Japan and China combined totaled \$123.3 billion, or about 45.2 percent of the total U.S. trade deficit on goods.

In 1998, total U.S. exports and imports of goods grew by about 2.4 percent over a year earlier. U.S. exports to Mexico rose by 10.2 percent, while exports to Canada rose by 2.2 percent. U.S. exports to the Pacific Rim declined by 14.5 percent, while exports to South and Central America and to OPEC grew slightly. U.S. exports to Japan declined, and U.S. exports to Taiwan grew slightly.

### World Trade

The United States ranked as the world's largest merchandise exporter in 1998, followed by Germany and Japan. World trade in goods and services grew at a faster rate than world output in 1998. According to IMF forecasts,<sup>13</sup> the volume of world trade in goods and services is estimated to have grown by 3.7 percent in 1998, a sharp decline from the 9.7 percent growth recorded in 1997. Trade growth in 1998 outstripped the 2.0 percent growth in world output.

<sup>&</sup>lt;sup>13</sup> IMF, *World Economic Outlook*, Oct. 1998, p. 20, table 2.1.

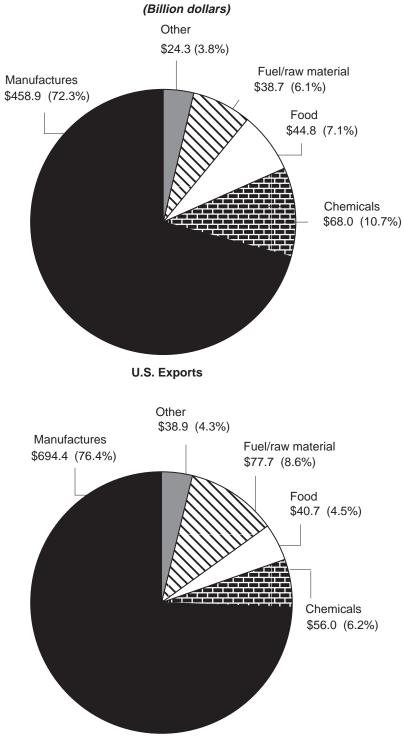


Figure 1-3 U.S. merchandise trade with the world, by product sectors, 1998

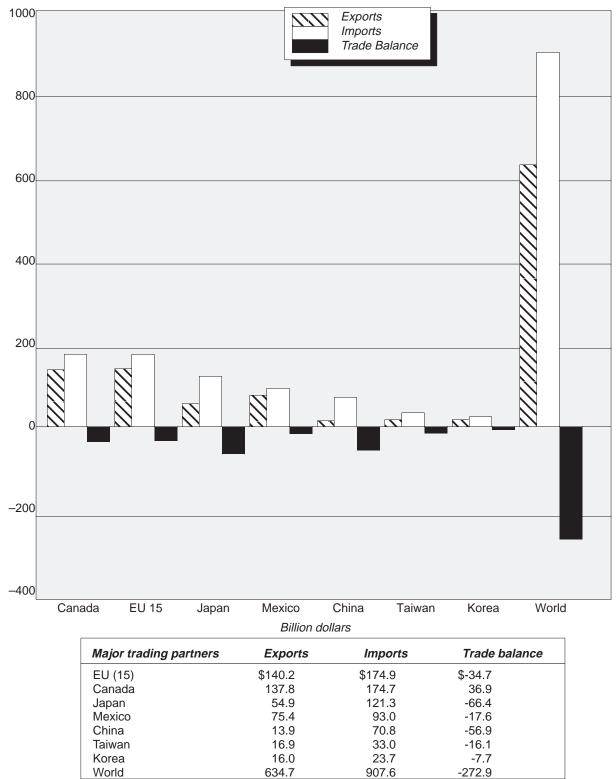
**U.S. Imports** 

Note.—Because of rounding, figures may not add up to the totals shown. Exports are domestic exports, f.a.s. Imports are imports for consumption, customs value.

Source: Compiled from official statistics of the U.S. Department of Commerce.

#### Figure 1-4 U.S. merchandise exports, imports, and trade balance with major trading partners, 1998 (census basis)

Billion dollars



Source: U.S. Department of Commerce statistics.

# CHAPTER 2 Selected Trade Activities in the WTO and OECD in 1998

This chapter reviews selected activities of the World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD) in 1998. The WTO is the principal multilateral body overseeing the negotiation and implementation of, as well as settlement of disputes regarding, international trade agreements. The WTO had 133 Members at the end of 1998, reaching 134 by February 1999. The OECD is the primary forum for the discussion of common economic and social issues faced by the 29 leading industrialized democracies of Asia, Europe, and North America. In 1998, activity in the WTO continued implementation of the Uruguay Round Agreements, focusing in part on the "built-in agenda" embedded in many of the agreements that mandates new trade negotiations to begin in 2000, as well as implementation reviews in others. During 1998, WTO members also continued discussion of subjects adopted under work programs at the first Ministerial Conference held in Singapore in December 1996, as well as at the second Ministerial Conference held in May 1998 in Geneva, which marked the 50th anniversary of the GATT multilateral trade system.<sup>1</sup>

The growing number of dispute cases brought under WTO rules during 1998 continued to be widely seen as indicating members' support—both developing and developed countries—for the multilateral dispute-settlement system. Two new members were cleared for accession in 1998, with one (the Kyrgyz Republic) joining in December 1998 and the other (Latvia) joining in February 1999, once their domestic ratification was notified to the WTO. These new accessions raised WTO membership to 133 and 134, respectively. Accession negotiations continued for about 30 other applicants.

# World Trade Organization (WTO)

# Uruguay Round and Additional Work Programs

The Uruguay Round Agreements entered into force in January 1995, including those agreements with provisions that extended negotiations on trade in services that had not been completed by the end of the Uruguay Round negotiations in December 1993. The Uruguay Round Agreements also include provisions that mandate future negotiations for several areas, notably agriculture, services, and government procurement. They also mandate implementation reviews of a number of the various agreements—such as textiles, sanitary and phytosanitary measures, and technical barriers to trade—that collectively have come to be known as the "built-in agenda," so-called because these provisions are embedded in various places in different Uruguay Round Agreements.

In addition to mandated negotiations and reviews under the built-in agenda, members have undertaken additional work programs adopted at the first WTO ministerial conference held in December 1996, and at the second Ministerial Conference, held in May 1998. At the First Ministerial conference, members agreed to negotiate an Information Technology Agreement (ITA); to hold a high-level meeting on how to improve the provision of technical assistance to the least-developed country members; and to begin an examination of how multilateral trade rules interact with the areas of competition policy, investment, and

<sup>&</sup>lt;sup>1</sup> The present multilateral trading system arose out of the 1947-48 United Nations Conference on Trade and Employment, held in November 1947 in Havana, and gave rise to the General Agreement on Tariffs and Trade (GATT), which entered into force in 1948. The GATT continued until the end of 1994, when the WTO took over as the successor organization overseeing the world trading system by implementing a revised version of the General Agreement. The original General Agreement has since been dubbed GATT 1948 to distinguish it legally from the revised version implemented by the WTO, dubbed GATT 1994.

transparency in government procurement.<sup>2</sup> At their second Ministerial Conference, members added electronic commerce, or "e-commerce," to their work agenda. In addition, on May 19, 1998, the conference marked the celebration of the 50th anniversary of the multilateral trading system.

### **Extended Services Negotiations**

Following the conclusion of the Uruguay Round, negotiations continued on a number of individual service sectors: the movement of natural persons supplying services, financial services, basic tele-communications services, and maritime transport services.<sup>3</sup> Whereas negotiations on the labor services of natural persons were concluded shortly following the Uruguay Round, and those on maritime transport services negotiations are scheduled, those on financial services and basic telecommunications have finally been concluded in recent years.

### Agreement on Basic Telecommunications

The Agreement on Basic Telecommunications entered into force on February 5, 1998. Negotiators had concluded a framework agreement on basic telecommunications in December 1996 and negotiations were completed in February 1997 with acceptance of national schedules of commitments, followed by the agreement's entry into force in February 1998. The telecommunications agreement was concluded by 69 countries and covers nearly 93 percent of total domestic and international revenue generated annually in this sector, worth approximately \$600 billion.<sup>4</sup>

#### Agreement on Financial Services

In 1998, WTO members continued efforts to ratify the Agreement on Financial Services, which was

concluded in December 1997 and entered into force on March 1, 1999. Negotiators had concluded an interim agreement on financial services in July 1995 and further completed negotiations on a permanent standing agreement under the GATS in December 1997. The Agreement on Financial Services includes improved market-opening commitments by 70 governments, plus the European Commission, and covers 95 percent of the global financial services.<sup>5</sup>

### **Built-in Agenda**

In addition to the services negotiations that extended beyond the December 1993 conclusion of the 1986-93 multilateral trade negotiations, a number of the Uruguay Round Agreements contain provisions calling for review of the operation and implementation of a particular agreement, a review that might take place on an annual, biennial, or triennial basis, and so on. The agreements concerning textiles, sanitary and phytosanitary measures, and technical barriers to trade, for example, were reviewed in 1998 regarding various stages of their agreements. Such review can be tantamount to new negotiations, in which "clarification" or discussion of "improvement" of the provisions of an agreement can presage issues likely to arise in future negotiations.

Moreover, several of the Uruguay Round Agreements contain provisions that call explicitly for new negotiations regarding a particular agreement, negotiations largely scheduled to begin in 2000. The "mandated" negotiations widely cited as most important include the agreements involving agriculture and services, as well as negotiations concerning government procurement. The provisions calling for both implementation reviews as well as mandated negotiations constitute the "built-in" agenda, so called because these provisions are embedded in various articles of particular agreements.

### Mandated negotiations

During 1998, WTO members turned to preparations for the negotiations mandated under the Uruguay Round Agreements' built-in agenda.

*Agriculture.* Article 20 (Continuation of the Reform Process) of the WTO Agreement on Agriculture calls for new agriculture negotiations, saying that "members agree that negotiations for

<sup>&</sup>lt;sup>2</sup> For further detail, see USITC, *The Year in Trade: Operation Trade Agreements Program (OTAP) 1996*, USITC publication 3024, May 1998, pp. 15-27.

<sup>&</sup>lt;sup>3</sup> Negotiations on air transport services were concluded during the Uruguay Round, although excluding such critical elements as air traffic rights and directly related activities.

<sup>&</sup>lt;sup>4</sup> WTO, "WTO telecoms deal will ring in the changes on 5 February 1998," PRESS/87, Jan. 26, 1998. For further detail, see USITC, *The Year in Trade: OTAP 1996*, USITC publication 3024, Apr. 1997, pp. 36-39; *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 25. Formally, the Agreement on Basic Telecommunications is entitled the Fourth Protocol to the General Agreement on Trade in Services (GATS).

<sup>&</sup>lt;sup>5</sup> WTO, "The WTO's financial services commitments will enter into force as scheduled," PRESS/120, Feb. 15, 1999. Formally, the Agreement on Financial Services is entitled the Fifth Protocol to the General Agreement on Trade in Services (GATS). For further detail, see USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 17-25.

continuing the process will be initiated one year before the end of the implementation period," meaning the end of "the six-year period commencing in the year 1995," that being one year before December 31, 2000.<sup>6</sup> In 1998, members continued to prepare for future agricultural negotiations through the Analysis and Information Exchange (AIE) process, set up following the Singapore Ministerial Conference to identify significant trade distortions in agriculture and to collect data needed for negotiating decisions. Ministers are expected to agree on the scope, modalities, and time frames for the negotiations at the third WTO Ministerial Conference to be held in November 1999 in the United States.<sup>7</sup>

Services. Article XIX (Negotiation of Specific Commitments) of the WTO General Agreement on Trade in Services (GATS) calls for new services negotiations, saving that "Members shall enter into successive rounds of negotiations, beginning not later than five years from the date of entry into force of the WTO Agreement and periodically thereafter, with a view to achieving a progressively higher level of liberalization." In 1998, the GATS Council completed its process of exchanging information about service sectors<sup>8</sup> in preparation for the mandated negotiations in 2000. This exchange produced a broad and useful base of information on the nature and importance of trade in services in these sectors, the evolution of new or newly tradable services, the scope of existing commitments, and issues requiring further attention.

*Government Procurement.* Further negotiations to improve the WTO plurilateral Agreement on Government Procurement and extend its coverage were specified in the Uruguay Round Agreements which were to begin in 1997.<sup>9</sup> In February 1997, informal

consultations on these negotiations began with a review of efforts to simplify and improve the agreement through exploration of possible electronic tendering, expansion of the agreement's coverage, and elimination of discriminatory measures and practices that distort open procurement. In June 1998, signatories agreed on a time frame and work program for negotiations mandated under Article XXIV:7 of the agreement.<sup>10</sup> This plan envisions–

- Negotiating proposals no later than the end of April 1999.
- A negotiating document reflecting all outstanding proposals no later than the summer of 1999, as a basis for the final negotiating phase.
- Target completion of negotiations by the third WTO Ministerial Conference in November 1999 (at least for simplification and improvement of the agreement).
- Parallel work on amending the agreement to permit the negotiated (1) elimination of discriminatory measures and practices that distort open procurement and (2) expansion of the agreement's coverage, also with a target date of the third Ministerial Conference.
- Three meetings in the first part of 1999 (e.g., February, May, and July).
- Semicontinuous negotiations in autumn 1999.

### Implementation reviews

Many of the Uruguay Round Agreements set out dates or time periods that specify continuing review or negotiations of certain subject areas. Agreements setting out reviews under the built-in agenda for 1998 included the following:

• The Agreement on Sanitary and Phytosanitary Measures (SPS) calls for review of the operation and implementation of the Agreement by 1998.

<sup>&</sup>lt;sup>6</sup> The Agriculture Agreement operates under a 6-year implementation period, rather than the standard 5-year one for other agreements, from the January 1, 1995, establishment of the World Trade Organization and entry into force of the Uruguay Round Agreements.

<sup>&</sup>lt;sup>7</sup> Office of the U.S. Trade Representative, "Preparations for the 1999 WTO Ministerial General Council Discussion on Mandated Negotiations and the Built-In Agenda," *Trade Policy Staff Committee Draft Document 1998-119*, Nov. 16, 1998, p. 2.

<sup>&</sup>lt;sup>8</sup> Accounting, advertising, architecture and engineering, audiovisual, computer, construction and engineering, courier, distribution, education, energy, environmental, financial, health and social, legal, postal, telecommunications, tourism and travel-related, and transportation (air, rail, road, and sea) services.

<sup>&</sup>lt;sup>9</sup> A plurilateral agreement is binding only on those signatories undertaking its additional rights and obligations, in contrast to the multilateral Uruguay Round Agreements that are all binding on all WTO members.

<sup>&</sup>lt;sup>10</sup> WTO, Committee on Government Procurement, *Report (1998) of the Committee on Government Procurement*, GPA/25, Oct. 30, 1998, found at Internet address http://www.wto.org/wto/govt/repgp.htm, retrieved March 16, 1999.

- The Agreement on Technical Barriers to Trade (TBT, also called "standards") calls for review of the operation and implementation of the Agreement by 1998.
- The Agreement on Anti-Dumping Practices<sup>11</sup> contains a "standard of review" under Article 17.6, scheduled to be reviewed after a period of three years (i.e., after 1997) to consider general applicability of the standard.<sup>12</sup>
- The General Agreement on Trade in Services (GATS) calls for multilateral negotiations on emergency safeguard measures, the results of which were to become effective not later than 1997. However, WTO members have expressed differing views about the desirability of developing such a safeguard mechanism under the GATS, and discussions continue on the subject with the aim of concluding negotiations by June 30, 1999.<sup>13</sup> An opportunity to further address this issue will arise in the services negotiations slated to begin in 2000 under the broader round of multilateral trade negotiations.
- The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) calls for further negotiations starting in 1998, with a view to broadening and improving the Agreement on the basis of mutual reciprocity.
- The Dispute Settlement Understanding (DSU) calls for full review of dispute-settlement rules and procedures.<sup>14</sup>

## 1996 Singapore Ministerial Work Program

The first WTO Ministerial Conference was held in Singapore in December 1996. The ministers' top priority was the full and effective implementation of the Uruguay Round Agreements, including fulfilling the requirements of the built-in agenda and, most particularly, concluding the extended services negotiations. Beyond the issue of implementation, ministers (1) proposed tariff initiatives that led to the Information Technology Agreement (ITA), (2) agreed to a process aimed at better integrating the least-developed country members into the multilateral trading system, and (3) launched additional work on some of the "new" trade issues facing the world economy. The latter was prompted by economic globalization that led to calls from ministers for an examination of the relationship of multilateral trade rules to investment, to competition policy, and to government procurement.15

## Information technology

In 1997, 39 participants concluded an Information Technology Agreement (ITA), as agreed at the WTO Singapore Ministerial Conference in December 1996. The ITA entered into force on July 1, 1997, covering nearly 95 percent of world trade in information technology products.<sup>16</sup> The information technology sector accounts for roughly \$1 trillion in global production and \$500 billion in trade flows,<sup>17</sup> with 43 signatories participating in the agreement. In most cases, tariffs will be eliminated on these products by 2000. ITA participants agreed to complete negotiations during 1998 to expand coverage and implement these results beginning in 1999.

In January 1998, most participants announced their readiness to begin negotiations on an "ITA II" that would extend coverage more fully into information technology products such as computer-based scientific and analytical equipment, global positioning systems, and related inputs and manufacturing equipment. China had also pledged in November 1997 to participate in the ITA as part of its accession negotiations. However, on July 17, 1998, participants suspended ITA II talks,

<sup>&</sup>lt;sup>11</sup> Formally entitled "Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994."

<sup>&</sup>lt;sup>12</sup> WTO, Decision on Review of Article 17.6 of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, Uruguay Round Agreements, Apr. 15, 1994, Geneva, p. 402.

<sup>&</sup>lt;sup>13</sup> WTO, Council for Trade in Services, *Report to the General Council on Activities During 1998*, S/C/6, Dec. 7, 1998, found at Internet address http://www.wto.org/wto/online/ddf.htm, retrieved March 16,

<sup>1999.
&</sup>lt;sup>14</sup> WTO, "Press Pack - Built-in Agenda," Second Ministerial Conference of the World Trade Organization, Geneva, 18 & 20 May 1998, found at Internet address http://www.wto.org/wto/anniv/press.htm, retrieved May 19, 1998; Office of the United States Trade Representative, "WTO Built-In Agenda Time frames," Briefing Book to the Delegation of the United States of America to the Singapore Ministerial Conference, Dec. 9-13, 1996.

<sup>&</sup>lt;sup>15</sup> For further detail, see USITC, *The Year in Trade: OTAP 1996*, USITC publication 3024, Apr. 1997, pp. 15-27.

<sup>&</sup>lt;sup>16</sup> For further detail, see USITC, *The Year in Trade: OTAP 1996*, USITC publication 3024, Apr. 1997, pp. 20-23; *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 25.

<sup>&</sup>lt;sup>17</sup> USTR, "U.S. Ready to Lead in 'ITA II' Negotiations to Expand Sweeping Information Technology Trade Agreement," press release 98-07, Jan. 27, 1998, p. 2.

being unable to reach consensus on a package of products to negotiate.  $^{18}\,$ 

On October 23, 1998, participants resumed intensive negotiations to conclude an ITA II.<sup>19</sup> On December 11, 1998, the Committee of Participants on the Expansion of Trade in Information Technology Products (ITA Committee) met to decide on a package of additional products for tariff elimination that constitutes the ITA  $II.^{20}$ The ITA Committee considered a revised ITA II draft agreement to annex 20 products that provides for tariff elimination in four equal steps, beginning on July 1, 1999, with complete elimination of customs duties by January 1, 2002. The draft also recognizes that extended staging of reductions, if necessary in limited circumstances, would be no later than January 1, 2007.

The ITA Committee agreed at the December 1998 meeting to resume negotiations in the week of February 22, 1999.<sup>21</sup> The 44 participants involved in the ITA II negotiations by the start of 1999 included Australia, Canada, Costa Rica, Czech Republic, the individual members of the EU-15, El Salvador, Estonia, Hong Kong (China), Iceland, India, Indonesia, Israel, Japan, Korea, Liechtenstein, Macau, Malaysia, New Zealand, Norway, Panama, Philippines, Poland, Romania, Singapore, Slovak Republic, Switzerland, Chinese Taipei (Taiwan), Thailand, Turkey, and the United States. At the December 1998 meeting, 35 participants<sup>22</sup> indicated that they could accept the current ITA II draft. India and Malaysia said that they could not, the former because security-related products were on the list, the latter because the products that it had requested were not on the list and so its government could not agree without substantial changes to the product list. El Salvador and the Philippines said that they needed more time to consider. The ITA committee also agreed to continue its work program to (1) ensure that nontariff measures do not impede the free flow of information technology products, particularly in work in the area of standards; and (2) consult on divergences in classifying IT products, particularly in work underway on semiconductor manufacturing and testing equipment and on printed circuit or wiring board manufacturing equipment.

### Working Group on Investment

The mandate for the Working Group on Investment, established for 2 years following the Singapore Ministerial Conference, was renewed by the WTO General Council in December 1998 to continue its work. Since its establishment, the group has drawn up and advanced through a checklist of discussion items.<sup>23</sup> One major item has been the implications of the relationship between trade and investment for development and economic growth. A second has been a stocktaking and analysis of existing international instruments and activities regarding trade and investment. One point made by the WTO Secretariat regarding investment's impact on development and economic growth has been that studies suggest that more inward foreign direct investment (FDI) leads to higher export growth and that countries with more liberal trade regimes attract greater FDI on the average. Some members of the group believe that its future efforts should address a multilateral framework that would integrate the most common features of bilateral investment agreements to help bolster WTO rules in the area of investment. Other members believe that the group should continue to focus on the many issues raised by members.<sup>24</sup>

## Working Group on Trade and Competition Policy

The mandate for the Working Group on Trade and Competition Policy, established for 2 years following the Singapore Ministerial Conference, was renewed by the WTO General Council in December 1998 to continue its work. Like the trade and investment group, the trade and competition group has drawn up a checklist of discussion items.<sup>25</sup> Examining the

<sup>&</sup>lt;sup>18</sup> WTO, "ITA II talks suspended," PRESS/110, July 17, 1998.

<sup>&</sup>lt;sup>19</sup> WTO, "Participants agree to give final push to ITA II talks," Oct. 29, 1998, found at Internet address http://www.wto.org/wto/new/itaweb.htm, retrieved Dec. 11, 1998.

<sup>&</sup>lt;sup>20</sup> WTO, "Final ITA II package to be considered on 11 December," Nov. 27, 1998, found at Internet address http://www.wto.org/wto/new/itaprx.htm, retrieved Dec. 12, 1998.

<sup>&</sup>lt;sup>21</sup> WTO, "Participants agree to resume ITA II talks in February 1999," Dec. 14, 1998, found at Internet address http://www.wto.org/wto/new/ita2pr.htm, retrieved Dec. 14, 1998.

<sup>&</sup>lt;sup>22</sup> Australia, Canada, Costa Rica, Czech Republic, EU-15 and its members individually, Estonia, Hong Kong (China), Iceland, Israel, Japan, Korea, Liechtenstein, Norway, Poland, Romania, Singapore, Slovak Republic, Switzerland, Turkey, and the United States. Chinese Taipei and Estonia are not WTO members, but are in the process of accession.

<sup>&</sup>lt;sup>23</sup> For further detail, see USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 41-43.

<sup>&</sup>lt;sup>24</sup> WTO, "Press Pack - Progress on Singapore Initiatives," Second Ministerial Conference of the World Trade Organization, Geneva, 18 & 20 May 1998, found at

Internet address http://www.wto.org/wto/anniv/press.htm, retrieved May 19, 1998. <sup>25</sup> For further detail see USITC The Year in Trade:

<sup>&</sup>lt;sup>25</sup> For further detail, see USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 41-43.

objectives, principles, concepts, scope, and instruments of trade and competition policy, the group focused on the commonalities of economic efficiency and consumer welfare between trade and competition policy. A central function of the multilateral trade rules is to ensure equality of competitive opportunities for WTO members. However, some members consider that certain trade policy instruments such as antidumping and countervailing duty measures are inconsistent with the goals of competition policy. With respect to the relationship of trade and competition policy to development and economic growth, the group emphasized the role that competition policy plays to prevent practices that hinder efficient functioning of markets, to reinforce benefits that flow from privatization and deregulation, and to help attract foreign investment.<sup>26</sup> Taking stock of existing in- struments and activities in this area, a number of members stressed that competition policy has formed an important component of their development strategies, in particular, as a complement to trade liberalization. The group has begun to compile a list of broad specific practices-such as price fixing, establishment of international cartels, market sharing, or monopolistic action-that may reduce the benefits of international trade liberalization efforts. The identification of such practices could form the basis for further efforts designed to minimize their trade-restricting effects.

### Working Group on Transparency in Government Procurement

The Singapore Ministerial Conference called for the establishment of the Working Group on Transparency in Government Procurement. During 1998, this working group continued its work, receiving information from organizations and members regarding their national procedures and practices on government procurement.

### **1998** Ministerial Work Program

The Declaration on Global Electronic Commerce was adopted May 20, 1998, by members at the second Ministerial Conference held in Geneva, May 18 and 20, 1998.<sup>27</sup> The work program will examine all trade-related issues relating to global electronic

commerce (e-commerce), taking into account the economic, financial, and development needs of developing countries, as well as recognizing work being undertaken in other international forums. Related work on electronic commerce is being carried out, for example, by the OECD. The WTO General Council is to produce a progress report on e-commerce for the third Ministerial Conference.

## **Dispute** Settlement

In 1998, dispute-settlement cases brought under WTO rules surpassed 100 distinct matters since the beginning of the WTO integrated dispute-settlement system. During the year, several major cases completed the appeals stage, including Appellate Body reports concerning the case against the European Union (EU)<sup>28</sup> regarding hormones in meat and meat products, the EU banana import regime, and a U.S. import prohibition on shrimp and shrimp products. In addition, a growing feature of the dispute-settlement system appears to be the use of arbitrators' reports to help determine the period of time permitted for carrying out the recommendations made by panel or Appellate Body reports. By the end of 1998, arbitrators' reports were issued concerning implementation in cases involving Indonesian measures affecting the automobile industry, EU measures concerning hormones in meat and meat products. Japanese taxes on alcoholic beverages, and the EU banana import regime. The WTO web site provides a timely source for the status of pending dispute cases and case decisions.<sup>29</sup>

## **Panel Reports**

In 1998, panel reports were adopted for two cases that involved multiple complainants: one concerning the Indonesian automotive sector and its so-called national car, brought by the EU, Japan, and the United States, and another concerning India's so-called mailbox or patent notification provisions under the

<sup>&</sup>lt;sup>26</sup> WTO, "Press Pack - Progress on Singapore Initiatives," *Second Ministerial Conference of the World Trade Organization, Geneva, 18 & 20 May 1998*, found at Internet address *http://www.wto.org/wto/anniv/press.htm*, retrieved May 19, 1998.

<sup>&</sup>lt;sup>27</sup> WTO, Ministerial Conference, *Declaration on Global Electronic Commerce, Adopted on 20 May 1998*, WT/MIN(98)/DEC/2, Geneva, May 25, 1998.

<sup>&</sup>lt;sup>28</sup> The Commission of the European Communities is the official representative in trade matters for the member states of the European Union, leading at times to the interchangeable use of the abbreviation EC and EU, particularly with regard to trade or legal matters such as trade dispute settlement. Since the 1957 Treaty of Rome, the accession of new members has also given rise to the informal designation of the number of member states at a given time, such as the original EC-6 membership or, following the most recent enlargement on January 1, 1995, the EU-15. Prior to the 1995 Treaty of European Union (the "Maastricht Treaty"), country members belonged to the European Communities (EC), whereas after the Maastricht Treaty members, consider themselves part of the European Union (EU).

<sup>&</sup>lt;sup>29</sup> It may be found at Internet site *http://www.wto.org/wto/dispute/bulletin.htm*.

TRIPs Agreement, brought by the EU and the United States. Another notable panel report that was adopted involved a U.S. complaint against Japan regarding measures affecting consumer photographic film and paper.<sup>30</sup>

### Appeals

In 1998, a number of cases cleared the appeals process with the adoption of Appellate Body reports. The case brought by Canada and the United States against the EU regarding measures affecting meat and meat products containing hormones was upheld in early 1998. Several U.S. complaints against the tariff classification of certain computer equipment in the EU, Ireland, and the United Kingdom were also upheld. The United States also won an appeal against Argentina regarding footwear, but lost an appeal brought by a number of Asian members (India, Malaysia, Pakistan, and Thailand) on U.S. import prohibitions of certain shrimp and shrimp products. This case is often referred to as the "shrimp-turtle" case because of a connection between the shrimpharvesting practices used by these countries' fleets and the incidental catching of sea turtles that are on the endangered species list kept under the Convention on International Trade and Environmental Species (CITES). In addition, other appeals reports were adopted involving Canada's complaint against Australia regarding salmon imports and Mexico's complaint against Guatemala regarding an antidumping investigation about cement.

## Arbitration

Both in 1997 and in 1998, use of WTO arbitration provisions grew. Arbitration in the dispute- settlement process typically follows a panel or Appellate Body report when one or more complainants seeks a ruling on how much time a party has to implement the recommendations made in the dispute-panel report. In 1997, the complainants (Canada, the EU, and the United States) asked for an arbitration panel to rule on the permissible implementation period for a 1995 dispute-panel ruling on Japanese taxes on alcoholic beverages as administered by liquor boards. The arbitrator's report was issued in February 1997 and ruled that Japan had until February 1, 1998, to implement changes necessary to bring its taxes into conformity with GATT rules. Because Japan failed to implement the necessary changes within this time frame, discussions continue on how to implement the panel's rulings.

In 1998, the complainants (Ecuador, Guatemala, Honduras, Mexico, the United States) against the EU banana regime asked for an arbitration panel to rule on the permissible implementation period. The arbitrator's report was issued on January 7, 1998, giving the EU until January 1, 1999, to bring its regime into conformity with GATT rules.<sup>31</sup>

The complainants (Canada and the United States) against EU measures affecting meat and meat products involving hormones also asked for an arbitration panel to rule on the permissible implementation period. The arbitrator's report was issued on May 29, 1998, giving the EU until May 13, 1999, to bring its regime into conformity with GATT rules. In addition, the complainants (the EU, Japan, and the United States) against Indonesia's measures affecting the automotive sector regarding its "national" car asked for an arbitration panel to rule on the permissible implementation period, despite adoption of the panel report in July 1998 forgoing the appeals process. The arbitrator's report was issued on December 7, 1998, giving Indonesia until July 23, 1999, to bring its measures into conformity with GATT rules.

## Selected WTO Developments and Committee Activity

The World Trade Organization provides a permanent forum for member governments to address their multilateral trade relations, as well as to facilitate the implementation of the trade agreements concluded in the Uruguay Round. The highest authority in the WTO structure is the Ministerial Conference, which comprises representatives of all WTO members and is

<sup>&</sup>lt;sup>30</sup> The panel report concerning photographic film and paper was adopted April 22, 1998, with the panel reportedly rejecting some U.S. arguments on procedural grounds, finding that other measures cited by the United States were never applied or were voluntary, and ruling that still others did not adversely affect competitive conditions for foreign suppliers. In a related dispute, consultations were held in July and November 1997 regarding Japanese distribution barriers to foreign service suppliers of photographic film and other consumer products; the United States currently monitors Japan's compliance with the resolution reached during these consultations.

<sup>&</sup>lt;sup>31</sup> Following EU failure to implement the necessary changes within the allotted time frame, the parties to the dispute agreed on January 29, 1999, to submit the matter to the arbitration of the original panel. On March 2, 1999, the arbitrators issued their initial decision that requested additional information to help determine whether the revised EU banana regime was consistent with its WTO obligations or, if not, to help determine the level of suspension of concessions. WTO, "Arbitration under Article 22.6 of the DSU - Communication from the Arbitrators," *European Communities – Regime for the Importation, Sale, and Distribution of Bananas*, WT/DS27/48, Mar. 2, 1999, found at Internet address http://www.wto.org/wto/dispute/ ds27-48.htm, retrieved Mar. 16, 1999. For further details, see chapter 4.

required to meet at ministerial level at least every two years. The General Council is the highest authority when a Ministerial Conference is not in session and so directs the daily work of the WTO. The General Council also convenes as the Dispute Settlement Body (DSB), DSB Appellate Body, and the Trade Policy Review Body (TPRB) when carrying out tasks assigned to those areas. Three subsidiary councils, covering the WTO multilateral agreements, answer to the General Council: (1) the Council for Trade in Goods (CTG), (2) the Council for Trade in Services (GATS Council), and (3) the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPs Council).

## Membership

The Kyrgyz Republic was the only country to accede to the WTO in 1998 and was the first economy in transition to join the WTO from the former Soviet Union's Commonwealth of Independent States. The Working Party on the Accession of Latvia also concluded in 1998, clearing the way for Lativa's accession, which eventually took place in February 1999. There were 133 WTO members at the end of 1998 following accession by the Kyrgyz Republic, and 134 following Latvia's accession. Thirty-one additional governments have also requested WTO membership. For each, an accession working party has been established, and each has been granted interim observership in the WTO. In addition to these 31 applicants, 4 other governments have been granted observer status without obligation to WTO join-Bhutan, Cape Verde, Ethiopia, and the Holy See (Vatican). See table 2-1 for WTO membership, table 2-2 for WTO accession working parties, and table 2-3 for signatories to the WTO plurilateral trade agreements.

## Technical Assistance and Multilateral Cooperation

### Technical assistance contributions

In 1998, a number of WTO members made technical assistance contributions to help better integrate developing country members and members with transition economies into the world trading system through assistance aimed at overcoming difficulties to implementation of various provisions of the Uruguay Round Agreements. The WTO Secretariat also continued in 1998 to expand its cooperation with other international organizations to integrate more fully the multilateral rules on trade with rules in related fields.

In February 1998, Hong Kong (China) donated \$1.25 million to the WTO Trust Fund for technical assistance to less developed economies.<sup>32</sup> In May 1998, Switzerland made a grant of SF 1.5 million (roughly \$1 million) to the WTO to finance a multivear technical cooperation program for developing and transition-economy countries, to focus largely on least developed countries.<sup>33</sup> The Swiss contribution aims at helping beneficiary countries overcome difficulties in implementing Uruguay Round Agreements-in particular, the legal expertise needed for establishing national legislation in areas concerning customs evaluation, technical barriers to trade, and sanitary and phytosanitary measures. In June 1998, the Netherlands announced that it would fund a new WTO program for trainees from developing countries to learn about trade policy and development by working alongside WTO staff members. The aim of the program is to better integrate the developing countries into the world trading system by expanding the institutional capacity of these countries when trainees return home to their ministries.<sup>34</sup> Also in June, the WTO signed a sponsorship agreement with the Joint Vienna Institute in Austria to help train officials from transition economies and developing countries by furnishing WTO economists to the Institute to teach courses regarding trade and trade policy.<sup>35</sup> In December, the United Kingdom pledged a contribution of 660,000 pounds sterling (roughly \$1 million) to the WTO's 1999 Program for Technical Cooperation to be used to fund training and technical seminars to help developing countries better understand their rights and obligations within the multilateral trade system.<sup>36</sup>

<sup>&</sup>lt;sup>32</sup> WTO, "Donation by Hong Kong, China, to the WTO Trust Fund," PRESS/89, Feb. 6, 1998. In September 1995, the Government of Norway provided funds for the establishment of a WTO Trust Fund for the Least-Developed Countries for use over three years (1995-97), to which other members have made contributions since. These contributions fund specific programs for these countries and supplement the regular budget for the WTO Technical Cooperation and Training Division, which administers the Trust Fund. Also see WTO, "Technical Cooperation and Training," *Annual Report - 1996*, Geneva, 1996, pp. 154-155.

<sup>&</sup>lt;sup>33</sup> WTO, "Switzerland Increases Funding for WTO Technical Cooperation Activities," PRESS/100, May 18, 1998.

<sup>&</sup>lt;sup>34</sup> WTO, "The Netherlands Launch New 'Hands-On WTO Work' Training Programme," PRESS/102, June 19, 1998.

<sup>&</sup>lt;sup>35</sup> WTO, "WTO Signs Agreement with the Joint Vienna Institute," PRESS/103, June 23, 1998.

<sup>&</sup>lt;sup>36</sup> WTO, "Britain Pledges to Help Developing World Benefit from Globalization," PRESS/118, Dec. 17, 1998.

### Table 2-1 WTO membership in 1998 (133)

-		
Angola	Ghana	Nigeria
Antigua and Barbuda	Greece	Norway
Argentina	Grenada	Pakistan
Australia	Guatemala	Panama
Austria	Guinea	Papua New Guinea
Bahrain	Guinea-Bissau	Paraguay
Bangladesh	Guyana	Peru
Barbados	Haiti	Philippines
Belgium	Honduras	Poland
Belize	Hong Kong (China)	Portugal
Benin	Hungary	Qatar
Bolivia	Iceland	Romania
Botswana	India	Rwanda
Brazil	Indonesia	Saint Kitts and Nevis
Brunei Darussalam	Ireland	Saint Lucia
Bulgaria	Israel	Saint Vincent and the Grenadines
Burkina Faso	Italy	Senegal
Burundi	Jamaica	Sierra Leone
Cameroon	Japan	Singapore
Canada	Kenya	Slovak Republic
Central African Republic	Korea	Slovenia
Chad	Kuwait	Solomon Islands
Chile	Kyrgyz Republic	South Africa
Colombia	Lesotho	Spain
Congo	Liechtenstein	Sri Lanka
Congo-Democratic Republic	Luxembourg	Suriname
Costa Rica	Macau	Swaziland
Cote d'Ivoire	Madagascar	Sweden
Cuba	Malawi	Switzerland
Cyprus	Malaysia	Tanzania
Czech Republic	Maldives	Thailand
Denmark	Mali	Тодо
Djibouti	Malta	Trinidad and Tobago
Dominica	Mauritania	Tunisia
Dominican Republic	Mauritius	Turkey
Ecuador	Mexico	Uganda
Egypt	Mongolia	United Arab Emirates
El Salvador	Morocco	United Kingdom
European Communities	Mozambique	United States
Fiji	Myanmar/Burma	Uruguay
Finland	Namibia	Venezuela
France	Netherlands+N.Antilles	Zambia
Gabon	New Zealand	Zimbabwe
Gambia (The)	Nicaragua	
Germany	Niger	
Germany	Niger	

Source: WTO, "Members," found at Internet site http://www.wto.org/wto/about/organsn6.htm, retrieved Dec. 29, 1998.

### Table 2-2 WTO accession working parties in 1998 (31)

Albania	Georgia	Samoa
Algeria	Jordan	Saudi Arabia
Andorra	Kazakhstan	Seychelles
Armenia	Laos	Sudan
Azerbaijan	Lebanon	Tonga
Belarus	Lithuania	Ukraine
Cambodia	Macedonia	Uzbekistan
China	Moldova	Vanuatu
Chinese Taipei	Nepal	Vietnam
Croatia	Oman	
Estonia	Russian Federation	

Source: WTO, "Members," found at Internet site http://www.wto.org/wto/about/organsn6.htm, retrieved Dec. 29, 1998.

### Table 2-3 Signatories to the WTO Plurilateral Trade Agreements in 1998

#### **Agreement on Government Procurement**

Aruba	Korea	
Canada	Liechtenstein	
EC-15	Norway	
Hong Kong (China)	Singapore	
Israel	Switzerland	
Japan	United States	

Note.-Chinese Taipei (Taiwan) and Panama are in the process of acceding to the agreement.

#### Agreement on Trade in Civil Aircraft

Austria	Luxembourg	
Belgium	Macau	
Bulgaria	Netherlands	
Canada	Norway	
Denmark	Portugal	
EC	Romania	
Egypt	Spain	
France	Śweden	
Germany	Switzerland	
Ireland	United Kingdom	
Italy	United States	
Japan		

Note.-Greece is a signatory to the agreement whose ratification is pending.

Source: WTO, Committee on Government Procurement, *Report (1998) of the Committee on Government Procurement*, GPA/25, Oct. 30, 1998; WTO, *Report (1998) of the Committee on Trade in Civil Aircraft*, WT/L/291, Dec. 3, 1998.

## Cooperation with the Office International des Epizooties

In May 1998, the WTO exchanged letters of cooperation with the Office International des Epizooties (OIE), based in Paris, France. The OIE was created in 1924 to establish recommendations and guidelines for the regulation of trade in animals and their products so as to minimize diseases that affect large groups of animals. The OIE currently has 151 members. The exchange formalizes cooperation between the WTO Agreement on the Application of Phytosanitary Sanitary and Measures-which establishes rules for human, animal, and plant health measures that affect international trade-and the international standards OIE—which establishes concerning animal health and disease that is transmissible to humans.<sup>37</sup>

### **Selection of WTO Director-General**

During 1998, discussions opened regarding the successor to Renato Ruggiero, the first WTO Director-General, whose term ends in April 1999. Four candidates had emerged by the close of nominations on October 1, 1998: Hassan Abouyoub of Morocco, Roy MacLaren of Canada, Mike Moore of New Zealand, and Supachai Panitchpakdi of Thailand. WTO members have agreed to identify the new Director-General by consensus and, by the end of 1998, Mike Moore and Dr. Supachai were considered the front runners. The Rt. Hon. Mike Moore, M.P., has been prime minister of New Zealand and has served in a number of government trade and finance posts and as a member of Parliament. H.E. Dr. Supachai has held the post of deputy prime minister of Thailand, as well as serving in a range of government and finance positions.38

## Organization For Economic Cooperation and Development (OECD)

In 1998, discussions continued in the OECD on how to conclude negotiations over the Multilateral Agreement on Investment (MAI). The OECD work program also began to review individual national laws and regulations related to the 1997 OECD bribery convention and the 1997 report to ministers on regulatory reform. Regarding a recent addition to the OECD work program, discussion began regarding barriers and solutions to electronic commerce.

## Multilateral Agreement on Investment

At the OECD ministerial meeting, held in Paris on April 27 and 28, 1998, ministers received a Report by the Chairman of the Negotiating Group on the Multilateral Agreement on Investment (MAI). In May 1995, ministers had requested that the OECD undertake negotiations aimed at reaching a multilateral agreement on investment. Negotiators made rapid progress in the first two years, developing an overall framework of disciplines, but slowing since then over discussion of national reservations and other exceptions or exemptions. The initial deadline for reaching an agreement was extended from May 1997 to April 1998.<sup>39</sup>

At the April 1998 meeting, ministers issued a statement directing negotiators "to continue their work with the aim of reaching a successful and timely conclusion of the MAI and seeking broad participation in it."<sup>40</sup> Ministers have undertaken since then a period of assessment and further consultation between the negotiating parties, as well as with interested parts of their societies, with the assistance of the OECD Secretary-General. The ministers' statement indicated that they are seeking "to complete work on MAI disciplines and exceptions with a view to achieving a high standard of liberalisation and a satisfactory balance of commitments, which takes full account of economic concerns and political, social and cultural sensitivities." The ministers also recognized the need for a solution to the issue of extraterritoriality, as well as seeing an increased convergence of views to address environmental protection and labor issues in the MAI so that governments will not lower standards in these areas to attract or retain investment.

The chairman's report said that a high level meeting was held February 16-17, 1998, where parties confirmed the fundamental importance of an effective dispute-settlement mechanism in the MAI. The parties confirmed strong support for both the state-to-state and investor-to-state modes of dispute settlement in the agreement, although some issues are still outstanding. Some delegations have concerns about investor-to-state dispute settlement during the preestablishment phase of

<sup>&</sup>lt;sup>37</sup> WTO, "WTO and the Office International des Epizooties sign cooperation agreement," PRESS/99, May 4, 1998.

<sup>1998.</sup> <sup>38</sup> WTO, "Candidates for WTO Post," *Focus*, No. 33, Aug.-Sept. 1998, p. 3.

<sup>&</sup>lt;sup>39</sup> For further detail, see USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 48-51.

<sup>&</sup>lt;sup>40</sup> OECD, "Ministerial Statement on the Multilateral Agreement on Investment (MAI)," Paris, Apr. 28, 1998.

investment. A solution to other issues discussed at the February meeting also seems necessary before MAI negotiations can be concluded successfully. These issues include conflicting requirements under the MAI, secondary investment boycotts, and illegal expropriations.<sup>41</sup>

On October 20 and 22, 1998, senior officials constituting the OECD Executive Committee in Special Session (ECSS) met for informal consultations regarding investment matters.<sup>42</sup> They confirmed that MAI negotiations are no longer taking place, although all agreed on the importance of the multidisciplinary work on investment taking place at the OECD. The officials recognized that there are important issues that require further analytical work, as well as intergovernmental cooperation. In December 1998, the officials held an informal seminar at the OECD in Paris with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC), as well as other nongovernmental organizations. In addition to OECD member countries, five nonmembers have participated as observers in the Negotiating Group: Argentina, Brazil, Chile, Hong Kong, and the Slovak Republic. The Baltic countries have been working closely with the Negotiating Group, and a number of other countries have also expressed interest in participation in the MAI.<sup>43</sup>

## **Bribery** Convention

In November 1997, OECD member states adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, well as endorsing the 1997 Revised as Recommendation on Combating Bribery in International Business Transactions. The convention is the most recent in a series of measures pursued by the United States and its major trading partners to address the problem of bribery and corruption and its effects on the world economy and commerce.<sup>44</sup> Negotiators originally set a deadline for ratification of the convention by the end of 1998. Although most governments completed their internal procedures needed to draft such legislation during 1998, only Bulgaria, Hungary, Japan, Iceland, and the United States had deposited their notification of ratification or ratified the convention pending implementing legislation by year-end.

The OECD Working Group on Bribery agreed in 1998 to monitor implementation of the convention and the 1997 revised recommendation in two phases. In phase one, the group will evaluate whether the national legal texts implementing the convention meet the standard set by the convention. In phase two, the group will assess each country's ability to enforce, and its practical application of the laws put in place to implement the convention, as well as monitoring implementation of the noncriminal aspects of the 1997 revised recommendation. The group is expected to begin its consultations with each country regarding phase one starting in 1999. Regarding phase two, the group will start in the latter half of 2000, aiming to finish a full cycle of examinations for all participants before 2005.

In 1998, the group also agreed to examine a number of further issues concerning bribery acts in relation to foreign political parties and candidates for public office, bribery of foreign public officials as a predicate offense when touching on money-laundering legislation, and the role of foreign subsidiaries and offshore centers in bribery transactions.45

## **Regulatory Reform**

In 1997, the OECD presented to members a report on regulatory reform.<sup>46</sup> Based on the report, OECD member countries agreed in March 1998 on a framework for country reviews to assess progress made on regulatory reform in sectors such as electricity and telecommunications, as well as in cross-sectoral areas such as the quality of public-sector decisions, competition policy and enforcement, and the integration of market openness principles into the process of regulation development. The first set of reviews were launched in 1998, assessing Japan, Mexico, the Netherlands, and the United States. The second set-examining Denmark, Korea, Spain, and another country to be identified-is expected to be launched in early 1999 and scheduled for completion in early 2000. The emphasis of the regulatory reform

Secretary-General), ECSS(98)5, Oct. 16, 1998.

<sup>&</sup>lt;sup>41</sup> OECD, "Multilateral Agreement on Investment -Report by the Chairman of the Negotiating Group," Apr. 28, 1998, found at Internet site

http://www.oecd.org/daf/cmis/mai/repor98.htm, retrieved

Jan. 7, 1999. <sup>42</sup> OECD, "Informal Consultation on International Investment - Press release 3 December 1998," Dec. 3, 1998, found at Internet site

http://www.oecd.org/daf/cmis/ii/index.htm, retrieved Jan. 7, 1999.

<sup>&</sup>lt;sup>43</sup> OECD, Main Features of the Multilateral Agreement on Investment (Note by the Chairman), DAFFE/MAI(98)4, Feb. 5, 1998, p. 3.

<sup>&</sup>lt;sup>44</sup> For further detail, see USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 51-53.

<sup>&</sup>lt;sup>45</sup> OECD, Executive Committee in Special Session, Progress on OECD Initiatives (Note by the

<sup>&</sup>lt;sup>46</sup> For further detail, see USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 51-53.

program is on regulatory quality enhancing the functioning of markets, with deregulation where appropriate, and efficient regulation where needed to protect major social aims such as health, safety, and the environment. The 1997 report showed that regulatory reform that enhances an economy's capacity to adapt, innovate, and otherwise respond to consumer needs can stimulate economic growth and help economies maximize the opportunities presented by globalization and technological change. At the same time, well-designed regulation helps governments better achieve policy goals in areas such as safety, health, and environment protection. A report on the results of the first set of reviews and possible lessons is to be presented at the ministerial meeting in 1999.<sup>47</sup>

## **Electronic Commerce**

In October 1998, the OECD held a ministerial conference in Ottawa, Canada, to open discussion on problems and possible solutions to barriers set out at an initial meeting on electronic commerce (e-commerce) held in November 1997. General principles were proposed at the 1997 meeting, and member states felt that these principles should govern whatever solutions were developed to the obstacles confronting e-commerce. Officials at the 1997 meeting also discussed various approaches to problems and identified organizations that may be able to help develop and implement various solutions.

At the 1998 Ottawa conference, participants began examination of possible solutions to these barriers. The conference involved 1,000 participants, including 30 ministers and high-level officials from all OECD member countries, as well as 12 nonmember countries; 12 international organizations; and representatives from business, trade unions, consumer groups, and other nongovernmental organizations (NGOs).

Three action plans to improve transparency of work in this area were tabled—one involving an OECD action plan regarding e-commerce, a second involving a report on international and regional bodies' activities and initiatives on e-commerce, and a third action plan regarding e-commerce prepared by business with recommendations for government.

In addition, three ministerial declarations were adopted at the conference:

• The Declaration on Protection of Privacy on Global Networks

- The Declaration on Consumer Protection in the Context of Electronic Commerce
- The Declaration on Authentication for Electronic Commerce

The first reaffirms the importance of protecting privacy regardless of the medium, the second highlights the need to ensure that consumers involved e-commerce have transparent and effective in protection for electronic transactions, and the third states ministers' determination not to discriminate against different approaches that countries might take toward authenticating e-commerce transactions. Ministers also received a report on conditions for a taxation framework regarding e-commerce and agreed to move forward with work set out in this report. The report concluded that existing taxation principles can be applied to e-commerce but that new forms of taxation that could discriminate against e-commerce should not be adopted.

The work plan on e-commerce set out at the conference includes:

- Development in 1999 of Guidelines for Consumer Protection concerning e-commerce;
- Work on the practical implementation of the 1980 OECD Privacy Guidelines regarding global networks;
- Analysis of programs used to authenticate and certify e-commerce transactions;
- Beginning work on defining and measuring e-commerce;
- Extension of analysis on the economic and social impacts of e-commerce, as well as various Government applications, such as in education;
- Continued work on the policy implications of changing information and communication networks, including technological convergence, enhancing access to electronic infrastructure, and requirements for open markets; and
- Setting up specific technical advisory groups to address taxation issues, including treatment of royalties and of establishment and consumption taxes, as well as using e-commerce technologies to reduce the burden of tax payment.<sup>48</sup>

<sup>&</sup>lt;sup>47</sup> OECD, Executive Committee in Special Session, *Progress on OECD Initiatives (Note by the Secretary-General)*, ECSS(98)5, Oct. 16, 1998.

<sup>&</sup>lt;sup>48</sup> OECD, Executive Committee in Special Session, *Progress on OECD Initiatives (Note by the Secretary-General)*, ECSS(98)5, Oct. 16, 1998.

## CHAPTER 3 Regional Trade Activities

Regional trade initiatives were an important component of U.S. trade policy during 1998. The United States participated in activities related to the North American Free-Trade Agreement (NAFTA), in the Asia-Pacific Economic Cooperation (APEC) forum, and in ongoing discussions to initiate the Free Trade Area of the Americas (FTAA).

## The North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement (NAFTA), implemented on January 1, 1994, was the first reciprocal free trade pact signed between industrialized and developing nations and remains the most comprehensive and largest regional free trade agreement in the world.<sup>1</sup> The agreement extends to Mexico the commitments made by Canada and the United States in the preexisting (1989) Canada-U.S. Free Trade Agreement (CFTA), such as the dispute settlement procedures and the elimination of tariff and most nontariff barriers.<sup>2</sup> The NAFTA also expands the CFTA in the three important areas of intellectual property rights, rules against distortions in investment, and transportation services.<sup>3</sup> The NAFTA also includes supplemental cooperation agreements to enhance and encourage protection of the environment and to improve and enforce labor standards in the region.

Following is an overview of U.S. trade with NAFTA partners and a review of major developments under NAFTA in 1998, including the meeting of the NAFTA Free Trade Commission in April; efforts to

resolve implementation issues such as market access, intellectual property rights, and labor standards; and formal dispute settlement activities over the past year under NAFTA's Chapters 11, 19, and 20.

# U.S. Trade with NAFTA Partners

The CFTA, which provided for the phased elimination of all tariffs on originating goods traded between the United States and Canada, was fully implemented on January 1, 1998, so that most Canadian goods enter free of duty into the United States. The NAFTA initially eliminated tariffs on more than one-half of U.S. imports from Mexico and more than one-third of U.S. exports to Mexico. With the use of accelerated tariff elimination provided for in the NAFTA<sup>4</sup> and the completion of two rounds to date, more than 85 percent of U.S. goods were exported to Mexico free of duty in 1998, with remaining tariffs between 5 and 20 percent ad valorem. The average Mexican tariff on U.S. products has fallen from 10.0 percent ad valorem in 1994 to 1.68 percent in 1998, while the average U.S. tariff on qualifying Mexican products has fallen from 4.0 percent to 0.46 percent.<sup>5</sup> By the year 2004, all tariffs on trade among NAFTA partners, worth over \$500 billion in 1999, will be eliminated.

In its first five years, the NAFTA contributed to a 72 percent growth in two-way merchandise trade between the United States and Mexico and a 34 percent increase in two-way trade between Canada and the United States. In September 1998, Mexico surpassed Japan as the second largest single U.S. trading partner, after Canada.<sup>6</sup> U.S. exports to Mexico increased by 10 percent from 1997 to 1998, reaching \$75.4 billion (table 3-1). U.S. imports from Mexico grew by 9

<sup>&</sup>lt;sup>1</sup> Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA: An Assessment*, Institute for International Economics, Washington, DC, Oct. 1993, p. 1.

<sup>&</sup>lt;sup>2</sup> The NAFTA provides for the elimination of tariff and most nontariff barriers over a 10-year period, with a 15-year period applied to some agricultural products.

<sup>&</sup>lt;sup>3</sup> Although transportation services were included in the original NAFTA agreement, disputes related to trucking services have impeded successful implementation of this part of the agreement. See the section on Market Access below for further details.

<sup>&</sup>lt;sup>4</sup> Article 302 of the NAFTA provides that the parties may consider and agree to accelerate the elimination of customs duties on goods of a party; for details, see 62 F.R. 25989 (May 12, 1997).

<sup>&</sup>lt;sup>5</sup> USTR, "The President's 1998 Annual Report on the Trade Agreements Program," Mar. 1999, p. 159.

	(Billion dollars)						
Year	NAFTA partner	Exports	Imports	Trade balance	Two-way trade		
1996	Canada	119.1	156.3	-37.2	275.4		
	Mexico	54.7	74.2	-19.5	128.9		
	Canada and Mexico	173.8	230.5	-56.7	404.3		
1997	Canada	134.8	167.9	-33.1	302.7		
	Mexico	68.4	85.0	-16.6	153.4		
	Canada and Mexico	203.2	252.9	-49.7	456.1		
1998	Canada	137.8	174.7	-36.9	312.5		
	Mexico	75.4	93.0	-17.6	168.4		
	Canada and Mexico	213.1	267.7	-54.6	480.8		

Table 3-1 U.S. Trade with NAFTA partners, 1996-98

Note.—Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

percent, to \$93.0 billion. U.S. exports to Canada expanded by 2.2 percent to \$137.8 billion, and imports from Canada increased by 4 percent to \$174.7 billion. The U.S. trade deficit with its NAFTA partners expanded in 1998 to \$54.6 billion, amounting to a 10 percent increase from \$49.7 billion in 1997. The U.S. bilateral trade deficits with Mexico and Canada increased by 6 percent (from \$16.6 billion to \$17.6 billion) and 11 percent (from \$33.1 billion to \$36.9 billion), respectively.

## Meeting of the NAFTA Free Trade Commission

The NAFTA is overseen by the Free Trade Commission, which comprises the trade ministers of each member country<sup>7</sup> and meets on an annual basis to discuss past successes and future goals. Mandates are carried out by various committees and working groups made up of relevant government officials from the three countries. The Free Trade Commission held its fifth meeting in Paris, France, on April 29, 1998, and issued a Joint Statement<sup>8</sup> which:

• Reaffirmed a strong commitment to the NAFTA and promotion of trade, investment, economic growth, and, most important, jobs in the three countries;

- Stressed the significant increase in trade and investment that has occurred since the NAFTA's implementation;
- Reaffirmed a commitment to further promote public understanding of the benefits of the Agreement, continuing dialogue with the private sector on an ongoing basis, and noting the value of continuing cooperation with the respective labor and environment ministries;
- Announced accelerated tariff elimination for hundreds of tariff lines in concessions approximating \$1 billion in trade of goods between the United States, Canada, and Mexico,<sup>9</sup> thereby further opening opportunities to the private sector and encouraging future industry initiatives in this area;
- Acknowledged the progress achieved across the NAFTA work program, comprising the activities of more than twenty committees and working groups and a wide range of additional subsidiary bodies;
- Acknowledged the central role of the WTO as the cornerstone of the global, rules-based trading system and noted the importance of the WTO Ministerial Conference in May 1998 in building international understanding and support for further multilateral liberalization;

<sup>&</sup>lt;sup>7</sup> U.S. Trade Representative Charlene Barshefsky represents the United States, Commerce Secretary Herminio Blanco represents Mexico, and Minister Sergio Marchi represents Canada.

<sup>&</sup>lt;sup>8</sup> USTR, "Fifth Meeting of the NAFTA Commission Joint Statement, Paris, France, Apr., 29, 1998," press release.

<sup>&</sup>lt;sup>9</sup> USTR, "NAFTA Countries Eliminate Tariffs on Nearly \$1 Billion in Trade," press release 98-71, Aug. 3, 1998. Tariffs were eliminated on items such as certain chemical products, towels, hats, certain steel wire, and certain toys. A comprehensive list of items is published in 63 F.R. 32036 (June 11, 1998).

- Welcomed the continuing process of trade liberalization in the hemisphere and, in particular, the successful launch of negotiations for the Free Trade Area of the Americas (FTAA) earlier in April 1998 in Santiago; and
- Agreed that Canada would host the next ministerial-level NAFTA Commission meeting on the occasion of the fifth anniversary of the NAFTA in early 1999.

In addition to tariff elimination among the NAFTA countries, Mexico, Canada, and the United States focused on other efforts to increase trade with non-NAFTA members. For example, all three countries are members of the WTO and the Asia Pacific Economic Cooperation (APEC) forum, and they all participate in the Free Trade Area of the Americas (FTAA) initiative.<sup>10</sup> Mexico has free trade agreements with Costa Rica, Colombia, Venezuela, Bolivia, and Nicaragua.<sup>11</sup> Mexico also began negotiations with Israel and continued to work with the EU and Chile to expand its free trade initiatives.<sup>12</sup> As part of an agreement signed in 1998 between Mexico and China, reportedly to address "underinvoicing and antidumping duty evasion," Mexico lifted antidumping duties that were originally imposed in 199413 on 624 products from China.

Canada developed several initiatives to improve trade and investment with non-NAFTA members in 1998. Free trade agreements with both Israel and Chile were established in 1997. The first meeting of the Commission of the Canada-Chile Free Trade Agreement met on January 21, 1998, in Santiago.<sup>14</sup> Canada also signed bilateral trade and economic agreements with several European countries last year, including Iceland, Norway, Switzerland, and Liechtenstein,<sup>15</sup> in efforts to work toward a free trade agreement with the European Free Trade Area (EFTA) countries. The first round of negotiations was held in Ottawa, Canada, on October 14-15, 1998.16 New agreements were also pursued to enhance Canada's ties with the Americas. An agreement on trade and investment cooperation was signed on June 16, 1998, the Southern Cone Common Market with (MERCOSUR) to enhance trade relations with Argentina, Brazil, Paraguay, and Uruguay, the four charter-member countries.<sup>17</sup> Also, while attending the FTAA trade ministers' meeting in San José. Costa Rica, on March 18, 1998, Canada signed both a foreign investment promotion and protection agreement with Costa Rica and a Memorandum of Understanding (MOU) on trade and investment with the Central American Common Market (CACM).<sup>18</sup>

## NAFTA Implementation Issues

The NAFTA partners addressed several issues regarding the implementation of NAFTA commitments in the areas of market access, intellectual property rights, and labor rights in 1998. Following are brief highlights of developments concerning those issues over the past year.

## **Market Access**

Market access encompasses several different initiatives with a common goal of improving or facilitating the entrance of goods or services into the NAFTA marketplace. Important market access topics for 1998 included amendments to Mexico's maquiladora regulations, issues concerning the transportation and financial services industries, and standards and conformity assessment issues.

<sup>&</sup>lt;sup>10</sup> Developments within the FTAA and APEC are described in the following regional activity sections.

<sup>&</sup>lt;sup>11</sup> The three free trade agreements with Costa Rica, the Group of Three (G3-Colombia, Mexico, and Venezuela), and Bolivia were all implemented in 1995. The agreement with Nicaragua was implemented on July 1, 1998.

<sup>&</sup>lt;sup>12</sup> Chile and Mexico originally signed a trade pact in 1991, which was expanded in 1998 to include not only goods but also intellectual property rights, technical barriers to trade, and sanitary and phytosanitary measures. "Mexico, Chile Wrap Up Trade Pact Without AD, Government Procurement," *Americas Trade*, Vol. 5, No. 6, Mar. 19, 1998, p. 1, 13-14.

<sup>&</sup>lt;sup>13</sup> Mexico maintains antidumping duties on another 1,360 products from China. "Mexico Eliminates Import Tariffs on 624 Products from China," *Americas Trade*, Vol. 5, No. 24, Nov. 26, 1998, p. 5.

<sup>&</sup>lt;sup>14</sup> The Canada-Chile Free Trade Agreement was implemented on July 5, 1997, and successfully completed the second round of tariff cuts on Jan. 1, 1998. Department of Foreign Affairs and International Trade, Canada, "First Meeting of the Canada-Chile Free Trade Agreement Commission: Joint Statement of the Ministers," press release No. 98/7, Jan. 21, 1998.

<sup>&</sup>lt;sup>15</sup> The agreement was signed by Switzerland on Liechtenstein's behalf. The two countries have a customs union and common agricultural policy. "Canada, EFTA Free Trade Negotiations Postponed to September," *Americas Trade*, Vol. 5, No. 13, June 25, 1998, p. 19.

<sup>&</sup>lt;sup>16</sup> Department of Foreign Affairs and International Trade, Canada, "Free Trade Negotiations with EFTA Countries to Open Transatlantic Trade Bridge," press release No. 241, Oct. 9, 1998.

<sup>&</sup>lt;sup>17</sup> "Canada, EFTA Free Trade Negotiations Postponed to September," *Americas Trade*, Vol. 5, No. 13, June 25, 1998, p. 19.

<sup>&</sup>lt;sup>18</sup> Department of Foreign Affairs and International Trade, Canada, "Canada Signs Agreements with Costa Rica and Central American Common Market in San José," press release No. 59, Mar. 18, 1998.

# Amendments to Mexico's maquiladora regulations

The NAFTA has had a major impact on recent developments in the maquiladora industry and has blurred the formerly clear distinction between plants established to penetrate the Mexican market and export-oriented assembly plants along the border.<sup>19</sup> Under the NAFTA, registered maquiladoras are permitted to sell an increasing share of their production (75 percent in 1998 and up to 100 percent in 2001) into the Mexican domestic market. However, Mexican import duties must be paid on that portion of non-Mexican industrial inputs used to make goods for consumption in Mexico. This NAFTA provision has encouraged investments from companies seeking to supply both the United States and Mexico from a single manufacturing location. As a result, the fastest growing portion of the maquiladora industry comprises companies that are establishing plants closer to the more heavily populated interior of Mexico where worker turnover is lower, the educational level of the average worker is higher, and there are more potential customers.

A provision of NAFTA that encourages maquiladoras to use components of North American origin will take effect January 1, 2001. As of that date, Mexico will be required to collect import duties on non-NAFTA-originating components or inputs that are brought into these plants for further use from non-NAFTA sources. Companies that continue to rely on parts made in Asia or Europe will be at a cost disadvantage relative to those firms that source their inputs from the NAFTA region.<sup>20</sup> Until January 1, 2001, however, maquiladoras will continue to receive duty-free treatment for materials and components that are imported into a product for export, regardless of the country of origin of the inputs.<sup>21</sup>

To comply with the NAFTA provision eliminating duty-free treatment for materials and components imported into Mexico, in late November 1998, the Government of Mexico amended the Maquiladora Decree (which regulates the assembly industry in Mexico), announcing that effective January 1, 2001, companies exporting to the United States or Canada will be required to pay within 60 days the lower of either the Mexican tariff on a particular imported input or the tariff imposed on the input by the NAFTA nation into which the final good is being exported.<sup>22</sup> At the same time, however, a special class of imports was created to reduce the penalty for maquiladoras continuing to use non-North American inputs after January 1, 2001. The amended Maquiladora Decree accomplished this by creating the "Sectoral Promotion Program" (SPP), which will reduce normal duties on certain inputs for the electric and electronic industries, which are key maquiladora sectors. The SPP will provide either duty-free or significantly reduced (i.e., zero to 5 percent, instead of 10-20 percent) duty treatment on the finished goods, depending on whether a competing input is produced in Mexico. The Maquiladora Decree lists more than 3,000 articles eligible for reduced rates of duty. To qualify, companies will have to enroll in the new program by November 1, 2000. The SPP will largely favor Asian firms that until recently have been importing the bulk of their electrical/electronic components from the Far East and gradually augmenting their sourcing for these products from North American vendors.

The amended Maquiladora Decree also placed a limit on the access that foreign assembly plants can have to the Mexican market. Contrary to the understanding under the NAFTA, whereby plants would be allowed to sell all of their production into the Mexican market effective January 1, 2001, the amended decree would require companies registered as maquiladora operations<sup>23</sup> to export a minimum of 30 percent of their total production out of Mexico each year to remain in the program and thus remain eligible for certain exemptions from value-added taxes.<sup>24</sup>

### Transportation services

The NAFTA was to provide Mexican truckers full access<sup>25</sup> to U.S. border states (California, Arizona,

<sup>&</sup>lt;sup>19</sup> For additional information, see U.S. International Trade Commission, *Production Sharing: Use of U.S. Components and Materials in Foreign Assembly Operations*, 1994-1997, USITC Publication 3146, Dec. 1998, Chapter 2.

<sup>&</sup>lt;sup>20</sup> See NAFTA, art. 401, Annex 401. The rules of origin provisions are designed to ensure that only goods actually produced within the region, with a substantial regional materials and/or fabrication content, receive the benefits of preferential tariff treatment with North America. See also Donald Harrison and Kenneth G. Weigel, *Customs Provisions and Rules of Origin Under the NAFTA*, 27 International Law, at 647, 650 (1993) (explaining duty drawback and deferral provisions in NAFTA).

<sup>&</sup>lt;sup>21</sup> David Eaton, "Transformation of the Mexican Maquiladora Industry: The Driving Force Behind the Creation of a NAFTA Regional Economy," National Law Center for Inter-American Free Trade, 1997, p. 12.

<sup>&</sup>lt;sup>22</sup> Ibid.

<sup>&</sup>lt;sup>23</sup> The Maquiladora Program is nondiscriminatory. The Government of Mexico treats all maquiladoras alike, irrespective of origin of investing country.

<sup>&</sup>lt;sup>24</sup> U.S. Department of State telegram, "Mexico Revising Maquiladora Regulations," message reference No. 11177, prepared by U.S. Embassy, Mexico City, Nov. 19, 1998.

<sup>&</sup>lt;sup>25</sup> Mexican trucks already have access to a 20-mile zone along the U.S. border under a pre-NAFTA bilateral arrangement.

New Mexico, and Texas) starting in December 1995, and to the entire United States by 2000. However, in December 1995. the U.S. Department of Transportation suspended the processing of applications by Mexican trucking firms to serve these border states until safety concerns were resolved. The United States also decided to delay implementation of NAFTA commitments on bus transportation, which called for lifting of restrictions on regular-route, cross-border scheduled bus service on January 1, 1997. In January 1996, Mexico sought formal consultations for the trucking dispute under the NAFTA Chapter 20 dispute-settlement procedures, insisting that the United States process the more than 100 requests by Mexican carriers for U.S. operating authority.<sup>26</sup> Technical discussions among safety officials continued without reaching a satisfactory solution. In July 1998, Mexico requested a meeting of the Free Trade Commission to begin the second phase of the dispute-settlement mechanism for trucking services and also requested consultations with the United States to begin the dispute-settlement mechanism for cross-border bus services.27

The United States maintains that opening U.S. border states to Mexican trucking<sup>28</sup> is contingent upon mutually acceptable truck safety inspections and enforcement and cites similar grounds for limiting cross-border bus services. The lack of comparability between Mexican inspection procedures and U.S. standards and the impracticality of U.S. border officials inspecting all Mexican drivers, trucks, or buses for violations have been cited as reasons for continuing to delay full implementation of the NAFTA transportation provisions.<sup>29</sup> The United States and Canada have developed uniform inspection and safety standards for both trucks and drivers. However, Mexico does not have a truck inspection program. A recent audit by the U.S. Department of Transportation (DOT) Office of the Inspector General found that too few U.S. inspections of Mexican trucks were being conducted at border crossings relative to the volume of traffic and,

of those inspections that did occur, a high percentage of Mexican trucks failed.<sup>30</sup> The fact that trucks that are not targeted for inspection are allowed to cross the border may be an indication that a number of trucks entering the United States may now fail to comply with U.S. safety standards. Of those Mexican trucks inspected, about 44 percent were removed from service because of serious safety violations, in contrast with a 25 percent out-of-service rate for U.S. trucks and a 17 percent out-of-service rate for Canadian trucks.<sup>31</sup>

Lack of progress in this matter has also been a concern of the American Trucking Association (ATA). The ATA maintains that failure to open U.S. borders has prevented access to the Mexican market for the U.S. trucking industry, including the operation of larger U.S. trucks in Mexico, investment by U.S. companies in Mexican trucking firms, and the finalization by the Government of Mexico of small-parcel delivery regulations for U.S. carriers into Mexico.<sup>32</sup> In December 1998, the ATA marked the third anniversary of the suspension of the trucking provision by calling for the complete opening of U.S. border states to Mexican trucks<sup>33</sup> and by noting that the delay has resulted in inefficiency due to congestion and delays at ports of entry along the U.S.-Mexican border.

Efforts to resolve the trucking dispute progressed during 1998, particularly in light of the approaching year 2000 deadline for full access. The three NAFTA parties have been working to implement the cross-border provisions. The Land Transportation Standards Subcommittee (LTSS), created by the NAFTA to address the development of more compatible standards, held its annual meeting in June 1998. Although the NAFTA calls for the LTSS to complete its work on reciprocal safety regimes by 2000, the subcommittee noted that work in some areas

<sup>&</sup>lt;sup>26</sup> David Barnes, "No Border Opening Date: U.S. cites safety concerns, Mexico points to discrimination, cabotage and 53-foot trailers," *Journal of Commerce*, Dec. 15, 1997.

<sup>&</sup>lt;sup>27</sup> Mexican Ministry of Commerce and Industrial Development, press release: "Mexico Pursues the NAFTA Dispute Settlement Mechanism Regarding the Opening of Cross-Border Transportation Services," Embassy of Mexico, Washington, DC, July 24, 1998.

<sup>&</sup>lt;sup>28</sup> Ibid.

<sup>&</sup>lt;sup>29</sup> Jack Burke, "Border beefs: As NAFTA trucking talks continue, little apparent progress, same promises for crossborder trucking," *Journal of Commerce*, Mar. 16, 1998. See also David Barnes, "No Border Opening Date: U.S. cites safety concerns, Mexico points to discrimination, cabotage and 53-foot trailers," *Journal of Commerce*, Dec. 15, 1997.

<sup>&</sup>lt;sup>30</sup> Transport Topics: "Audit: Poor Truck Inspections at Border," American Trucking Association (ATA), Jan. 4, 1999, found at

http://www.ttnews.com/members/topNews/0000606.html, retrieved Jan. 12, 1999.

<sup>&</sup>lt;sup>31</sup> Department of Transportation, Office of the Inspector General, Audit: Motor Carrier Safety Program for Commercial Trucks at U.S. Borders, found at http://www.dot.gov/oig/whatnew.html, retrieved Jan. 19, 1999.

<sup>&</sup>lt;sup>32</sup> Kevin G. Hall, "Mexico Tired of Waiting for Border to Open to Truck Traffic," *Journal of Commerce*, Dec. 18, 1997.

<sup>&</sup>lt;sup>33</sup> David Barnes, Transport Topics: "NAFTA Anniversary Sparks Appeal," American Trucking Association, Dec. 28, 1998, found at http://www.ttnews.com/members/printEdition/0000567.html, retrieved Jan. 4, 1999.

may extend beyond the specified time frame.<sup>34</sup> Work is advancing on issues such as the exchange of motor carrier safety data, inspection standards training, emissions, vehicle weights and dimensions, hazardous materials transport regulation and an emergency response guide, and tank truck inspections. The Transportation Consultative Group under the LTSS, which comprises five separate working groups that meet periodically, addresses follow-on standards issues in detail. In addition, a new agreement on drug and alcohol testing of drivers has removed a significant safety concern. In June 1998, the United States and Mexico signed a memorandum of understanding on drug and alcohol testing of commercial drivers, in order to ensure that Mexico's testing program meets U.S. standards.<sup>35</sup>

### Financial services

In December 1997, Canada scheduled two trade-liberalizing commitments under the WTO Financial Services Agreement, both effective June 30, 1999. The effect of these commitments could be to increase competition for all North American banks operating in Canada. First, foreign banks will be allowed to branch directly into the country. Direct branching will allow U.S. and other foreign bank branches to draw directly on the capital of their home institutions and to avoid the expensive process of setting up a subsidiary bank in Canada.<sup>36</sup> This change should terminate the branching restriction that was left in place under the NAFTA,<sup>37</sup> thereby improving the competitive position of U.S. banks within Canada. However, it will also open up the Canadian banking market to greater competition from banks based outside the NAFTA countries. Second, Canada has committed to eliminating the requirement for foreign bank subsidiaries to gain ministerial approval in order to open more than one branch in the country.<sup>38</sup>

<sup>37</sup> Banks are currently allowed to set up only subsidiary banks, as opposed to bank branches. Subsidiary banks are required to maintain separate capital, whereas branches are able to draw on the capital of the parent bank. This puts subsidiary banks at a competitive disadvantage.

<sup>38</sup> World Trade Organization, "General Agreement on Trade in Services, Canada: Schedule of Specific Commitments," suppl. 4, Feb. 26, 1998, p. 11. Previously, U.S. and Mexican banks alone had been accorded this right under the NAFTA.

In September 1998, an influential, governmentappointed task force released a report supporting the new rules on foreign bank branching, but as of January 1999, implementing legislation had yet to be introduced into Parliament. The legislation is expected prior to June 30, 1999,<sup>39</sup> however, in line with Canada's WTO commitment. There is no information as yet about the tax rates or the types of requirements that might be imposed on foreign bank branches.

The North American financial services market is becoming more integrated in other ways as well. For example, Canadian banks are expanding their Internet banking services to customers in the United States,<sup>40</sup> and U.S. securities and mutual fund firms are expanding their presence in Canada.<sup>41</sup> Large Canadian banks are expected to look to the United States for merger opportunities, in light of the Canadian Government's refusal to approve two large merger deals between Canadian banks in late 1998.<sup>42</sup> Mexico has moved to open its financial services market, passing a new law in December 1998 that allows foreign institutions to acquire majority stakes in the country's three largest banks for the first time.<sup>43</sup>

### Standards and conformity assessment

Standards and conformity assessment are covered in both Chapter 7 and Chapter 9 of the NAFTA.<sup>44</sup> Standards-related issues, such as Mexico's

<sup>42</sup> "Discouraged at Home, Canada's Big Banks May Be Shopping in U.S. Again," *American Banker*, Jan. 4, 1999, found at Internet address http://www.americanbanker.com, retrieved Jan. 4, 1999.

<sup>43</sup> "A New Law Has U.S. Banks Looking to Mexico," *American Banker*, Dec. 16, 1998, found at Internet address http://www.americanbanker.com, retrieved Dec. 31, 1998.

<sup>44</sup> Chapter 9 is entitled Standards-Related Measures and covers all standards-related issues except those explicitly specified in Chapter 7, Section B, on Sanitary and Phytosanitary Measures, relating to food safety. As stated in the scope and coverage of Chapter 9 in NAFTA Article 901.1, "This Chapter applies to standards-related measures of a Party, other than those covered by Section B of Chapter Seven (Sanitary and Phytosanitary Measures), that may, directly or indirectly, affect trade in goods or services between the Parties, and to measures of the Parties relating to such measures."

<sup>&</sup>lt;sup>34</sup> NAFTA Land Transportation Subcommittee, "Joint Statement of Accomplishments, Montreal, June 8-12, 1998," found at http://ostpxweb.dot.gov.aviation/X20/NAFTA.htm, retrieved Dec. 12, 1998.

<sup>&</sup>lt;sup>35</sup> U.S. Department of Transportation, press release: "U.S., Mexico Sign Memorandum of Understanding on Drug and Alcohol Testing of Commercial Drivers," Washington, DC, June 10, 1998.

<sup>&</sup>lt;sup>36</sup> Representative of the American Bankers Association, telephone interview by USITC staff, Jan. 20, 1999.

<sup>&</sup>lt;sup>39</sup> U.S. Department of State telegram, "Finance Minister Nixes Bank Mergers; Foreign Bank Branching Still on the Agenda," message reference No. 004474, prepared by U.S. Embassy, Ottawa, Dec. 15, 1998.

<sup>&</sup>lt;sup>40</sup> See "On-Line Banking: Canadian Banks Map U.S. Invasion Using the Internet, Not Branches," *American Banker*, Mar. 19, 1998, found at Internet address http://www.americanbanker.com, retrieved Dec. 31, 1998.

<sup>&</sup>lt;sup>41</sup> See, e.g., "U.S. Financial Firms Zero In on Canada Market," *American Banker*, Jan. 29, 1998, found at Internet address http://www.americanbanker.com, retrieved Dec. 31, 1998.

certification procedures, Mexico's NAFTA obligation pursuant to Article 908.2 to recognize U.S. and Canadian conformity assessment bodies, and food safety standards, continued to affect U.S. firms' access to the Mexican market in 1998. The NAFTA Committees on Standards-Related Measures and Sanitary and Phytosanitary Measures worked to resolve these issues.<sup>45</sup>

Mexican certification procedures and laboratory testing of products were initially changed in 1994.<sup>46</sup> This law required that each importer (rather than each producer) obtain its own certification to Mexican mandatory standards for the same product. The certification procedures were again modified and issued as regulations in October 1997.<sup>47</sup> While the new procedures offer some benefits over those originally developed, problems remain.

The primary concern of U.S. industry and government representatives has been the additional burden imposed on U.S. and Canadian exporters using more than one importer in Mexico. A manufacturer must have each importer test and obtain certification for identical products. In an attempt to address this multiple certification issue, Mexico's revised certification procedures allow foreign manufacturers to obtain a "dictamen" (product ruling). However, in

<sup>46</sup> "Políticas y procedimientos para la evaluación de la conformidad. Procedimientos de certificación y verificación de productos sujetos al cumplimiento de normas oficiales mexicanas, competencia de la Secretaría de Comercio y Fomento Industrial." *Diario Oficial de la Federación*, June 14, 1994.

order to take advantage of this option, a foreign manufacturer must have its quality management system registered by a Mexican-recognized quality system registrar.<sup>48</sup> This process is not imposed on Mexican manufacturers and reportedly is very costly,<sup>49</sup> especially if the manufacturer has already registered the quality management system in the United States or Canada. In addition, the majority of quality management system registrations for Mexican companies are in fact issued by non-Mexican entities. It has been suggested that the procedures may again be modified to take these concerns into account.<sup>50</sup>

One option is to allow foreign manufacturers (rather than each importer) to obtain the certification directly and therefore eliminate this extra cost.<sup>51</sup> Another possibility for modification would be the recognition of quality system registration granted by U.S. or Canadian registrars, which would allow companies that have already obtained the quality system registration<sup>52</sup> to just apply for the dictamen and not have to duplicate the registration process in Mexico. In addition, under NAFTA article 908.2, Mexico is obligated to recognize U.S. and Canadian conformity assessment bodies on no less favorable terms than those accorded to conformity assessment bodies in Mexico.53 Mexico's revised law of Metrology and Standardization (1997) allowed for the privatization of its accreditation program, while the Mexican Government was expected to continue processing accreditation applications until this private-sector body has been established. Applications submitted in 1998 by U.S. and Canadian laboratories had not been processed, but close to 100 Mexican

<sup>&</sup>lt;sup>45</sup> The Committee on Standards-Related Measures oversees the following four subcommittees: the Land Transportation Standards Subcommittee, the Telecommunications Standards Subcommittee, the Automotive Standards Council, and the Subcommittee on Labeling of Textile and Apparel Goods. (NAFTA Article 913) The Committee on Sanitary and Phytosanitary Measures (SPS) was created under NAFTA Article 722 to facilitate the enhancement of food safety and improvement of sanitary and phytosanitary measures of its members; the use of international standards or equivalent standards and participation in international standards activities; and technical cooperation in this area among members. The SPS Committee has eight technical working groups, which include animal health; dairy, fruits, vegetables, and processed foods; food additives and contaminants; fish and fishery product inspection; meat, poultry and egg inspection; pesticides; plant health, seeds, and fertilizers; and veterinary drugs and feed. (NAFTA Articles 722, 713 and 714)

<sup>&</sup>lt;sup>47</sup> The procedures replace those published in 1994. "Políticas y procedimientos para la evaluación de la conformidad. Procedimientos de certificación y verificación de productos sujetos al cumplimiento de normas oficiales mexicanas, competencia de la Secretaría de Comercio y Fomento Industrial." *Diario Oficial de la Federación*, Oct. 24, 1997.

<sup>&</sup>lt;sup>48</sup> Quality system registration is the assessment and periodic audit of the adequacy of a producer's quality assurance system by a third party known as a quality system registrar. For more information on quality management systems and ISO-9000 see the National Institute of Standards and Technology Web site at http://ts.nist.gov/ts/htdocs/210/216/216.htm or the International Organization for Standardization Web site at http://www.iso.ch.

<sup>&</sup>lt;sup>49</sup> U.S. Department of State telegram, "Director General for Standards on Lab Accreditation, Certification, and Beer Labeling-Mexico," message reference No. 8043, prepared by U.S. Embassy, Mexico City, Aug. 18, 1998.

<sup>&</sup>lt;sup>50</sup> Ibid.

<sup>&</sup>lt;sup>51</sup> Ibid. U.S. Department of State telegram, "Standards Issues: Accreditation and Certification-Mexico," message reference No. 10725, prepared by U.S. Embassy, Mexico City, Oct. 29, 1998.

<sup>&</sup>lt;sup>52</sup> This is based on the idea that the quality management system standards adopted in the United States, Canada, and Mexico are all based on the international ISO-9000 series standards and are therefore compatible.

<sup>&</sup>lt;sup>53</sup> NAFTA Article 908.2 states the obligation, while Annex 908.2 gave Mexico a four-year transition period until January 1, 1998, to implement this obligation.

laboratories had already been accredited.<sup>54</sup> In January 1999, Mexico designated the Entidad Mexicana de Acreditación (EMA) as the new private-sector accreditation body.<sup>55</sup>

A Joint Statement was signed on June 10, 1998, at the meeting of the U.S.-Mexico Binational Commission, highlighting a commitment between U.S. and Mexican counterparts to cooperate in the area of food safety to protect public health in both countries. The food safety agreement coincided with President Clinton's Food Safety Initiative, announced in April, which included guidelines for safe production of fruits and vegetables.<sup>56</sup> It is not yet clear how the cooperation will be implemented, but work likely will take place within the Committee on Sanitary and Phytosanitary Measures (SPS) working groups. The SPS Committee, established under NAFTA Article 722, held its seventh meeting on November 4-5, 1998. One issue that was emphasized was the prevention of microbial contamination of fruits and vegetables-an ongoing problem. Committee efforts are also focusing on harmonizing procedures that NAFTA countries use to issue SPS certification for processed food products, including certificates of origin, NAFTA certificates, and certificates of chemical analysis.57

### **Intellectual Property Rights**

Chapter 17 of the NAFTA defines the intellectual property obligations of the partners. Each member is to provide to the nationals of other members "adequate and effective protection and enforcement of intellectual property rights, while ensuring that measures to

<sup>56</sup> The guidelines under the Food Safety Initiative address issues such as quality of water used for irrigation and sanitary installations for field workers. The Initiative also required legislation to be passed to give the Food and Drug Administration the authority to inspect facilities in foreign countries. "U.S., Mexico Sign Food Safety Agreement at Binational Commission Meeting," *Americas Trade*, Vol. 5, No. 12, June 11, 1998, pp. 1, 16. <sup>57</sup> Food safety issues are covered under Chapter 7 of the enforce intellectual property rights do not themselves become barriers to legitimate trade."58 The NAFTA requires that the provisions in Chapter 17 be applied by the United States, Canada, and Mexico upon implementation of the agreement.<sup>59</sup> Intellectual property rights remained in the forefront of implementation issues that received considerable attention in 1998. Although Mexico has made much progress in implementing the provisions of the agreement during the first five years of NAFTA, continuing problems related to the prevalence of piracy and the lack of effective enforcement of copyright laws were of particular concern to the United States in 1998. Although Mexico improved the legislative aspects of intellectual property rights through the implementation and change of its Copyright Law and amendment of its Penal Code in 1997, enforcement and prosecution of offenders remained little improved over the past year.<sup>60</sup> As a result, Mexico was in jeopardy of being placed on USTR's Special 301 "priority watch list,"<sup>61</sup> reportedly

<sup>59</sup> NAFTA commitments exceed those of the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS) developed in the Uruguay Round negotiations. The TRIPS agreement allows for a transition period of four years for implementation of obligations for developing countries.

<sup>60</sup> Mexico also amended its 1991 Industrial Property Law, effective October 1, 1994, and passed a law in 1996 providing protection to plant species. U.S. Department of State telegram, "1998 Trade Act Report: Mexico," message reference No. 11385, prepared by U.S. Embassy, Mexico City, Nov. 25, 1998.

<sup>&</sup>lt;sup>54</sup> Changes in the Metrology law that took place in 1997 indicated that responsibility for accreditation would be transferred to one or more private-sector bodies. In the interim, the Mexican Government maintained the responsibility. Information provided by the U.S. Department of Commerce, International Trade Administration, Office of NAFTA and Inter American Affairs, Jan. 15, 1999.

<sup>&</sup>lt;sup>55</sup> "Autorización para operar como entidad nacional de acreditación a la asociación civil denominada Entidad Mexicana de Acreditación, A.C. (EMA)," *Diario Oficial de la Federación*, Jan. 15, 1999. This publication in the *Mexican Offical Gazette* announces and names the Mexican private-sector accreditation body as the Mexican Accreditation Entity.

<sup>&</sup>lt;sup>57</sup> Food safety issues are covered under Chapter 7 of the NAFTA on Agriculture and Sanitary and Phytosanitary (SPS) Measures. "Processed Food Safety Rules to be Key Issue at USTR Hearing," *Americas Trade*, Vol. 5, No. 21, Oct. 15, 1998, pp. 7-8.

<sup>&</sup>lt;sup>58</sup> NAFTA Chapter 17 defines the following international agreements as the basis and minimum requirements of intellectual property rights afforded to NAFTA members: the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication, the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of New Varieties of Plants. NAFTA Article 1701 defines the nature and scope of the obligations. Taken from the Internet at http://www.sice.oas/ trade/nafta/chap-171.stm, retrieved Nov. 24, 1998.

<sup>&</sup>lt;sup>61</sup> The USTR is required, in accordance with "Special 301" provisions of the Trade Act of 1974, as amended, "to determine whether the acts, policies and practices of foreign countries deny adequate and effective protection of intellectual property rights or fair and equitable market access for U.S. persons who rely on intellectual property protection. "Special 301" was amended in the Uruguay Round Agreements Act to clarify that a country can be found to deny adequate and effective intellectual property protection even if it is in compliance with its obligations under the TRIPs Agreement." Pursuant to this obligation, the USTR conducts a yearly review to determine which countries are not in compliance with the Agreement and should be further investigated. Countries with noncompliance issues are either placed on the "Priority Watch" or "Watch" lists. "Fact Sheets: \$Special 301' on Intellectual Property Rights and 1996 Title VII Decisions," information from USTR at Internet address http://www.ustr.gov/reports/301report/factsheets.html, retrieved Dec. 11, 1998.

in response to International Intellectual Property Alliance (IIPA) recommendations.<sup>62</sup> The IIPA also recommended that Mexico be taken to dispute settlement for violations of NAFTA Articles 1714, 1715, 1716, and 1717, relating to the enforcement and penalties for infringement of copyright law, if the situation did not improve.<sup>63</sup>

In order to avoid being designated a "priority watch" country by the USTR, Mexico agreed to commit to a national antipiracy campaign that would work toward improvements in enforcing copyright and trademark laws, including cooperation of state and municipal authorities for the first time.<sup>64</sup> The National Campaign Against Piracy was announced on November 11, 1998, by Mexican Commerce Secretary Herminio Blanco.<sup>65</sup> The three main elements included in the campaign are:

- The reclassification of copyright infringement as a "serious crime," increasing the penalties for violators;<sup>66</sup>
- An increase in the budget of enforcement agencies, including the Mexican Industrial Property Institute (IMPI), and coordination of efforts through an "inter-institutional secretariat";<sup>67</sup> and

<sup>63</sup> IIPA, "1998 Special 301 Recommendations," submitted to the USTR, February 23, 1998, pp. 52-58.

<sup>64</sup> Mexico was cited under "Other Observations" as "experiencing significant problems with copyright piracy and, to a lesser extent, trademark counterfeiting." A bilateral working group was established to work on these issues. USTR, "Fact Sheets: \$Special 301' on Intellectual Property Rights and 1996 Title VII Decisions," information from USTR at Internet address

http://www.ustr.gov/reports/301report/factsheets.html, retrieved Dec. 11, 1998.

<sup>67</sup> IMPI's budget in 1999 will be three times the 1998 level. The other two organizations receiving funding increases are the Attorney General's Office (PGR) and the National Institute of Authors' Rights (INDA). U.S. Department of State telegram, "Mexico Announces Anti-Piracy Campaign," message reference No. 10982, prepared by U.S. Embassy, Mexico City, Nov. 12, 1998. • An educational program, in cooperation with the World Intellectual Property Organization (WIPO) and the WTO, to increase public awareness of judges, public officials, and the general public about the importance of protection of intellectual property rights, especially authors' rights.<sup>68</sup>

Canada was again placed on USTR's Special 301 Watch List in 1998 concerning questions of conformity with obligations under both the NAFTA and TRIPs Agreement.<sup>69</sup> In April 1997, Canada enacted amendments to its Copyright Act that had the effect of discriminating against copyright holders by charging a levy on blank tapes and establishing a right of remuneration for telecommunication of sound recordings to the public. These two provisions specifically deny U.S. copyright holders national treatment granted under NAFTA article 1703. In addition, IIPA has claimed that section 58.1 of the Canadian Copyright Act, not yet enacted into law, may be a violation of NAFTA Article 1705.3, which guarantees free transferability of copyrights and related rights.<sup>70</sup>

## Labor Rights

The NAFTA was accompanied by a trilateral North American Agreement on Labor Cooperation (NAALC) to ensure that NAFTA-related economic integration

<sup>&</sup>lt;sup>62</sup> "IIPA Charges Mexico, Canada Fall Short of NAFTA, TRIPS Obligations," *Americas Trade*, Vol. 5, No. 5, Mar. 5, 1998, p. 7.

<sup>&</sup>lt;sup>65</sup> Secretaría de Comercio y Fomento Industrial (SECOFI), Mexico, "Lanza el Gobierno Federal Compaña Nacional Contra la Piratería," press release No. 637, Nov. 11, 1998.

<sup>&</sup>lt;sup>66</sup> The designation of "serious crime" under Mexican law prevents IPR violators from making bail simply by posting a bond, increases sanctions from 6 months to 6 years to 6 to 20 years and increases fines to 2,000 to 20,000 times Mexico's minimum wage. "U.S. Copyright Groups to \$Wait & See' on Mexican Anti-Piracy Campaign," *Americas Trade*, Vol. 5, No. 24, Nov. 26, 1998, pp. 2-3.

<sup>&</sup>lt;sup>68</sup> Coordination of the "inter-institutional secretariat" will be coordinated by SECOFI through the IMPI and will include the Attorney General's office and the Ministries of Finance, Foreign Affairs and Education. "U.S. Copyright Groups to \$Wait & See' on Mexican Anti-Piracy Campaign," *Americas Trade*, Vol. 5, No. 24, Nov. 26, 1998, pp. 2.3

pp. 2-3. <sup>69</sup> See the section of this report, U.S. Relations with Major Trading Partners: Canada, for details about the dispute relating to the 80 percent tax placed on split-run editions of magazines. Canadian discriminatory licensing conditions on direct-to-home satellite television are under consideration by the USTR to determine whether it is actionable under article 2106 of the NAFTA and WTO obligations. USTR, "Fact Sheets: \$Special 301' on Intellectual Property Rights and 1996 Title VII Decisions," information from USTR at Internet address http://www.ustr.gov/reports/301report/factsheets.html, retrieved Dec. 11, 1998.

<sup>&</sup>lt;sup>70</sup> NAFTA Article 1705.3 states that "each Party shall provide that for copyright and related rights: (a) any person acquiring or holding economic rights may freely and separately transfer such rights by contract for purposes of their exploitation and enjoyment by the transferee; and (b) any person acquiring or holding such economic rights by virtue of a contract, including contracts of employment underlying the creation of works and sound recordings, shall be able to exercise those rights in its own name and enjoy fully the benefits derived from those rights." IIIPA, "1998 Special 301 Recommendations," submitted to the USTR, Feb. 23, 1998, pp. 57-58. "IIPA Charges Mexico, Canada Fall Short of NAFTA, TRIPS Obligations," *Americas Trade*, Vol. 5, No. 5, Mar. 5, 1998, p. 7.

improved working conditions and living standards and increased adherence to basic labor law principles by each country. The NAALC is administered by a Commission for Labor Cooperation (CLC), which is overseen by a Council comprising the three NAFTA labor ministers. Each member has a National Administrative Office (NAO) to ensure the implementation of the NAALC and to investigate any violation of the agreement. In the United States, a 12-member National Advisory Commission drawn from academia, business, and labor groups advises the NAO. If the NAO determines that a violation of the agreement has occurred, the matter is then referred to the CLC Council to hold ministerial consultations with the respective party to resolve the issue.

At its fifth annual meeting, held October 7-8 1998, the CLC completed its mandatory four-year review of the NAALC. The major conclusions of the review were to: $^{71}$ 

- Strengthen the activities of the NAO, including increased public information and making the office more strategic and results oriented;
- Increase the level of activity of the trinational Commission for Labor Cooperation by using the Secretariat to conduct extensive studies of critical issues and to provide comparable labor-relations data; and
- Improve the ministerial consultation process by utilizing the Secretariat in appropriate cases for trinational special studies, as exemplified by the 1996 report, *Plant Closings and Labor Rights*.

The CLC also undertook ministerial consultations on three public submissions alleging violation of the safety, health, and civil rights of workers by Mexico and agreed to approve a final list of potential candidates to serve on the experts' panels that conduct independent evaluations enforcement by NAFTA members on specific aspects of their labor laws.<sup>72</sup> Domestic interest groups can submit requests to their national NAO office to investigate alleged claims of violations of the NAALC or labor laws of another country. Three public submissions by domestic interest groups were reviewed by the U.S. NAO against Mexico in 1998. For example, the U.S. NAO determined that gender discrimination in the Mexican workplace does exist and is in direct violation of the Mexican Constitution and Federal Labor Law. Labor rights activists alleged that the civil rights of females were violated and the payment of benefits were avoided because of mandatory pregnancy-testing policies of current and potential employees in Mexican factories. Mexico's Labor Ministry agreed to a ministerial-level meeting with the United States to discuss the alleged violation of civil rights in the workplace.<sup>73</sup>

After reviewing claims of alleged violations of the safety and health of workers and of denial of freedom of association at the Han Young maquiladora plant, the U.S. NAO requested consultation with Mexico's Ministry of Labor. The U.S. NAO studies found that hazardous conditions continued even after thorough inspections by Mexican officials and that fines levied against the factory were not collected by the Mexican Government. The Mexican Labor Ministry decided to review thoroughly the findings of the U.S. NAO before responding to the request for a meeting by the United States.<sup>74</sup>

## NAFTA Dispute Settlement

The NAFTA contains dispute-settlement provisions on investment, financial services, antidumping and countervailing duties, and general disputes in four chapters: 11, 14, 19, and 20, respectively.<sup>75</sup> For the resolution of disputes in financial services, Chapter 14 establishes that Section B of Chapter 20 applies and therefore does not provide a separate mechanism, per se, for dispute resolution. While the mechanisms established in Chapters 11 and 19 are unique to the NAFTA, general disputes covered under Chapter 20 may be pursued either under the NAFTA or the WTO dispute-settlement mechanism, but not both.<sup>76</sup> The NAFTA Secretariat, which comprises "sections" for

<sup>&</sup>lt;sup>71</sup> "Ministers Review NAFTA's Labor Agreement," *International Trade Administration*, Oct. 1998, found at Internet address http://www.naalc.org, retrieved Jan. 8, 1999.

<sup>&</sup>lt;sup>72</sup> U.S. Department of State telegram, "NAFTA Labor Ministerial in Prince Edward," message No. 003876, prepared by U.S. Embassy, Ottawa, Oct. 23, 1998.

<sup>&</sup>lt;sup>73</sup> "U.S., Mexico Sign Accord to Talk About Pregnancy Discrimination," *Americas Trade*, Oct. 1998, Vol. 5, No. 22, Oct. 29, 1998, pp. 16-17.

<sup>&</sup>lt;sup>74</sup> "U.S. Calls on Mexico to Consult on Safety, Health at Han Young Factory," *Americas Trade*, May 1998, Vol. 5, No 17, Aug. 20, 1998, pp. 8-9.

<sup>&</sup>lt;sup>75</sup> Dispute resolution of environmental or labor issues is referred to under the side accords' mechanisms, according to NAFTA Chapters 27 and 28, respectively. See above section on labor rights for more details.

<sup>&</sup>lt;sup>76</sup> This applies to areas of overlap between the two agreements. Where the agreements differ, the complaint must be pursued under the agreement that applies. As stated in NAFTA Article 2005.1, "disputes regarding any matter arising under both this Agreement and the General Agreement on Tariffs and Trade, any agreement negotiated thereunder, or any successor agreement (GATT) may be settled in either forum at the discretion of the complaining Party."

each country, is responsible for the administration of the dispute-settlement provisions of the Agreement and maintains a courtlike registry relating to panel, committee, and tribunal proceedings.<sup>77</sup>

As of January 1999, a total of 55 NAFTA cases have been taken to dispute resolution: 7 under Chapter 11, 44 under Chapter 19, and 4 under Chapter  $20.^{78}$  There are currently 6 cases related to Chapter 11, 17 related to Chapter 19, and 2 related to Chapter 20 still pending.

## **Chapter 11: Investor-State Disputes**

Chapter 11, in accordance with the principles of international reciprocity and due process, provides four options for resolution of investor claims of breached investment obligations by NAFTA host governments. An investor may choose the remedies available in the host country's domestic courts or pursue recourse through one of the three following arbitral mechanisms: the World Bank's International Center forthe Settlement of Investment Disputes (ICSID); ICSID's Additional Facility rules; or the rules of the United Nations Commission for International Trade Law (UNCITRAL rules). All arbitral decisions are enforceable in the domestic courts, which is an important feature of the Chapter.

Before 1997, there were no submissions made under NAFTA Chapter 11 involving investor-state dispute resolution. Two of the three cases filed in 1997 are still pending, while four new cases were also filed in 1998. In July 1998, the one case that was resolved was settled out of arbitration and involved claims related to national treatment. performance requirements, and expropriation and compensation against Canada. The six pending cases, seen below in the tabulation, involve issues such as the requirement of NAFTA countries to fulfill their obligations at the state and municipal levels, the extent of such obligations, performance requirements, expropriation and compensation, special formalities and information requirements, and others.79

<sup>&</sup>lt;sup>79</sup> Information on NAFTA Chapter 11 cases provided by the U.S. Department of Commerce, International Trade Administration, Office of NAFTA and Interamerican Affairs, received Feb. 1, 1999.

Company	Country Defendant	Date of Submission of Claim	Damages Being Claimed	Claims' Corresponding NAFTA Articles	Status
Metalclad	Mexico	January 2, 1997	US\$90 million	1102, 1103, 1104, 1105, 1106, 1110	In arbitration
Desona	Mexico	March 13, 1997	US\$17 million	1102, 1103, 1104, 1105, 1106, 1110, 1111	In arbitration
USA Waste	Mexico	September 29, 1998	US\$60 million	1105, 1110	Prearbitration
Corporacion de Exportaciones Mexicanas SA de CV (CEMSA)	Mexico	August 18, 1998	US\$15.5 million	1110	Under review by U.S. Treasury pursuant to Article 2103.6 until Feb. 18, 1999
S.D. Myers	Canada	October 30, 1998	US\$10 million	1102, 1105, 1106, 1110	Prearbitration
Loewen	United States	October 30, 1998	US\$725 million	105, 1102, 1105, 1110	Prearbitration

<sup>&</sup>lt;sup>77</sup> A Binational Secretariat existed under the United States-Canada Free Trade Agreement, which was expanded to include a Mexican section and renamed the NAFTA Secretariat in 1994, pursuant to the Agreement. Information from the NAFTA Secretariat found at Internet address http://www.nafta-sec.org/english/home.htm, retrieved Jan. 4, 1999.

<sup>&</sup>lt;sup>78</sup> Cumulative number of disputes as of January 12, 1999. Information provided by the U.S. Section of the NAFTA Secretariat, Jan. 13, 1999.

# Chapter 19: Panel Reviews of AD/CVD Determinations<sup>80</sup>

NAFTA companies may request a review of antidumping and countervailing duty (AD/CVD) determinations in accordance with Chapter 19. The Chapter provides for the establishment of binational panels made up of experts from both the petitioning and responding countries to review the final antidumping or countervailing duty determinations. From NAFTA's entry into force through 1998, a total of 44 cases have been filed to review antidumping or countervailing duty determinations made by the responsible U.S., Canadian, or Mexican government agency. Of those 44 cases, 27 have been concluded; 10 reviewed U.S. determinations, 7 reviewed Mexican determinations. and 10 reviewed Canadian determinations. Eleven of the concluded cases were terminated at the request of participants, without a decision being issued. Seven of the cases upheld the antidumping or countervailing duty determination by unanimous vote of the Panel, and in only one case did the Panel determine that the existing antidumping duties must be withdrawn. One case was initially remanded and then upheld after a modified determination was issued. The remaining 10 cases upheld in part and remanded in part the final antidumping or countervailing duty determinations made.<sup>81</sup> The following is a list of Chapter 19 panel reviews active at year-end 1998.82

<sup>&</sup>lt;sup>82</sup> Information in the listing provided by the U.S. Department of Commerce, U.S. Section of the NAFTA Secretariat, received Jan. 13, 1999. For details on Chapter 19 panel reviews, see the NAFTA Secretariat Web site at http://www.nafta-sec-alena.org.

Case	Product	Country AD/CVD Determinations Being Reviewed	Appealed by	Status
USA-97-1904-01	Gray Portland Cement and Clinker from Mexico	U.S. Department of Commerce Final Results of 5 <sup>th</sup> AD Administrative Review	Mexican and U.S. producers	Decision due April 30, 1999.
USA-97-1904-02	Gray Portland Cement and Clinker from Mexico	U.S. Department of Commerce Final Results of 4 <sup>th</sup> AD Administrative Review	Mexican and U.S. producers	On December 4, 1998, the panel affirmed the final determination.
USA-97-1904-03	Certain Corrosion-Resistant Carbon Steel Flat Products from Canada	U.S. Department of Commerce Final Results of AD Administrative Review	Canadian producers	On January 20, 1999, the panel remanded the determination. Second determination due June 4, 1999. Decision due September 2, 1999.
USA-97-1904-06	Circular Welded Nonalloy Steel Pipe from Mexico	U.S. Department of Commerce Final Results of AD Administrative Review	Mexican producers	Panel review terminated by joint consent of participants.
USA-97-1904-07	Porcelain-on-Steel Cookware from Mexico	U.S. Department of Commerce Final Results of 9 <sup>th</sup> Administrative Review	Mexican producers	Decision due May 1, 1999.

<sup>&</sup>lt;sup>80</sup> Information on Chapter 19 panel reviews provided by the U.S. Department of Commerce, U.S. Section of the NAFTA Secretariat, received Jan. 13, 1999. For details on Chapter 19 panel reviews, see the NAFTA Secretariat Web site at http://www.nafta-sec-alena.org.

<sup>&</sup>lt;sup>81</sup> The cases that were remanded in part upheld the agencies' decisions, but required further investigation by the agency and another panel review to decide on the final outcome of a specific aspect of the determination.

Case	Product	Country AD/CVD Determinations Being Reviewed	Appealed by	Status
USA-97-1904-08	Steel Wire Rod from Canada	U.S. Department of Commerce CVD Administrative Review	Commerce CVDand Government ofAdministrativeQuebec	
USA-CAN-98-1904-01	Certain Corrosion-Resistant Carbon Steel Flat Products from Canada	U.S. Department of Commerce Final Results of AD Administrative Review	Canadian producers	Proceeding stayed.
USA-MEX-98-1904-02	Gray Portland Cement and Clinker from Mexico	U.S. Department of Commerce Final Results of 6 <sup>th</sup> AD Administrative Review	Mexican producers	Decision due date to be determined by Panel.
USA-CAN-98-1904-03	Brass Sheet and Strip from Canada	U.S. Department of Commerce Final AD Administrative Review	Canadian producers	Decision due May 26, 1999.
USA-MEX-98-1904-04	Porcelain-on-Steel Cookware from Mexico	U.S. Department of Commerce Final Results of 9 <sup>th</sup> Administrative Review	Mexican producers	Decision due June 28, 1999.
USA-MEX-98-1904-05	Circular Welded Nonalloy Steel Pipe from Mexico	U.S. Department of Commerce Final Scope Ruling in AD Administrative Review	U.S. producers	Decision due November 3, 1999.
MEX-96-1904-02	Rolled Steel Plate from Canada	Secretaría de Comercio y Fomento Industrial (SECOFI) Final AD Determination	Canadian producers	On December 18, 1998, the panel affirmed the agency's second determination.
MEX-USA-98-1904-01	High-Fructose Corn Syrup from the United States	SECOFI Final AD Determination	U.S. and Mexican producers	Decision due date to be determined by Panel. <sup>1</sup>
CDA-97-1904-02	Certain Hot-Rolled Carbon Steel Plate, Originating in or Exported from inter alia, Mexico (Injury)	Canadian International Trade Tribunal (CITT) Injury Finding	Mexican producer	Decision due April 19, 1999.
CDA-USA-98-1904-01	Certain Prepared Baby Food Originating in or Exported from the United States	CITT Injury Finding	U.S. and Canadian producers	Decision due date to be determined by Panel.
CDA-USA-98-1904-02	Certain Cold-Reduced, Flat-Rolled Sheet Products of Carbon Steel, Originating in or Exported from inter alia, the United States (Injury)	CITT Order Rescinding Injury Finding		Decision due July 13, 1999.

See footnote at end of list.

Case	Product	Country AD/CVD Determinations Being Reviewed	Appealed by	Status
CDA-USA-98-1904-03	Certain Solder Joint Pressure Pipe Fittings and Solder Joint Drainage, Waste, and Vent Pipe Fittings, Made of Cast Copper Alloy, Wrought Copper Alloy, or Wrought Copper, Originating in or Exported from the United States	CITT Order Rescinding Injury Finding	Canadian producers	Decision due October 1, 1999.

<sup>1</sup> See U.S. Relations with Major Trading Partners section on Mexico, Chapter 4, for more information on this issue.

# Chapter 20: General Dispute Settlement<sup>83</sup>

Chapter 20 provides for the resolution of disputes regarding the interpretation or application of the Agreement not already specified in Chapters 11 and 19. Two of the four Chapter 20 cases filed since the inception of NAFTA have been concluded. In December 1996, a Chapter 20 Panel unanimously found that the imposition of customs duties imposed by Canada on certain agricultural products from the United States conformed to the provisions of the In January 1998, a Chapter 20 Panel NAFTA. unanimously decided that U.S. safeguard action taken on broom corn brooms from Mexico was inconsistent with the NAFTA and recommended termination of the action.<sup>84</sup> The two remaining cases, both filed in 1998, are noted in the table at the top of the following page.

## Asia Pacific Economic Cooperation (APEC)

During 1998, APEC primarily focused on implementing the APEC leaders' 1997 directive to initiate Early Voluntary Sectoral Liberalization (EVSL) in 15 sectors.<sup>85</sup> There were four meetings of senior officials and a trade ministerial meeting (in June) to discuss EVSL.<sup>86</sup> In February 1998, senior officials and the Committee on Trade and Investment (CTI) met to develop modalities to finalize 9 of the 15 sectors identified by leaders at their meeting in Vancouver in 1997.87 (The nine sectors include environmental goods and services, energy equipment and services, fish and fish products, toys, forest products, gems and jewelry, medical equipment and instruments, chemicals, and telecommunications mutual а recognition agreement.) The remaining six sectors (autos, oilseeds, food, civil aircraft,fertilizers,and rubber) were to be further developed for review by trade ministers in June and possibly recommended to APEC leaders in November 1998. The February discussions on EVSL were positive overall, but Japan, Korea, and China continued to be generally cool to the concept of EVSL. Chile and Mexico opposed EVSL

<sup>&</sup>lt;sup>83</sup> Information in the section is from the U.S. Department of Commerce, U.S. Section of the NAFTA Secretariat, received Jan. 13, 1999.

<sup>&</sup>lt;sup>84</sup> Effective December 3, 1998, safeguard measures in the form of tariffs on U.S. imports of broom corn brooms from Mexico were terminated. For background, see U.S. International Trade Commission, *Broom Corn Brooms* (Investigation Nos. TA-201-65 and NAFTA 302-1), USITC publication 2984, Aug. 1996, and U.S. International Trade Commission, *Broom Corn Brooms: Efforts of Workers and Firms in the Industry to Make a Positive Adjustment to Import Competition* (Investigation No. 332-394), USITC publication 3122, Aug. 1998. For further details on the panel decision, see the NAFTA Secretariat Web site at http://www.nafta-sec-alena.org.

<sup>&</sup>lt;sup>85</sup> For background information on Early Voluntary Sectoral Liberalization, see USITC, *The Year in Trade: OTAP 1997*, pp. 72-73.

<sup>&</sup>lt;sup>86</sup> In addition to these meetings, there were five other ministerial meetings in 1998: Finance, Small and Medium-Size Enterprise, Science and Technology, Energy, and Women's Ministerial.

<sup>&</sup>lt;sup>87</sup> U.S. Department of State telegram, "Request Support on the APEC Early Voluntary Sectoral Liberalization Initiative," message reference No. 047098, prepared by the U.S. Department of State, Washington, DC, Mar. 16, 1998.

Case	Issue	Appealed by	Status
USA-98-2008-01	Cross-Border Trucking Services and Investment <sup>1</sup>	Government of Mexico	Report due date to be determined.
USA-98-2008-02	Cross-Border Bus Services	Government of Mexico	Report due date to be determined

<sup>1</sup> See above section on Market Access for more details on transportation services disputes.

outright, favoring liberalization of all sectors, rather than a select number. The position of the ASEAN members was uncertain. Canada, Hong Kong, Singapore, Australia, New Zealand, and the United States supported EVSL.<sup>88</sup>

During the June 22-23 APEC trade ministerial meeting in Kuching, APEC trade ministers directed the senior officials to finish EVSL work in the nine sectors by September.<sup>89</sup> With regard to the ninth sector, APEC completed a Mutual Recognition Arrangement (MRA) for telecommunications equipment on June 5, 1998.90 The MRA is expected to increase trade in telecommunications and information equipment among members of APEC, affecting approximately \$45 billion in current trade flows. At the trade ministerial meeting, the specific product scope and basic timetables for implementing the agreements were decided. Members also agreed to set up work programs to study nontariff measures (NTMs) in each of the nine sectors and to decide how they should be addressed. APEC ministers did not make a decision about how the EVSL initiative should relate to work in the WTO, except for a notification upon completion of the APEC work.<sup>91</sup> Following the trade ministerial meeting, APEC focused on ways of addressing product-specific concerns of APEC members and the rest of its work program on business facilitation, economic and technical cooperation, and the completion of technical work on the energy and environment sectors.92

At the APEC ministerial meeting during November 14-15, with regard to EVSL, APEC ministers agreed to the lowering of tariffs and other trade barriers in the nine key sectors, including end-rates, end-dates, and product coverage.<sup>93</sup> The ministers agreed to broaden participation in the agreement by striving to conclude an agreement in the WTO by the end of 1999 on the nine-sector package. In the six remaining sectors, covering \$1.6 trillion in trade, ministers agreed to advance market-opening work in time for review by the trade ministers in June 1999.<sup>94</sup> In reaching the agreement, the ministers had to overcome reservations by some countries and a refusal by Japan to agree to open its market for fish and forest products.<sup>95</sup>

In addition to supporting EVSL, APEC ministers endorsed the submission of improved Individual Action Plans (IAPs), welcomed IAPs from the three new APEC members (Russia, Vietnam, and Peru), and agreed that in 1999, senior officials should review overall progress in the IAPs. In 1999, the United States and four other countries will submit their IAPs for voluntary peer review. Ministers called for further development of the Collective Action Plans (CAPs) and their implementation in 1999, including intensified work on trade facilitation. In the area of trade and investment facilitation, the ministers welcomed the work of the Committee on Trade and Investment and agreed that emphasis must be given to action-oriented and focused outcomes that will provide tangible benefits to members. In the area of Economic and Technical Cooperation (ECOTECH), the ministers expressed satisfaction with progress in the six priority areas, particularly the focus on capacity building, and

<sup>&</sup>lt;sup>88</sup> Ibid.

<sup>&</sup>lt;sup>89</sup> APEC, "Meeting of Ministers Responsible for Trade," Kuching, Sarawak, June 22-23, 1998, found at Internet address http://www.apec.sec.org.sg/virtuallib/minismtg/mtgtr d98.html, retrieved on Jan. 3, 1998.

<sup>&</sup>lt;sup>90</sup> APEC, "Ministerial Declaration on the APEC Mutual Recognition Arrangement for Conformity Assessment of Telecommunications Equipment," June 3-5, 1998, Singapore.

<sup>&</sup>lt;sup>91</sup> APEC, "Meeting of Ministers Responsible for Trade," Kuching, Sarawak, June 22-23, 1998, found at Internet address http://www.apec.sec.org.sg/virtualib/minismtg/mtgtr d98. html, retrieved on Jan. 3, 1998.

<sup>&</sup>lt;sup>92</sup> USTR, "Barshefsky Welcomes APEC Sectoral Agreement Plans to Move Initiative to WTO," Nov. 15, 1998, found at Internet address http://www.usiagov/admin/025/wwwhstr1.html.

<sup>&</sup>lt;sup>93</sup> The agreement was reached by 16 members, i.e., excluding Mexico and Chile.

<sup>&</sup>lt;sup>94</sup> APEC, Tenth APEC Ministerial Meeting Joint Statement, Kuala Lumpur, Malaysia, Nov. 14-15, 1998, found at Internet address www.usia.gov/regional/ea/apec/ klmindec.htm, retrieved on Nov. 18, 1998.

<sup>&</sup>lt;sup>95</sup> "Press Briefing by U.S. Trade Representative Charlene Barshefsky," Palace of Golden Horses, Kuala Lumpur, Malaysia, Nov. 15, 1998, found at Internet address http://www.usia.gov/admin/025/wwwhbar2.html, retrieved on Nov. 20, 1998.

called for intensified work to further improve the effectiveness of economic and technical cooperation activities. $^{96}$ 

With regard to electronic commerce, the ministers endorsed the work of the APEC Electronic Commerce Task Force, which promotes greater understanding of electronic commerce issues. The work program for the Task Force includes topics such as Y2K, paperless "Virtual" Electronic Commerce/ trading, and Multimedia Resource Network, for example. Ministers endorsed the APEC Blueprint for Action on Electronic Commerce, setting out broad themes relating to cooperation on electronic commerce and specific future activities for an APEC-wide electronic commerce work program. Ministers agreed to establish a Steering Group to coordinate action on the Blueprint.97

APEC is in the midst of a three-year review of APEC's management process. APEC ministers directed senior officials to forward their recommendations to the ministers in September 1999. In addition, ministers dissolved a working group, adopted common review guidelines for self-review by APEC forums, adopted a moratorium on the creation of new forums during the review period, and redesignated the Budget and Administrative Committee (BAC) as the Budget and Management Committee (BMC).98

At their meeting during November 17-18, 1998, APEC leaders emphasized four main areas in addressing the Asian financial crisis: growth-oriented macroeconomic policies, social safety net issues, financial- and corporate-sector restructuring, and reform of financial architecture. APEC leaders called on the finance ministers to develop measures to implement their proposals for dealing with the financial crisis. The leaders welcomed Japan's proposed financial package of \$30 billion to support economic recovery efforts in Asia.<sup>99</sup>

## Free Trade Area of the Americas (FTAA)

At the December 1994 First Summit of the Americas in Miami, Florida (the Miami Summit), the 34 democratically elected heads of state of the Western Hemisphere committed to form a Free Trade Area of the Americas (FTAA) and to complete negotiations for the agreement by 2005. The leaders at the Miami Summit also committed to achieve substantial progress toward building the FTAA by 2000.<sup>100</sup> After nearly four years of preliminary discussions and preparatory work addressing such issues as the compatibility of the FTAA with existing or new subregional economic groupings, the role of input from labor, and the phasing and scope of the negotiations, the heads of state of the Western Hemisphere announced the commencement of formal negotiations for the FTAA in Santiago, Chile, at the Second Summit of the Americas (Santiago Summit) in April 1998.<sup>101</sup>

## Structure and Venue of FTAA Negotiations

The structure of the FTAA negotiations was established at the fourth meeting of the hemisphere's trade ministers in March 1998 at San José, Costa Rica (fourth ministerial meeting).<sup>102</sup> In their Joint Declaration, the ministers named countries to serve as chairman and vice-chairman for the overall FTAA process. Chairmanship of the negotiations will rotate among different countries every 18 months, or at the conclusion of each ministerial meeting. The countries (chairman/vice-chairman) so designated and the are respective periods of their designation Canada/Argentina (May 1, 1998-October 31, 1999); Argentina/Ecuador (November 1, 1999-April 30, 2001); Ecuador/Chile (May 1, 2001-October 31,

<sup>&</sup>lt;sup>96</sup> For background information on the six priority areas, see USITC, *The Year in Trade: OTAP 1997*, UISTC publication 3103, May 1998, pp. 73-74.

<sup>&</sup>lt;sup>97</sup> Ibid.

<sup>&</sup>lt;sup>98</sup> Ibid.

<sup>&</sup>lt;sup>99</sup> APEC, APEC Leaders' Declaration, Kuala Lumpur, Malaysia, Nov. 18, 1998, found at Internet address http://www.usia.gov/admin/025/wwwhklld.html, retrieved on Nov. 20, 1998.

<sup>&</sup>lt;sup>100</sup> The commitments made at the Miami Summit were published in the Declaration of Principles and Plan of Action, reprinted in *Business America*, Dec. 1994, pp. 10-13; the complete text is also posted at the official FTAA Web site, found at Internet address http://www.ftaa-alca.org/EnglishVersion/view\_e.htm. This

series of reports has summarized key events related to the FTAA.

<sup>&</sup>lt;sup>101</sup> The complete text of the Santiago Summit Joint Declaration is posted at the official FTAA Web site, found at Internet address

http://www.ftaa-alca.org/EnglishVersion/view\_e.htm. 102 The structure of the FTAA negotiations and other

results of the March 1998 trade ministerial meeting are discussed in more detail in USITC, The Year in Trade: OTAP 1997, USITC publication 3103, May 1998, p. 77.

2002); and Brazil-United States joint chairmen with no vice-chairman (November 1, 2002-December 31, 2004, or until the conclusion of the negotiations).<sup>103</sup>

The fourth ministerial meeting established nine FTAA negotiating groups where substantive talks will occur. The negotiating groups will address (1) market access; (2) investment; (3) services; (4) government procurement; (5) dispute settlement; (6) agriculture; (7) intellectual property rights; (8) subsidies, antidumping, and countervailing duties; and (9) competition policy. The meetings of the negotiating groups will be held in a single venue, which will rotate among the following three locations: Miami, United States (May 1, 1998-February 28, 2001); Panama City, Panama (March 1, 2001-February 28, 2003); and Mexico City, Mexico (March 1, 2003-December 31, 2004, or until the conclusion of the negotiations).<sup>104</sup>

In addition to the negotiating groups, the fourth ministerial meeting also established three special committees to address specific issues of interest to the FTAA countries. A committee on civil society is to seek the views of all segments of society, such as business, labor, consumers, environmental interests, academics, and others. A joint private-sectorpublic-sector committee on electronic commerce is to recommend ways to expand the hemisphere's electronic marketplace. A consultative group chaired by Jamaica is to work to ensure the full participation of smaller economies in the FTAA process.<sup>105</sup>

The fourth ministerial meeting established a Trade Negotiations Committee (TNC) at the vice-ministerial level to oversee the FTAA negotiations. The TNC is to guide the work of the negotiating groups, decide on the overall architecture of the agreement and institutional issues, and ensure the full participation of all the countries in the FTAA process.<sup>106</sup>

## Status of the Negotiations

Following the Santiago Summit, the first negotiating group to meet was that for market access, held in Miami on August 31-September 2, 1998. This meeting marked the formal beginning of substantive FTAA negotiations. All of the other negotiating groups had met by year-end 1998. The three special committees (civil society, electronic commerce, and smaller economies) held their first meetings in October 1998. At its meeting, the committee on civil society established a period for public comments from November 1, 1998, through March 31, 1999.<sup>107</sup> The TNC met twice during 1998, in Buenos Aires, Argentina, on June 17-19, 1998, and in Paramaribo, Suriname, on December 2-3, 1998.

<sup>&</sup>lt;sup>103</sup> Fourth Ministerial Joint Declaration, Mar. 19, 1998, obtained from the official FTAA Web site, found at Internet address

http://www.ftaa-alca.org/EnglishVersion/view\_e.htm. <sup>104</sup> Ibid.

<sup>&</sup>lt;sup>105</sup> Ibid.

<sup>&</sup>lt;sup>106</sup> Ibid.

<sup>&</sup>lt;sup>107</sup> USTR, "Free Trade Area of the Americas Off to Strong Start from Miami Talks," press release 98-94, Oct. 22, 1998.

## CHAPTER 4 U.S. Relations With Major Trading Partners

This chapter reviews bilateral trade relations and issues with seven major U.S. trading partners during 1998: the European Union, Japan, Canada, Mexico, China, Taiwan, and Korea. Appendix tables A–1 to 21 provide detailed information on U.S. trade with these partners.

## **European Union** (EU)

U.S. and EU officials continued to manage an active trade agenda in 1998. During the year, they launched a new, targeted trade initiative, the Transatlantic Economic Partnership (TEP). The TEP action plan outlines specific ways that the United States and EU can cooperate to facilitate bilateral trade and strengthen the multilateral trading system. Bilaterally, the TEP covers such issues as regulatory barriers affecting trade in goods and services, government procurement, and intellectual property rights. However, trade officials also addressed a series of bilateral disputes, most notably EU implementation of a WTO-consistent banana import regime, which remained unresolved by year-end. Following delays, a mutual recognition agreement (MRA) covering six sectors was implemented on December 1, but implementation of Veterinary Equivalence а Agreement remained stalled at year-end.

## Transatlantic Economic Partnership

The New Transatlantic Agenda (NTA), launched by U.S. and EU leaders in 1995, provided a framework for improving and updating the bilateral relationship.<sup>1</sup> One of the NTA's goals was to create a New Transatlantic Marketplace "by progressively reducing

International Trade Commission, *The Year in Trade: Operation of the Trade Agreements Program (OTAP) 1995*, USITC Publication 2971, Aug. 1996, pp. 39–42. or eliminating barriers that hinder the flow of goods, services, and capital."<sup>2</sup> Although the NTA has been successful at reducing barriers-for example, through the conclusion of a mutual recognition agreement and a customs cooperation agreement in 1997-obstacles remain. In March 1998, the European Commission proposed a specific plan for creating the New Transatlantic Marketplace. The proposal contained four major goals: (1) removal of technical barriers to trade increased mutual recognition through and/or harmonization; (2) elimination of all industrial tariffs by 2010 on a multilateral basis; (3) creation of a free trade area in services; and (4) further liberalization of investment, public procurement, and intellectual property.<sup>3</sup> Because of internal EU opposition, particularly from France, the proposal did not go forward. However, the United States and EU agreed that a new concrete, organized agenda should be developed.

At the May 18 semiannual summit of U.S. and EU heads of state, the leaders approved a more targeted initiative-the Transatlantic Economic trade Partnership-to strengthen and extend "multilateral and bilateral cooperation and common actions in the field of trade and investment."<sup>4</sup> The aim of the TEP is to facilitate trade on a bilateral basis and to strengthen the multilateral trading system through cooperation in the run-up to the next WTO Ministerial Conference in 1999. To carry out these bilateral and multilateral initiatives, the TEP calls for the participation of business, labor, consumers, environment, and other nongovernmental organizations (NGOs) in the process. The United States and the EU agreed to draw up a joint

<sup>&</sup>lt;sup>1</sup> For more information on the NTA, see U.S.

<sup>&</sup>lt;sup>2</sup> "Transatlantic Agenda," found at Internet address http://www.eurunion.org, retrieved Oct. 30, 1998.

<sup>&</sup>lt;sup>3</sup> European Commission Delegation, Office of Press and Public Affairs, "European Commission Backs New Transatlantic Marketplace," *European Union News*, Mar. 11,

Transatlantic Marketplace," European Union News, Mar. 11, 1998.

<sup>&</sup>lt;sup>4</sup> "The Transatlantic Economic Partnership," May 18, 1998, found at Internet address http://www.useu.be, retrieved Oct. 30, 1998.

action plan with a specific timetable for achieving concrete results by the year  $2000.^5$ 

On the bilateral front, U.S. and EU officials agreed under the TEP to reduce or eliminate barriers to trade and investment, with a particular emphasis on the removal of regulatory barriers facing both goods and services. Included in the plan will be efforts to improve scientific and regulatory cooperation in agriculture, including biotechnology and food safety. Building on past success, both sides agreed to negotiate more mutual recognition agreements to reduce standardsrelated barriers to trade in goods sectors, but also in services. Leaders further agreed to improve the protection of intellectual property, reduce its costs, and facilitate access to public procurement markets by enhancing the compatibility of electronic procurement information and government contracting systems. Multilaterally, the United States and the EU pledged to strengthen the multilateral trading system and liberalize trade. They listed shared objectives, including full implementation of WTO commitments, development of "ambitious negotiating agendas" when market-opening WTO talks begin for agriculture and services, reduction of industrial tariffs on a normal trade relations (NTR) basis, further improvement in intellectual property protection, development of a WTO work program for electronic commerce, advancing core labor standards on an international basis, and the development of common approaches in appropriate multilateral forums on investment, competition, public procurement, and trade and the environment.6

In the months following the May summit, U.S. and EU officials worked together to complete a joint action plan, or agenda, for implementing the TEP. Remaining issues, such as how to strengthen intellectual property protection and liberalize government procurement, were resolved in early November. On November 9, the EU's General Affairs Council approved the action plan, permitting the European Commission to enter into negotiations with the United States. Leaders formally launched TEP negotiations at the U.S.–EU semiannual summit on December 18.

The action plan requires both cooperative actions and actual trade negotiations. Multilaterally, the United States and the EU agreed to meet regularly "to reach

a closer understanding on the key issues" that will be raised during the next round of multilateral trade negotiations and to "coordinate approaches and objectives wherever possible across the agenda . . . . "7 Bilaterally, both sides agreed to remove regulatory barriers to trade through closer cooperation between regulators and negotiation of mutual recognition agreements in new sectors, including service sectors such as engineers. In the areas of food safety, plant and animal health, and biotechnology, the plan calls for increased regulatory and scientific cooperation, including an "early warning" food-safety system that would inform each side of the legislative/regulatory initiatives of the other. With respect to government procurement, the two sides will seek "balanced expansion of market access opportunities for their [including] cooperation to companies ensure compatibility between each other's electronic procurement notification and tendering systems." The United States and the EU will work together to improve the protection of intellectual property and will pursue both short-term goals, such as reducing the costs of patent protection, and long-term goals, such as examining the appropriate means to grant patent protection to inventions related to computer programs. Most target dates for completion of bilateral activities are set for the end of 1999 or earlier.<sup>8</sup>

To gain the "broadest possible support" for trade policies,9 the TEP action plan calls for the formation of the Transatlantic Environment Dialogue to join the Transatlantic Business Dialogue (TABD), as well as the new Transatlantic Labor Dialogue and new Transatlantic Consumer Dialogue. The purpose of these groups is to provide organized, considered input into the TEP process and each of the TEP initiatives. Formed in 1995, the TABD-comprising top U.S. and EU business leaders-was the first of the advisory groups to be established. Since then, it has actively participated in shaping the U.S.-EU trade relationship identifying business priorities for bv trade liberalization and developing practical recommendations on how to improve the Transatlantic

<sup>&</sup>lt;sup>5</sup> Ibid.

<sup>&</sup>lt;sup>6</sup> The White House, Office of the Press Secretary, "New Transatlantic Economic Partnership to Accelerate Trade Growth," and Fact Sheet, "Building a Stronger World Community: The Transatlantic Economic Partnership," May 18, 1998; and "The Transatlantic Economic Partnership," May 18, 1998, found at Internet address http://www.useu.be, retrieved Oct. 30, 1998.

<sup>&</sup>lt;sup>7</sup> European Commission Delegation, Office of Press and Public Affairs, "EU Foreign Ministers Endorse EU–US Action Plan for Transatlantic Economic Partnership," *European Union News*, Nov. 9, 1998.

<sup>&</sup>lt;sup>8</sup> "Transatlantic Economic Partnership Action Plan," Nov. 9, 1998, found at Internet address http://europa.eu.int/comm/dg01/1109tep.htm, retrieved Jan. 5, 1999; and USTR, "United States and European Union Conclude Joint Action Plan for the Transatlantic Economic Partnership," press release 98–99 and Fact Sheet, Nov. 9, 1998.

<sup>&</sup>lt;sup>9</sup> USTR, "Statement by United States Trade Representative Charlene Barshefsky Concerning the U.S.–EU Summit Trade Discussions," press release 98–112, Dec. 18, 1998.

Marketplace. In 1998, it developed a scorecard approach to monitor progress on TABD recommendations and found that concrete actions had been taken on one-third of its recommendations and that more than one-half were under active discussion. The new groups, representing environmental, labor, and consumer views, are likely to be modeled after the TABD.

## Bananas

The EU banana regime, which entered into force on July 1, 1993,<sup>10</sup> favors bananas from domestic producers and from former European colonies in Africa, the Caribbean, and the Pacific (ACP countries) over non–ACP bananas from Latin America. The regime imposes duty and quota restrictions on imports of non–ACP bananas, such as those from Central and South American countries, and limits the amount of non–ACP bananas that can be marketed at the in–quota duty rate by traditional operators, including U.S. companies.<sup>11</sup> Although the United States exports virtually no bananas, the licensing system has adversely affected U.S. banana distribution companies, such as Chiquita and Dole Foods.<sup>12</sup>

In 1994, a GATT dispute panel found that the EU banana regime was inconsistent with EU obligations under the GATT, but the report was never adopted because it was blocked by the EU. In 1996, Ecuador, Guatemala, Honduras, Mexico, and the United States requested a WTO dispute-settlement panel to examine the EU regime for the importation, sale, and distribution of bananas. The 1997 Panel Report and subsequent Appellate Report ruled the EU banana regime inconsistent with GATT 1994 and the General Agreement on Trade in Services (GATS) "on over a dozen counts."<sup>13</sup> The reports also found the EU in violation of the WTO Agreement on Import Licensing Procedures. The WTO granted the EU 15 months, from September 25, 1997, to January 1, 1999, to comply with WTO obligations.

On January 14, 1998, the European Commission proposed to modify the banana regime and forwarded

<sup>10</sup> EC Council Regulation 404/93.

its proposal to the EC Council for its consideration. (The EC Council's approval is required before a European Commission proposal can be implemented.) The new regime, the European Commission claimed, would allow the EU to honor its WTO obligations as well as its commitments to the ACP nations under the Fourth Lomé Convention, a trade and aid pact between the EU and ACP countries. Highlights of the modified banana regime proposal included the following:<sup>14</sup>

- Maintains the Latin American banana tariff-rate quota at the current level of 2.2 million metric tons at the current rate of duty, ECU 75/ton, and maintains the duty of ECU 765/ton on imports beyond the quota.
- Establishes a new, autonomous Latin American tariff-rate quota of 353,000 tons at a duty rate of ECU 300/ton, to account for EU enlargement (Austria, Finland, and Sweden joined the EU in 1995) and to ensure sufficient market supply.
- Allocates a percentage of the tariff-rate quota to exporting countries with a "substantial interest" in the market for bananas, while other suppliers would have access to the remaining share of the quota.
- Maintains a maximum quantity allowance of 857,700 metric tons at a zero duty for traditional ACP imports.
- Abolishes the current licensing system and replaces it with a "traditional/newcomer system."

On February 10, 1998, the United States Trade Representative (USTR) determined under section 304 of the Trade Act of 1974 that the EU banana regime discriminates against U.S. banana–marketing companies and distorts international banana trade, which deny benefits entitled to the United States under GATT 1994 and the General Agreement on Trade in Services. At the same time, the USTR terminated the section 301 investigation that was initiated in 1995, in light of the EU's stated intention to "comply with its international obligations and to implement all the

<sup>&</sup>lt;sup>11</sup> For more background, see U.S. International Trade Commission, *The Year in Trade: OTAP, 49th report, 1997*, USITC Publication 3103, May 1998, pp. 99–100.

<sup>&</sup>lt;sup>12</sup> U.S. Department of State telegram, "Bananas: Status and Summary," message reference No. 105004, prepared by U.S. Department of State, Washington, June 11, 1998.

<sup>&</sup>lt;sup>13</sup> USTR, "USTR Barshefsky Reacts to EC Banana Decision," press release 98–63, June 26, 1998.

<sup>&</sup>lt;sup>14</sup> European Commission Delegation, Office of Press and Public Affairs, "European Commission Proposes to Modify the EU Banana Regime," *European Union News*, Jan. 15, 1998.

rulings and recommendations in the WTO reports  $\ldots$  .<sup>'15</sup> However, throughout the year, the USTR continued to monitor the EU's implementation of the WTO rulings, as required under section 306 of the Act.<sup>16</sup>

During spring 1998, the United States and Latin American complainants, including Ecuador, Guatemala, Honduras, Mexico, and Panama,<sup>17</sup> raised concerns about the consistency of the European Commission's proposal with WTO commitments. One of the major U.S. concerns was the continued violation of GATT article XIII (nondiscriminatory administration of quantitative restrictions) through the EU's use of two "separate regimes." More specifically, the EU allocates shares of its banana market to Latin American countries using one set of criteria and allocates shares to ACP countries using another set of criteria. According to U.S. officials, to be WTO-compatible, the EU must adopt a single tariff-rate quota covering all suppliers and must allocate shares of the tariff-rate quota among supplying countries based on the same appropriate set of criteria.18

Despite numerous U.S. attempts to persuade EU and member–state officials that the EC Commission proposal was inadequate,<sup>19</sup> on June 26 the EC Agriculture Council approved the modified banana regime.<sup>20</sup> Frans Fischler, Commissioner of Agriculture and Rural Development, said the new agreement "fully respects our WTO obligations while also ensuring European Union consumer and producer interests are respected together with our obligations to ACP countries."<sup>21</sup> The approved regime had few revisions, most notably:<sup>22</sup>

<sup>19</sup> See for example, the time line in USTR, "USTR Announces List of European Products Subject to Increased Tariffs," press release 98–113, Dec. 21, 1998.

<sup>20</sup> The Agriculture Council formally adopted the new banana regime (EC Council Regulation 1637/98) on July 20, 1998.

<sup>21</sup> European Commission, ""Agriculture Council Agreement is Well Balanced," Franz Fischler," press release IP/98/575, June 26, 1998, found at Internet address http://europa.eu.int/rapid, retrieved Oct. 26, 1998.

<sup>22</sup> Ibid.; and "2110<sup>th</sup> Council Meeting Agriculture, Luxembourg, 22/23/24/25 June 1998," press release Pres/98/214, July 7, 1998, found at Internet address http://europa.eu.int/rapid, retrieved Oct. 26, 1998.

- The autonomous tariff-rate quota of 353,000 tons would face a rate of duty of ECU 75/ton, consistent with the tariff-rate quota of 2.2 million tons.
- Licenses would be distributed to "actual importers on the basis of the presentation of a utilized import license and/or, in particular in the case of new member states, equivalent proofs, where necessary," using the 3 years, 1994–96, as the reference period for determining operators' rights.

Pursuant to the new regulation, the EC Commission adopted the new licensing arrangement for bananas on October 28.<sup>23</sup>

Immediately following the Agriculture Council's decision, USTR Barshefsky charged that the new regime "would perpetuate WTO violations [and that] the United States will not hesitate to exercise its full rights under the WTO and take all available actions to protect U.S. interests, [including] the withdrawal of concessions."24 In July, September, and November, the United States tried to reconvene the original WTO dispute-settlement panel to rule on the EU's new banana regime, but "each time the EC either outright refused or imposed unacceptable conditions."25 In its request on November 19,<sup>26</sup> the United States proposed that the EU agree to reconvene the original panel to make a ruling on an expedited basis-by January 15, 1999-but the EU responded that it would not cooperate as long as the United States continued to threaten retaliation.27

On November 10, the USTR published a notice in the *Federal Register* requesting public comments on a proposed list of EU products that would face retaliatory tariffs of 100 percent ad valorem should the EU fail to implement a WTO–consistent regime by January 1, 1999.<sup>28</sup> The list included certain cheeses, wines, candles, handbags, apparel, household

<sup>&</sup>lt;sup>15</sup> 63 F.R. 8248–49.

<sup>&</sup>lt;sup>16</sup> Ibid.

<sup>&</sup>lt;sup>17</sup> Panama was not among the original complainants in the WTO dispute because it was not a WTO member at that time.

<sup>&</sup>lt;sup>18</sup> U.S. Department of State telegram, "Bananas: Status and Summary," message reference No. 105004, prepared by U.S. Department of State, Washington, DC, June 11, 1998.

<sup>&</sup>lt;sup>23</sup> EC Commission Regulation 2362/98.

<sup>&</sup>lt;sup>24</sup> USTR, "USTR Barshefsky Reacts to EC Banana Decision," press release 98–63, June 26, 1998.

<sup>&</sup>lt;sup>25</sup> USTR, "United States To Apply Its WTO Retaliatory Rights in Bananas Case," press release 99–01, Jan. 14, 1999.

<sup>&</sup>lt;sup>26</sup> USTR, "USTR Proposes Expedited Ruling on New EU Banana Regime," press release 98–101, Nov. 19, 1998.

<sup>&</sup>lt;sup>27</sup> European Commission Delegation, Office of Press and Public Affairs, "Brittan Urges US To Pursue WTO Dispute Settlement Procedures On EU Banana Regime," *European Union News*, Nov. 20, 1998. For an overview of the EU position, see European Union, "The US/EU Banana Dispute: Unilateral US Retaliation Not in Line with WTO Rules and Politically Unwise, Sir Leon Brittan Says," press release 96/98, Nov. 10, 1998, found at Internet address http://www.eurunion.org/news/press/1998–4/pr96–98.htm, retrieved Nov. 12, 1998.

<sup>&</sup>lt;sup>28</sup> 63 F.R. 63099.

appliances, and toys. The USTR published the final, definitive list of products subject to retaliation on December 21.<sup>29</sup> The list includes pecorino cheese, sweet biscuits, bath preparations, candles, plastic plates and sheets, handbags, wallets, felt paper, folding cartons, greeting cards, lithographs, cashmere sweaters, bed linen, batteries, coffee and tea makers, and chandeliers. Pork was later added to the list. The list of products does not affect U.S. imports from the Netherlands or Denmark "in recognition of their voting records against the adoption of the new EU banana regime."<sup>30</sup>

In the meantime, on December 15 at a meeting of the WTO's Dispute Settlement Body (DSB), the EU requested that a panel be established "to determine that the implementing measures of the EC must be presumed to conform to WTO rules unless challenged in accordance with Dispute Settlement Understanding (DSU) procedures."<sup>31</sup> On December 18, Ecuador requested that the original panel be reconvened to examine the WTO–consistency of the modified banana regime and "in addition to issuing its rulings, suggest how the European Communities might implement its recommendations."<sup>32</sup> On January 12, 1999, the DSB agreed to reconvene the original panel to examine both Ecuador's and the EU's requests.<sup>33</sup>

Two days later, on January 14, the United States formally notified the WTO's DSB of its intention to request authorization to retaliate against the EU at the January 25 meeting of the DSB. The retaliatory measures were valued at \$520 million, "an estimate of the annual harm done to the U.S. economy resulting

<sup>31</sup> WTO, "Overview of the State–of–Play of WTO Disputes," found at Internet address http://www.wto.org/wto/dispute/bulletin.htm, retrieved from the EC's banana regime."<sup>34</sup> Following a week–long impasse during which procedural maneuvers prevented the January 25 DSB meeting from taking place, the United States and the EU agreed on next steps. On January 29, the EU challenged the amount of the retaliatory measures and requested arbitration under article 22.6 of the DSU. In addition to determining the WTO–consistency of the new EU regime, the original panel was reconvened to arbitrate the level of the suspension. Only after arbitration is concluded will the U.S. request to suspend tariff concessions be authorized by the DSB.<sup>35</sup>

The U.S.–EU banana dispute is the first major controversial case to progress so far through the WTO's dispute–settlement system, established under the 1995 DSU.<sup>36</sup> In addition to raising procedural questions, the United States, as well as other WTO members, have voiced concerns that the EU's failure to implement the panel reports, as well as the Appellate Body reports, may undermine the integrated dispute–settlement system that is the foundation for enforcing WTO multilateral trade rules.<sup>37</sup>

<sup>36</sup> In 1999, the United States has expressed concern that another dispute with the EU could similarly escalate if the EU does not implement WTO recommendations against its ban on meat from animals treated with growth–romoting hormones by May 13, 1999, as scheduled. For more background on this issue, see U.S. International Trade Commission, *The Year in Trade:OTAP, 49th report, 1997*, USITC Publication 3103, May 1998, pp. 101–102.

<sup>37</sup> USTR, "USTR Announces List of European Products Subject to Increased Tariffs," press release 98–113, Dec. 21, 1998; and WTO, "EC, US Accept Ruggiero Compromise on Banana Dispute," found at Internet address http://www.wto.org/wto/new/dsweb.htm, retrieved Feb. 9, 1999.

<sup>&</sup>lt;sup>29</sup> USTR, "USTR Announces List of European Products Subject to Increased Tariffs," press release 98–113, Dec. 21, 1998.

<sup>&</sup>lt;sup>30</sup> Ibid.

Jan. 22, 1999.

<sup>&</sup>lt;sup>32</sup> WTO, "European Communities–Regime for the Importation, Sale and Distribution of Bananas," WT/DS27/41, Dec. 18, 1998, found at Internet address http://www.wto.org/wto/new/27\_41.htm, retrieved Jan. 22, 1999.

<sup>&</sup>lt;sup>33</sup> The panel reports were circulated April 12, 1999. The panel requested by the EU found it could not agree with the EU's position that it must be presumed to be in compliance with DSB recommendations, since Ecuador had actually challenged the WTO–consistency of the EU's modified banana regime. With respect to the panel requested by Ecuador, the panel found that the EU's modified banana regime was not fully compatible with the EU's WTO obligations. See, WTO, "Overview of State–of–play of WTO Disputes," found at Internet address http://www.wto.org/wto/dispute/bulletin.htm, retrieved Apr. 14, 1999.

<sup>&</sup>lt;sup>34</sup> USTR, "United States to Apply its WTO Retaliatory Rights in Bananas Case," press release 99–01, Jan. 14, 1999. See also WTO, "European Communities Regime for the Importation, Sale and Distribution of Bananas," WT/DS27/43, Jan. 14, 1999.

<sup>&</sup>lt;sup>35</sup> WTO, "EC, US Accept Ruggiero Compromise on Banana Dispute," found at Internet address http:// www.wto.org/wto/new/dsweb.htm, retrieved Feb. 9, 1999. On March 2, the arbitration panel was scheduled to rule; however, it said it would need more time to make a decision. On March 3, the U.S. Customs Service began "withholding liquidation" on selected imports from the EU valued at over \$500 million. The arbitrator's report, circulated April 9, found that the level of suspension was equal to \$191.4 million, rather than \$520 million. As a result, the USTR refined its list of products subject to retaliatory tariffs of 100 percent ad valorem to include bath preparations, certain handbags and wallets, felt paper and paperboard, lithographs, bed linens, batteries, and coffee and tea makers not from Italy. The DSB authorized the U.S. suspension of tariff concessions on April 19, the first time the WTO has authorized retaliation. The United States imposed the retaliatory duties retroactive to March 3. USTR, "USTR Announces Final Product List in Bananas Dispute," press release 99-35, Apr. 9, 1999.

## **Other Issues**

### **Mutual Recognition Agreements**

After years of negotiations, in 1997 the United States and the EU concluded a mutual recognition agreement (MRA) covering six sectors: (1)telecommunications and information technology and electromagnetic equipment, (2) network compatibility (EMC) for electrical products, (3) electrical safety for electrical products, (4) good manufacturing practices (GMP) for pharmaceutical products. (5) GMP and product assessment for certain medical devices, and (6) safety of recreational craft.<sup>38</sup> The MRA establishes conditions under which regulatory authorities in the United States and the EU will directly accept the results of conformity assessment procedures (e.g., testing, inspecting, and certifying) generated by bodies in the other party, obviating the need for costly and sometimes duplicative tests and inspections. U.S. and EU officials formally signed the MRA on May 18, 1998, at the semiannual U.S.-EU summit. It was scheduled to be implemented on October 1, 1998, but entry into force was delayed because of some technical issues. For example, because of recent U.S. legislation, four specific medical devices had to be removed from the agreement's scope. On October 30, U.S. and EU officials exchanged side letters that resolved the remaining issues.<sup>39</sup> The MRA entered into force on December 1, 1998, launching confidence-building transition periods of 2-3 years, depending on the sector.

Under the TEP, U.S. and EU leaders agreed to "identify specific sectors in which an extension of the current MRA appears feasible and desirable."<sup>40</sup> The TABD (see above) strongly supports MRA expansion to reduce transatlantic regulatory barriers. As part of this process, on December 9, USTR published a *Federal Register* notice requesting comments on three sectors: marine safety equipment, road safety equipment, and calibration services. U.S. officials are considering proposing to the EU the extension of the agreement to these sectors early in 1999.<sup>41</sup>

The United States and the EU concluded a Veterinary Equivalence Agreement (VEA) in April 1997, but by year-end 1998 it had not yet been implemented.<sup>42</sup> The VEA establishes a mechanism for recognizing the equivalence of U.S. and EU sanitary measures affecting trade of virtually all live animals and animal products. In March 1998, the EU's Agriculture Council approved the agreement in principle, but made its signature contingent on U.S. publication of a proposed rule on regionalization that Council agrees is consistent with U.S. the commitments. The EU's policy of regionalization allows animals and animal products from regions determined to be disease-free to be traded without impediment, even though other regions of a given EU member state are still found to contain an infection. For most of the 17 diseases covered by the VEA's regionalization obligation, the United States recognizes the EU's regional animal health status as defined by the EU. However, near the end of the year, a U.S. finding on the regional status of one of the diseases differed from that of the EU. As a result, the United States has not yet published a rule on regionalization, and the VEA remains stalled.43

### Specified Risk Material Ban

In July 1997, the European Commission adopted a decision that banned the use of certain animal byproducts known as "specified risk materials" (SRMs) in food; feed; and medical, pharmaceutical, and cosmetic products.<sup>44</sup> The ban grew out of a concern over the risk of transmission to humans and other animals of bovine spongiform encephalopathy (BSE), commonly referred to as mad–cow disease. The ban was originally scheduled to enter into effect on January 1, 1998, but was delayed until April 1, 1998, and subsequently until January 1, 1999. EU member states have opposed the ban because it would be too

<sup>&</sup>lt;sup>38</sup> For an in–depth discussion of the MRA, see U.S. International Trade Commission, *The Year in Trade: OTAP*, 49<sup>th</sup> report, 1997, USITC publication 3103, May 1998, pp. 95–97.

<sup>&</sup>lt;sup>39</sup> U.S. Department of State telegram, "Mutual Recognition Agreement (MRA) – Exchange of Notes Verbales and Side Letters," message reference No. 6666, prepared by U.S. Mission to the EU, Brussels, Nov. 3, 1998.

<sup>&</sup>lt;sup>40</sup> "Transatlantic Economic Partnership Action Plan," Nov. 9, 1998, found at Internet address http://europa.eu.int./comm/dg01tep.htm, retrieved Jan. 5,

http://europa.eu.int./comm/dg01tep.htm, retrieved Jan. 5 1999.

<sup>&</sup>lt;sup>41</sup> 63 F.R. 67973–67975.

<sup>&</sup>lt;sup>42</sup> For an in–depth discussion of the VEA, see U.S. International Trade Commission, *The Year in Trade: OTAP*, 49<sup>th</sup> report, 1997, USITC publication 3103, May 1998, pp. 102–103.

<sup>&</sup>lt;sup>43</sup> U.S. Department of State telegram, "U.S.–EU Veterinary Equivalency Agreement Hits Snag," message reference No. 7132, prepared by U.S. Mission to the EU, Brussels, Nov. 23, 1998.

<sup>&</sup>lt;sup>44</sup> 97/534/EC, Commission Decision of 30 July 1997 on the prohibition of the use of materials presenting risks as regards transmissible spongiform encephalopathy, *Official Journal of the European Communities (OJ)* L 216, p. 95. For more background, see USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 103–104.

restrictive and apply to products irrespective of a country's or member state's level of risk for BSE.<sup>45</sup> The United States has also criticized the ban. Because tallow, tallow derivatives, and gelatin are widely used in the manufacture of food, pharmaceuticals, and cosmetics, U.S. exports could be seriously affected. Moreover, there have been no known cases of BSE in the United States.<sup>46</sup>

In November, the European Commission proposed a regulation that would provide the legal basis for the prevention and control of certain transmissible spongiform encephalopathies (TSEs).<sup>47</sup> The proposal addresses human and animal health aspects of food and feed production relating to the risks of exposure to all TSEs and does not apply to industrial, cosmetic, or pharmaceutical products or to medical devices. It treats national trade, intra–EU trade, imports, and exports in an equivalent manner. After analysis of relevant data, member states and non–EU countries will be placed in one of four categories defining their level of TSE risk. The proposal's requirements for the removal and destruction of SRMs will differ among countries, depending on the level of TSE risk.<sup>48</sup>

The legislative process required to implement this regulation is expected to take between 18 months and 2 years. In the absence of an agreed alternative approach, the EU Agriculture Council postponed implementation of the SRM ban from January 1, 1999, until December 31, 1999.

#### **Data Privacy**

On October 25, 1998, a new EU directive on the protection of personal data<sup>49</sup> entered into effect. Such data can be collected by companies from a broad variety of activities, such as telephone calls, credit card transactions, and magazine subscriptions. The directive ensures "both a high level of protection for the privacy of individuals in all member states and the free

movement of personal data within the EU."<sup>50</sup> It permits data transfers only to non–EU countries that are judged to provide an adequate level of protection. U.S. and EU officials have been meeting regularly to work out a plan that would ensure that the United States, which prefers company–based self–regulation on data privacy issues, provides effective protection. Details concerning the rights of individuals to access personal data also remain at issue. Both sides hope to resolve the dispute by June 1999. In the meantime, while negotiations continue, the United States remains concerned that data flows to the United States could be interrupted.

# Canada

On January 1, 1998, one of the goals of the U.S.-Canada Free Trade Agreement-duty-free status for goods originating in the United States and Canada—was accomplished.<sup>51</sup> Given the volume of trade between the two countries, a free trade agreement will not resolve all bilateral trade difficulties, and a certain number of issues will inevitably receive substantial attention and be considered significant. Among such issues in 1998 were the continuing dispute involving Canadian magazines, previously adjudicated through the dispute settlement mechanism of the WTO, and the successful completion of negotiations toward a bilateral agricultural agreement. Agriculture has been an area of unfinished business, not only with respect to the NAFTA, but also with respect to the Uruguay Round Agreements of the WTO.

# Magazines

#### **Background**

The issue of split–run magazines (i.e., U.S. publications with a Canadian version, printed in the United States for distribution and sale in Canada, e.g.,

<sup>&</sup>lt;sup>45</sup> "Animal and Public Health: Commission Tables Two New Proposals on SRMs and TSEs," *European Report*, Nov. 21, 1998, p. IV–2.

<sup>&</sup>lt;sup>46</sup> USTR, 1998 National Trade Estimate Report on Foreign Trade Barriers, p. 104.

 $<sup>^{47}</sup>$  TSE is a broader veterinary rubric than BSE and can include sheep, goats, etc., and in addition to cattle.

<sup>&</sup>lt;sup>48</sup> European Commission Delegation, Office of Press and Public Affairs, "European Commission Approves Measures on BSE and TSE," *European Union News*, Nov. 18, 1998; and U.S. Department of State telegram, "EU TSE and BSE Proposed Legislation," message reference No. 7070, prepared by U.S. Mission to the EU, Brussels, Nov. 19, 1998.

<sup>&</sup>lt;sup>49</sup> Directive 95/46/EC, *OJ* L 281, Nov. 23, 1995.

<sup>&</sup>lt;sup>50</sup> European Commission Delegation, Office of Press and Public Affairs, "EU Directive on Personal Data Protection Enters Into Effect," *European Union News*, Oct. 23, 1998.

<sup>&</sup>lt;sup>51</sup> Duty-free status exists for most bilaterally traded goods, except for certain agricultural goods. The U.S.-Canada Free Trade Agreement (CFTA) was signed in 1988 and allowed for successive duty reductions over a 10-year period. It entered into force in January 1989. January 1, 1994, marked the entry into force of the North American Free Trade Agreement (NAFTA). The timetable for duty reductions and most of the terms of the CFTA were incorporated into the NAFTA.

*Sports Illustrated Canada*)<sup>52</sup> has been of concern to Canadian officials for some time. Such publications have been banned at the border for the past 30 years. However, a new age of technology now allows this approach to be hurdled electronically. Consequently, in December 1995, in order to discourage further split–run publications in Canada and justified as protecting cultural interests, Canada imposed a tax of 80 percent on the advertising revenue of these separate Canadian editions. The United States argued that the action was discriminatory and contrary to WTO rules. The United States filed a complaint to the WTO DBS on March 11, 1996, which issued its final report on March 14, 1997.

While the U.S. complaint outlined four distinct measures that Canada used to discriminate against foreign magazines, the Panel Report upheld only one. After Canada appealed the Panel Report, the WTO Appellate Body upheld the fourth violation, a discriminatory postal subsidy program to aid Canadian–produced magazines.<sup>53</sup> On August 29, 1997, Canada pledged to abide by the WTO decision. It had approximately 15 months to come into compliance, the deadline being October 30, 1998.<sup>54</sup>

#### **1998 Developments**

March 1998, six months In into the WTO-established period of time for compliance, Canada submitted its first status report on the implementation of the modified Appellate Body Report. While the report contained a description of Canada's domestic progress, information on the procedures that it was pursuing in order to conform to the panel and appellate reports was not included. Specifically, the report lacked information on the steps that Canada was taking to reform the postal rates and contained no information on the substance of the changes that Canada planned to make with respect to the three other measures at issue. There was no

indication that Canada had drafted or proposed any legislative changes.  $^{55}\,$ 

On April 22, Canada provided the WTO DSB with its second report. In a separate statement, Canada assured the DSB that progress was being made and that changes to the excise tax law and the postal subsidy code, as well as regulations governing imports of split–run magazines, were being drafted. However, the United States continued to seek more specific information on the intermediate steps and timetables for each step in the process.<sup>56</sup>

In June, Canada submitted its third progress report to the DSB. This report was Canada's shortest report to date, stating only that implementation was under consideration at the highest levels of the Canadian Government. Canada also indicated in the report that it planned to be in compliance by the October 30 deadline for implementation. Still, Canada did not submit an outline of the changes that it was considering in the reformation of the "GATT–inconsistent regime."<sup>57</sup>

On July 29, 1998, Canadian officials announced detailed actions that would bring their policy on periodicals into conformity with the WTO ruling. Specifically, Canada would (1) remove the existing customs tariff prohibiting the importation of "split-run" magazines, (2) suspend its 1995 special excise tax on split-run magazines run in Canada, (3) modify its postal rates and subsidies for magazines by making payments directly to magazine publishers, and (4) harmonize the commercial postal rate for domestic and foreign publications. At the same time, Canada announced that it would remove the measures against split-run magazines and replace these measures with new legislation. The new legislation, to be introduced in late September 1998, would prohibit foreign magazine publishers from selling advertising directed at the Canadian market.<sup>58</sup> This privilege was to be reserved for Canadian magazine publishers. Canada

<sup>&</sup>lt;sup>52</sup> "Split–run magazines are periodicals sold both in Canada and abroad, in which the Canadian editions contain advertisements directed at a Canadian audience." USTR, "United States Prevails in WTO Case Challenging Canada's Measures Restricting Magazine Exports," press release 97–22, Mar. 14, 1997.

<sup>&</sup>lt;sup>53</sup> USTR, "USTR Criticizes Proposed Canadian Action to Continue Restrictions on Market Access for Magazines," press release 98–91, Oct. 9, 1998.

<sup>&</sup>lt;sup>54</sup> For an-in-depth description of previous events of the Canadian case of magazines, see USITC, The Year in Trade: OTAP, 49<sup>th</sup> report, USITC publication 3103, May 1998, pp. 92–93.

<sup>&</sup>lt;sup>55</sup> U.S. Department of State telegram, "WTO Dispute Settlement Body Meeting 25 March 1998: Instructions," message reference No. 53159, prepared by Secretary of State, Vashington, DC, Mar. 25, 1998.

<sup>&</sup>lt;sup>56</sup> U.S. Department of State telegram, "WTO Dispute Settlement Body Meeting 22 April 1998," message reference No. 2877, prepared by U.S. Mission, Geneva, Apr. 29, 1998.

<sup>57</sup> U.S. Department of State telegram, "WTO Dispute Settlement Body Meeting 22 June 1998: Instructions for U.S. Delegation," message reference No. 111949, prepared by Secretary of State, Washington, DC, June 20, 1998.

<sup>&</sup>lt;sup>58</sup> Government of Canada news release, "New Advertising Services Measure to Promote Canadian Culture," found at Internet address *http://www.pch.gc.ca/wn-qdn/culture/english/htm*, dated July 29, 1998, retrieved Jan. 6, 1998.

maintained that its new legislation is consistent with the antidiscrimination provisions of the GATS rather than the GATT, arguing that advertising is a service rather than a good.<sup>59</sup> USTR Ambassador Charlene Barshefsky expressed the U.S. disappointment in the Canadian action, stating, "Regrettably, the approach outlined by the Canadian government appears simply to represent a new prohibition against U.S. companies' ability to do business in Canada." USTR Barshefsky went on to explain, "Such an approach would be every bit as inconsistent with Canada's international trade obligations as its current discriminatory practices."<sup>60</sup>

On October 8, 1998, Cultural Heritage Minister Sheila Copps introduced this new legislation, bill C-55, the Foreign Publishers Advertising Services Act, in the House of Commons. The legislation states, "No foreign publisher shall supply advertising services directed at the Canadian market to a Canadian advertiser or a person acting on their behalf." Canadian Cultural Heritage officials would investigate any alleged infractions of the new law, the first step of enforcement being a letter from the Minister to the publisher. Unwillingness to abide by the law could lead to a civil court injunction; a summary criminal conviction (C\$50,000 fine); or, in the case of an "egregious and knowing offence," a fine of C\$250,000. The new legislation does permit "grandfathered" magazines to continue to operate at capacity similar to that of the previous 12 months.<sup>61</sup>

While the United States opposed the legislation, claiming that it perpetuates the previous law, bill C–55 went to "second reading" in the House of Commons on October 22, 1998.<sup>62</sup> U.S. Ambassador Hayes stated, "The bill is openly protectionist and discriminatory .... It leaves foreign–produced split–run periodicals precisely where they have been for the past 30 years – shut out of the Canadian market."<sup>63</sup> Ambassador Barshefsky concurred, asserting that the new legislation appears to "represent a new prohibition

against U.S. companies' ability to do business in Canada."<sup>64</sup> Ambassador Barshefsky announced on October 30 that the United States will not allow Canada to re–create "exclusionary and anticompetitive policies" and will retaliate by denying trade benefits to Canada.

In early November, the House of Commons Standing Committee on Canadian Cultural Heritage finished hearing testimonies from witnesses on the subject of bill C–55. Advertisers' representatives presented the House of Commons with their concerns, the consistency of the legislation in respect to the WTO and Canadian constitutional freedoms. However, on November 26, publishers' representatives spoke on the issue, dismissing these concerns. As such, bill C–55 was set to receive final consideration and passage on November 30, 1998, and was projected to enter into force in mid–December.<sup>65</sup>

On December 3, the U.S. Embassy in Ottawa communicated to the USTR that "based on assurances from knowledgeable, high–level Canadian officials," bill C–55 would not become law during the then–current session of Parliament, which concluded on December 11, 1998. Consequently, the bill's entry was delayed. The earliest the bill would be able to enter into force would be when Parliament reconvened in February 1999.<sup>66,67</sup>

# Bilateral Progress: U.S.–Canada Agriculture Agreement

On September 3–4, the U.S. Under Secretary of Agriculture, August Schumacher, the U.S. Ambassador to Canada, Gordon D. Giffin, and other U.S. officials met with Canadian representatives from the Department of Foreign Affairs and International Trade (DFAIT), and the Canadian Alliance of Agrifood Exporters. The purpose of the meeting was to discuss the future of U.S.–Canadian agricultural trade. Shumacher outlined three main themes, each important

<sup>&</sup>lt;sup>59</sup> U.S. Department of State telegram, "WTO Dispute Settlement Body Meeting 21 October 1998: Instructions," message reference No. 194965, prepared by Secretary of State, Washington, DC, Oct. 21, 1998.

<sup>&</sup>lt;sup>60</sup> USTR, "Canada's Initiative on Magazines Looks Like Same Old Story," press release 98–70, July 29, 1998.

<sup>&</sup>lt;sup>61</sup> U.S. Department of State telegram, "Magazines: New Canadian Advertising Legislation," message reference No. 3726, prepared by U.S. Embassy, Ottawa, Oct. 9, 1998.

<sup>&</sup>lt;sup>62</sup> U.S. Department of State telegram, "Magazines: Update on New Canadian Legislation," message reference No. 3855, prepared by U.S. Embassy, Ottawa, Oct. 22, 1998.

<sup>&</sup>lt;sup>63</sup> USIS Washington File, "USTR's Hayes on Canada Magazine Dispute," found at Internet address *http://www.usembassycanada.gov/canmag2.htm*, dated Oct. 21, 1998, retrieved Jan. 4, 1999.

<sup>&</sup>lt;sup>64</sup> Ibid.

<sup>&</sup>lt;sup>65</sup> U.S. Department of State telegram, "Magazines: Committee Hearings Conclude," message reference No. 4265, prepared by U.S. Embassy, Ottawa, Nov. 27, 1998.

<sup>&</sup>lt;sup>66</sup> U.S. Department of State telegram, "Magazine Bill Will Not Pass in 1998," message reference No. 4334, prepared by U.S. Embassy, Ottawa, Dec. 3, 1998.

<sup>&</sup>lt;sup>67</sup> In early 1999, the United States warned Canada of possible retaliation. If Ottawa proceeds with protectionist and discriminatory legislation, the United States threatened to block products from four industries, steel, textiles and apparel, wood products, and plastics, from U.S. market access. Bill C–55 was passed by the Canadian House of Commons on March 15, 1999.

to the U.S.-Canadian bilateral relationship: (1) the need for improved management of the U.S.-Canada bilateral relationship, given the lack of progress in ongoing issues such as grain, livestock, and potatoes; (2) the "perception" in the United States that there is an inequity in the U.S.-Canada trading relationship, which may have affected the ability of the current administration to gain fast-track authority; (3) and those areas of common interest, including issues being considered in other multilateral forums such as the World Trade Organization (WTO) and Asia Pacific Economic Cooperation (APEC). However, after much discussion, there was no resolution as to how to solve these bilateral issues. Consequently, Under Secretary Schumacher proposed a private meeting between Canadian Agricultural Minister Vanclief and U.S. Secretary of Agriculture Dan Glickman, upon Vanclief's visit to Washington on September 29. Schumacher also suggested a second meeting that would include members of Congress and opposition representatives.68

On October 2, Secretary Glickman and USTR Charlene Barshefsky announced that the United States and Canada had agreed to "engage in intensive discussion on a wide range of issues affecting farmers and ranchers in both countries." The discussions would address the U.S. concerns regarding Canada's agricultural trade policies and practices; they were to take place the following week.<sup>69</sup>

Subsequently on December 3, the United States and Canada entered into a bilateral agreement that would allow fair and open agricultural trade. USTR Charlene Barshefsky explained that the impact of the Asian financial crisis and natural disasters in certain areas of the Northwest combined with long-standing problems in the U.S.-Canada agricultural trade relationship made it a "very tough year" for the U.S. agriculture industry. While farmers experienced low commodity prices, for some the lowest in 40 years, Canadian market restrictions, regulatory barriers, and lack of transparency on state trading compounded problems for American agriculture producers. As such, "tension" along the U.S. northern border amplified as American farmers and ranchers formed border blockades against the importation of Canadian wheat. The agreement, she noted, provides an "initial set of measures" to reduce this tension and to Canadian

markets to U.S. farm and ranch products. The agreement is a "first step" upon which future agricultural standards will be built.<sup>70</sup>

While the United States and Canada benefit from a bilateral Free Trade Agreement and NAFTA, neither of these agreements discuss free trade in agriculture. The Canadian DFAIT estimated that in 1997, each Canadian consumed \$C216 worth of food imported from the United States, while each American consumed US\$31 worth of food imported from Canada. Barshefsky asserted that this agreement was a step toward rectifying the inconsistencies in regulation and its implementation. The purpose of the agreement is to open the Canadian market and create additional market opportunities for American farmers and ranchers. The new agreement will simplify exporting and shipping to Canada. Barshefsky explained that the agreement provides "some solution to some specific problems faced by grain growers, the cattle industry, our pork producers, and [to] broader issues, sanitary and phytosanitary regulation, statistics and regulatory policy."

Under the December 3 agreement, Canada will make some major revisions in the grain sector.<sup>71</sup> First, effective immediately, rather than having grain tested in the United States and then again in Canada, an alternative phytosanitary certification will define one standard to prove the product is free of certain phytosanitary problems. Second, as of January 1, 1999, farmers from Montana and North Dakota became able to ship grain directly to Canadian grain elevators without having to comply with Canadian regulations. Over the following 12 months, Canada will conduct a review of the program "toward expanding its scope to other states."<sup>72</sup> Third, Canada will begin to allow rail shipments of grain from Montana, North Dakota, and Minnesota. This revision will increase the capacity to ship grains to the U.S. West Coast and, as rail options increase, allows more competitive rail rates. After a six-month efficiency review, Canada may extend this program to additional states "meeting the criteria."<sup>73</sup> Furthermore, the agricultural agreement increases communication between the United States and Canada, providing export sales forecasts and quarterly consultations on export grain levels. The dissemination

<sup>73</sup> Ibid.

<sup>&</sup>lt;sup>68</sup> U.S. Department of State telegram, "U.S.–Canada September 3–4 Agricultural Bilaterals," message reference No. 2222, prepared by U.S. Embassy, Ottawa, Sept. 9, 1998.

<sup>&</sup>lt;sup>69</sup> USDA, "Agriculture Secretary Dan Glickman and U.S. Trade Representative Charlene Barshefsky on Efforts to Resolve U.S.–Canada Border Dispute," press release No. 403–98, Oct. 2, 1998.

<sup>&</sup>lt;sup>70</sup> "U.S. Trade Representative Charlene Barshefsky and Secretary of Agriculture Dan Glickman press conference." Washington, DC, Dec. 4, 1998, LEGI–SLATE Federal Information Systems Corp., No. 983380209.

<sup>&</sup>lt;sup>71</sup> The term "grain" includes all cereals, wheat, barley, oats, and rye.

<sup>&</sup>lt;sup>72</sup> USTR, "Fact Sheet: U.S.–Canada Agricultural Market Opening Measures," Dec. 4, 1998.

of basic facts characterizing U.S.-Canadian bilateral trade should enable the United States to monitor more efficiently quantity, price, variety, and quality descriptions of imports of Canadian grain. The United States will then be able to plan for increases in shipments. Ambassador Barshefsky explained that greater communication preserves U.S. "trade law rights, whether safeguards, countervailing duties, or antidumping rights."74

Similar changes will be applied to the exporting of livestock from the United States to Canada. Under the new agreement, Canada agreed to eliminate and ease regulations impeding the import of U.S. hogs and feeder cattle. There will be no 30-day quarantine of U.S. live hogs for 33 states, and 26 states will be allowed to ship feeder cattle directly to Canada under new regulations. USTR explained that the current system employed by Canada "curtailed export opportunities" and imposed "a heavy additional cost burden" on U.S. farmers and ranchers. Canada will "completely revise" its animal health regulations and apply the new regulation to all livestock within 30 months. As with grain, Canada will allow greater transparency on cattle trade data and greater cooperation in the harmonization of pesticide and animal drug registration.<sup>75</sup>

While these major changes are permanent steps toward a more open trading relationship, the United States and Canada continue consultations on other issues, such as seed certification and potato trade. The United States and Canada also agreed to work together to harmonize the imbalance in access to veterinary drugs and certain pest control products. In regard to pesticide inspections, the United States and Canada are considered to be equally "stringent"; however, they agreed to work to simplify this process by sharing scientific data, sampling plans, and results.<sup>76</sup>

Though the majority of the bilateral effort seems to require changes by Canada, the United States also agreed to take action to ease U.S.-Canada bilateral agricultural trade. First, the United States will work to address the inconsistencies between state and Federal regulations in regard to brucellosis vaccination and requirements. tuberculosis Second, the U.S. Department of Agriculture (USDA) agreed to amend

sanitary and phytosanitary regulations dealing with equine semen import permits, inspection of live horses, and nursery stock. Third, the United States will design a mechanism that would aid Canada in the management of Canadian exports of sugar products under the U.S. tariff-rate quota.<sup>77</sup>

In addition to individual country efforts, the United States and Canada will maintain joint cooperation on other issues such as agricultural biotechnology and other multilateral forums such as the WTO and APEC.<sup>78</sup> Secretary Glickman and Minister Vanclief will discuss the next series of issues to be added to the new agriculture agreement.79

While Ambassador Barshefsky asserted that "our hope is that this agreement and others that follow will reduce the pressure on the border,"<sup>80</sup> it is not merely a matter of reducing frustration. Secretary Glickman noted that "there will be some economic impact."81 He explained that if market access does improve under the agreement, the initial economic impact may be more regional or crop-specific in nature.

# Japan

The United States and Japan have more bilateral agreements than any other two nations.<sup>82</sup> In 1998, bilateral agreements in autos, insurance, and deregulation received the most attention by negotiators. The United States continued to monitor other bilateral agreements, such as those covering semiconductors, computers, flat glass, legal services, telecommunications, and harbor services. In 1998, the business community called for further improvements by Japan in five key areas: increased market access, deregulation, an improved environment for foreign direct investment, better implementation of bilateral trade agreements, and more efficient corporate governance.

## Autos

Passenger autos produced in the United States and registered in Japan totaled 53,462 units in 1998, a decline of 56 percent from 1997 levels. Import penetration of foreign passenger vehicles into the Japanese market decreased from 7.6 percent in 1997 to

<sup>80</sup> Ibid.

<sup>&</sup>lt;sup>74</sup> "U.S. Trade representative Charlene Barshefsky and Secretary of Agriculture Dan Glickman press conference." Washington, DC, Dec. 4, 1998, LEGI-SLATE Federal Information Systems Corp., No. 983380209.

<sup>&</sup>lt;sup>75</sup> Ibid.

<sup>&</sup>lt;sup>76</sup> USTR, "USTR, USDA Announce Series of New Measures to Open Canadian Farm Markets," press release 98–107, Dec. 4, 1998.

<sup>&</sup>lt;sup>77</sup> USTR, "Fact Sheet: U.S.–Canada Agricultural Market Opening Measures," Dec. 4, 1998.

<sup>&</sup>lt;sup>78</sup> Ibid.

<sup>&</sup>lt;sup>79</sup> "U.S. Trade representative Charlene Barshefsky and Secretary of Agriculture Dan Glickman press conference.' Washington, DC, Dec. 4, 1998, LEGI–SLATE Federal Information Systems Corp., No. 983380209.

6.5 percent in 1998.<sup>83</sup> Japanese purchases of U.S. original–equipment auto parts declined nearly 4 percent.<sup>84</sup> Throughout 1998, the United States continued to monitor progress under the 1995 U.S.–Japan automotive agreement.<sup>85</sup> The agreement was intended to address some of the difficulties experienced by U.S. firms in accessing Japan's vehicle distribution system, eliminate regulations in the automobile parts aftermarket in Japan, and improve opportunities for U.S. original equipment (OE) parts suppliers in Japan and with Japanese transplants in the United States. The agreement included 17 objective criteria to evaluate progress in these three areas.<sup>86</sup>

On August 12, 1998, the Interagency Enforcement Team<sup>87</sup> released its fifth semiannual monitoring report on the U.S.-Japan automotive agreement. The report noted that there had been an overall contraction in the Japanese automotive market, which included a declining foreign share of the market. With regard to adding new, high-quality dealerships in Japan, one of the aims of the 1995 agreement, the report noted that 187 new franchise agreements had been concluded since the agreement. This figure was less than the goal of 200 dealerships by the end of 1996, but the recession in Japan had led U.S. auto producers to change their marketing plans and back away from the original goal.<sup>88</sup> Nonetheless, the Administration, in the report and in public statements, continued to urge the Japanese government to eliminate restrictive business practices in the automotive sector.<sup>89</sup> The report called on Japan to deregulate areas affecting aftermarket

<sup>85</sup> "Measures by the Government of Japan and the Government of the United States of America Regarding Autos and Parts," Aug. 23, 1995. For additional background information regarding the agreement, see USITC, *The Year in Trade: OTAP 1995*, USITC publication 2971, Aug. 1996, pp. 53–54; and 68 and USITC, *The Year in Trade: OTAP 1996*, USITC publication 3024, Apr. 1997, pp. 96–97.

<sup>86</sup> "Measures by the Government of Japan and the Government of the United States of America Regarding Autos and Parts," Aug. 23, 1995.

<sup>87</sup> The Interagency Enforcement Team, established under the agreement, is cochaired by the U.S. Department of Commerce and the Office of the U.S. Trade Representative.

<sup>88</sup> "Key Measure of U.S.–Japan Auto Deal No Longer Relevant, Official Says," *Inside U.S. Trade*, Aug. 14, 1998.

<sup>89</sup> USTR, "Administration Calls on Japan to Make Progress Under Auto Agreement, Despite Recession," press release no. 98–78, Aug. 12, 1998; and U.S. Department of Commerce and Office of the U.S. Trade Representative, *Report to President William Jefferson Clinton of the Interagency Enforcement Team Regarding the U.S.–Japan Agreement on Autos and Auto Parts*, Aug. 12, 1998, p. 1. sales, including vehicle inspections, the so-called critical parts list, mechanic certification, and other regulation of government-certified garages. Under the agreement, smaller independent garages were to be established to create opportunities for foreign parts producers. Since February 1997, 347 specialized certified garages and 125 special designated garages have been created.<sup>90</sup>

On October 29, the United States and Japan held two days of annual consultations under the 1995 agreement. During the talks, the United States repeated its request for Japan to remove brake systems and other auto parts from its so-called critical parts list.<sup>91</sup> The United States also asked Japan to expand the number of "specialized certified garages," which the United States believes would increase the demand for imported parts.<sup>92</sup> With regard to mechanics, the United States asked Japan to certify mechanics to work on individual systems, rather than requiring them to pass tests on all critical parts systems. In addition, the United States raised other issues such as streamlining motor vehicle inspection measures, revising new vehicle registration and repair regulations, and improving transparency in rule making. Japanese officials reportedly indicated that Japan has already complied fully with the terms of the agreement.<sup>93</sup>

# Deregulation

Despite a trend in Japan to deregulate its market, thousands of statutes and regulations continue to control many sectors of the economy.<sup>94</sup> During 1998, the United States continued to urge Japan to make

<sup>&</sup>lt;sup>82</sup> For a listing and information on bilateral agreements, see http://www.mac.doc.gov.

<sup>&</sup>lt;sup>83</sup> Japan Manufacturers Association, *Japan Auto Trends*, Mar. 1999, p. 7.

<sup>&</sup>lt;sup>84</sup> "U.S. Wants New Japanese Auto Buying Plans," *Washington Trade Daily*, Nov. 2, 1998.

<sup>&</sup>lt;sup>90</sup> U.S. Department of Commerce and Office of the U.S. Trade Representative, *Report to President William Jefferson Clinton of the Interagency Enforcement Team Regarding the U.S.–Japan Agreement on Autos and Auto Parts*, Aug. 12, 1998, pp. 1–3. In February 1997, Japan's Ministry of Transport established two new categories of garages: specialized certified garages and special designated garages. Specialized certified garages are smaller than regular garages and do not have the ability to repair all vehicle components. The special designated garages do not have to perform inspections on–site.

<sup>&</sup>lt;sup>91</sup> Japan Economic Institute, "Automotive Trade Pact Talks," Nov. 6, 1998, p. 7.
<sup>92</sup> Japan's disassembly repair regulations require repair

<sup>&</sup>lt;sup>92</sup> Japan's disassembly repair regulations require repair work on seven major component systems of an automobile, including brakes, to be done at dealerships or other Ministry of Transport–certified garages. These garages tend to use almost exclusively Japanese parts because they are owned by, or are closely affiliated with, Japanese auto manufacturers.

<sup>&</sup>lt;sup>93</sup> U.S. Department of State telegram, "U.S.–Japan Auto Consultations," message reference no. 28719, prepared by U.S. Embassy, Tokyo, Nov. 4, 1998.

<sup>&</sup>lt;sup>94</sup> American Chamber of Commerce in Japan, *1997 United States–Japan Trade White Paper*, 1997, p. 14.

ambitious deregulatory reforms aimed at achieving sustained demand-led growth in Japan.<sup>95</sup>

On March 31, Japan announced a list of 624 items that it planned to deregulate over the next three years. The new program covered a wide range of sectoral and structural issues such as telecommunications, housing, financial services, medical devices and pharmaceuticals, competition policy, deregulation, legal services, and regulatory transparency.<sup>96</sup> All of the issues had been the subject of extensive negotiations between the United States and Japan under the Enhanced Initiative on Deregulation and Competition Policy (Enhanced Initiative) announced in 1997, and at least half of the measures were carryovers from a previous reform package.97 USTR Barshefsky responded to the announcement by saying that while the package represented some progress, it "falls short of expectations" and "is too vague on key issues ...". 98 During bilateral talks two weeks later, the United States presented a list of 20 items in the package that it wanted deregulated on a priority basis. The list included such items as transparency of rules regarding the opening of large-scale retail stores, measures to promote three-story housing, and a review of rate charges for hook-ups for telecommunications carriers.99

On May 15, 1998, at the G–8 summit in Birmingham, England, the United States and Japan announced measures in the area of deregulation covering trade in telecommunications, housing, medical devices and pharmaceuticals, financial services, and distribution.<sup>100</sup> In addition to these areas,

it was agreed that future negotiations would cover the energy sector, where there are burdensome regulations regarding inspection and testing in the replacement of equipment; limitations on the activities of energy service providers; and the use of very narrow technical standards, rather than performance–based standards.<sup>101</sup> The measures were included as part of a status report on the Enhanced Initiative. USTR Charlene Barshefsky indicated that the measures were "an important step that must be followed by continuous efforts in deregulation and market–opening reforms."<sup>102</sup>

On October 7, 1998, the U.S. Government submitted 270 proposals for deregulation in Japan, including proposals in the telecommunications, housing, financial services, medical devices and pharmaceuticals, energy, and automotive sectors. In addition, the proposals covered topics regarding distribution, competition policy, and transparency. The proposals were intended to build upon those announced in May. It was expected that the U.S. submission would form the basis for an agreement between the United States and Japan at the next G–8 Summit in June 1999.<sup>103</sup> Various experts meetings were held in each of the sectors, following the U.S. submission.

A vice–ministerial meeting was held on November 6 between Deputy U.S. Trade Representative Richard Fisher and Deputy Foreign Minister Koichi Haraguchi. At the meeting, the United States reportedly focused on ensuring that Japan adheres to deregulation measures agreed to previously and on gaining new commitments in the areas of telecommunications, housing, medical devices, pharmaceuticals, legal services, competition policy, transparency, and distribution.<sup>104</sup>

### Insurance

Japanese insurance companies control 98 percent of the life business and 97 percent of the nonlife business in the primary sectors of the insurance market. In the so–called third sector,<sup>105</sup> they control 84 percent of the nonlife business, but only 32 percent of the life business.<sup>106</sup> During 1998, several issues arose with

<sup>&</sup>lt;sup>95</sup> The White House, "U.S.–Japan Initiative Delivers Progress on Deregulation," press release, Birmingham, England, May 15, 1998.

<sup>&</sup>lt;sup>96</sup> USTR, "Statement of U.S. Trade Representative Charlene Barshefsky Concerning Japan's New Three–Year Regulation Program," press release No. 98–39, Apr. 2, 1998.

<sup>&</sup>lt;sup>97</sup> The Enhanced Initiative was agreed to by President Clinton and Prime Minister Hashimoto in June 1997 at the Denver G–8 Summit which established a bilateral forum to address deregulation and market access issues in Japan. This initiative focused initially on four principal sectoral areas: telecommunications, housing, financial services, and medical devices and pharmaceuticals. In addition, the initiative addressed structural issues in the areas of competition policy, distribution, transparency, and other government practices.

<sup>&</sup>lt;sup>98</sup> USTR, "Statement of U.S. Trade Representative Charlene Barshefsky Concerning Japan's New Three–Year Deregulation Program," press release No. 98–39, Apr. 2, 1998.

<sup>&</sup>lt;sup>99</sup> Foreign Broadcast Information Service, *Daily Report*, April 16, 1998.

<sup>&</sup>lt;sup>100</sup> Transcript of press conference with Deputy USTR Fisher on U.S.–Japan Deregulation Accord, found at Internet address http://www.usia.gov/topical/econ/birming/98summit/ fisher15, retrieved May 21, 1998.

<sup>&</sup>lt;sup>101</sup> Ibid.

<sup>&</sup>lt;sup>102</sup> The White House, "U.S.–Japan Initiative Delivers Progress on Deregulation," press release, Birmingham, England, May 15, 1998.

<sup>&</sup>lt;sup>103</sup> USTR, "U.S. Submits Wide–Ranging Deregulation Proposals to Japan," press release No. 98–90, Oct. 7, 1998.

<sup>&</sup>lt;sup>104</sup> "Fisher Outlines Key Issues of Contention in U.S.–Japan Dereg Talks," *Inside U.S. Trade*, found at http://www.insidetrade.com/sec=cgi/as\_web.exe?SEC\_curre nt+D+46021, Nov. 18, 1998.

<sup>&</sup>lt;sup>105</sup> The so-called third sector includes insurance against cancer, personal accident insurance, and hospitalization insurance.

<sup>&</sup>lt;sup>106</sup> USTR, "United States–Japan Bilateral Insurance Agreement," press release No. 98–66, July 1, 1998.

regard to enforcement of two previous bilateral agreements on insurance. Under the 1994 and 1996 Insurance Agreements, Japan had agreed not to allow liberalization of the smaller third sector of the market, where non-Japanese insurance companies have been successful in gaining some market share, "as long as a substantial portion of the life and nonlife areas is not deregulated."107 Specifically, Japan had agreed not to open the third sector until 30 months after the two primary sectors were deregulated. Under the agreements, the two governments were to determine by July 1, 1998, whether Japan had fully implemented specific deregulatory measures intended to open Japan's primary insurance sectors to effective competition. At the end of June, following contentious bilateral talks, Japan set July 1 as the date for the beginning of the 30-month countdown toward liberalization of the third sector, saying that it had met all of the deregulation requirements of the agreements. On July 1, 1998, the USTR announced that she did not support Japan's decision to begin to open the third sector of Japan's insurance market within 30 months.<sup>108</sup> The USTR indicated that Japan had not fully implemented all of the specific deregulation actions under the Insurance Agreements in the primary sector, and therefore she opposed starting the process to open up the third sector. Specifically, Japan had not fully implemented its obligations regarding ratingorganization reform. In addition, Japan had not implemented its obligations regarding processing new product and rate applications. The USTR also noted that in the primary sector, she was concerned with Japan's licensing of a cancer rider to Tokyo Anshin, the life subsidiary of a large Japanese insurance company, Tokyo Fire and Marine. According to the USTR, the rider was intended to circumvent provisions of the 1996 Insurance Agreement regarding the third sector.109

On August 6, House Commerce Committee Chairman Thomas Bliley began an inquiry into the methods that U.S. negotiators had used in reaching the 1996 bilateral insurance agreement. Specifically, the Congressman raised questions about a "private minute" that was reached at the time of the 1996 agreement, but appeared to contradict the principles of the agreement relating to giving Japanese companies access to the third sector of the market.<sup>110</sup> Under the private minute, a Japanese insurance company (Yasuda Fire and Marine) was given permission to acquire a majority stake in a firm (INA-Himawari) that is now a subsidiary of Cigna, but operates in the third sector of the market.<sup>111</sup> The private minute appeared to allow INA to operate in the third sector before the preconditions of the 1994 and 1996 agreements were met, i.e., that no Japanese firms can sell in the third sector until 30 months after the primary sectors were deregulated. U.S. firms alleged that Yasuda was violating the agreement through its association with INA. In his letter, Bliley requested all records relating to the private minute and a list of all officials involved in the effort.<sup>112</sup>

At the same time, members of the House Ways and Means Committee led by Representative Michael Collins and the Chairman of the House Appropriations Subcommittee on Foreign Operations, Sonny Callahan, threatened to introduce legislation that would reduce the USTR's funding by 25 percent, or \$6 million, in 1999 unless the USTR reopened an investigation into whether Japan had violated the U.S.-Japan insurance agreement.<sup>113</sup> USTR Barshefsky agreed to reexamine the issues, despite a previous finding by an interagency group that there had been no violations of the agreement.<sup>114</sup> On August 14, USTR Barshefsky reported the results of an interagency task force that concluded that the activities of Yasuda and INA in the third sector of Japan's insurance market did not violate the Insurance Agreement. Barshefsky noted that the Administration would continue to monitor closely

<sup>&</sup>lt;sup>107</sup> For background information on the 1994 and 1996 agreements see, USITC, *The Year in Trade: OTAP 1994*, USITC pub. 2894, pp. 81 and 82 and USITC, The Year in Trade: *OTAP 1996*, USITC publication 3024, pp. 97 and 98, respectively.

<sup>&</sup>lt;sup>108</sup> Under the bilateral Insurance Agreement of 1996, the United States and Japan were to determine by July 1, 1998, whether Japan had fully implemented specific deregulatory measures designed to open Japan's primary insurance sectors to effective competition.

<sup>&</sup>lt;sup>109</sup> USTR, "United States–Japan Bilateral Insurance Agreement," press release no. 98–61, July 1, 1998.

<sup>&</sup>lt;sup>110</sup> Letter from Congressman Tom Bliley to USTR Charlene Barshefsky, Aug. 6, 1998, found at Internet address http://www.insidetrade.com/sec-cgi/as\_web.exe?SEC\_curre nt+D+82973, retrieved Aug. 11, 1998.

<sup>&</sup>lt;sup>111</sup> "Text: Alleged U.S.–Japan 'Private Minute'," found at Internet address: http://www.insidetrade.com/sec–sgi/as\_ web.exe?SEC\_current+D+39298, retrieved Aug. 11, 1998.

<sup>&</sup>lt;sup>112</sup> Letter from Congressman Tom Bliley to USTR Charlene Barshefsky, Aug. 6, 1998, found at Internet address http://www.insidetrade.com/sec-cgi/as\_web.exe?SEC\_curre nt+D+82973, retrieved Aug. 11, 1998.

<sup>&</sup>lt;sup>113</sup> BNA, *International Trade Daily*, "Upset at Japanese Insurance Barriers, Rep. Callahan Threatens USTR Funding," Aug. 3, 1998.

<sup>&</sup>lt;sup>114</sup> Letter from USTR Charlene Barshefsky to Congressman Hal Rogers, Aug. 4, 1998 found at Internet address http://www.insidetrade.com/sec-cgi/as\_web.exe?SE C\_current +D+82973, retrieved Aug. 11, 1998.

Japan's compliance with the Insurance Agreement and to insist that it meet all of its commitments with respect to deregulation of the primary sector.<sup>115</sup>

# **Mexico**

In 1998, the strong recovery of the Mexican economy from the 1994–95 "peso crisis" began to taper off.<sup>116</sup> The Central Bank's tight monetary policy and resulting high interest rates, the financial crisis of Mexico's trading partners in East Asia and Latin America, and low international petroleum prices contributed to this slowdown.<sup>117</sup>

During the year, the United States pressed Mexico to abide by its international obligations in two areas in particular: enforcing IPR legislation<sup>118</sup> and opening its telecommunications market to competition. While not identified in 1998 on a special "watch list" maintained by the office of the USTR as being among those U.S. trading partners that "[d]eny adequate and effective protection of intellectual property," Mexico was cited in the "Other Observations" category for its unresolved piracy and counterfeiting problems which reflected inadequate enforcement of pertinent legislation.<sup>119</sup>

With regard to telecommunications, U.S. officials criticized Mexico for anticompetitive practices in favor of TELMEX, Mexico's former state monopoly in communications. On November 25, 1998, USTR Charlene Barshefsky noted the failure of the Government of Mexico "to permit more telecommunications competition and questioned Mexico's adherence to its WTO commitments in this area."120

Trade disputes between the United States and Mexico have arisen in large measure with regard to agricultural products, especially those whose trade is moving in both directions: fruits and vegetables, live animals or animal products, and sugar and other sweeteners. Some of these issues emerged years ago,

- <sup>116</sup> For a discussions of Mexico's "peso crisis" in 1994/95, see USITC, *The Year in Trade: OTAP 1994*, USITC publication 2894, July 1995, p. 85.
  - <sup>117</sup> See "Mexico" in the "Introduction" of this report.

focusing frequently on sanitary or phytosanitary standards that are perceived by each country as nontariff barriers to exports in the other country.

In 1998, Mexico expanded its import licensing system to cover several products from Europe and Asia because of concerns about dumping and underinvoicing. However, goods originating in a NAFTA country are exempt from these requirements. U.S. exporters are still affected by certain new import licensing rules that Mexico announced for food products, calling for an "advance sanitary import authorization prior to the product crossing the border."<sup>121</sup>

U.S. growers of winter produce, mostly in Florida and California, have been concerned for years about rising imports from Mexico of counter–seasonal fruits and vegetables, including tomatoes, avocados, and tropical and semitropical fruits. Some of these disputes, notably U.S. antidumping proceedings concerning Mexican tomatoes, were settled via compromises involving price floors.<sup>122</sup> Another recent high–profile issue, a Mexican antidumping proceeding against U.S. apples, was settled early in 1998,<sup>123</sup> with an agreement signed on March 20 that "[s]hould provide a predictable setting for U.S. apples to once again enter the Mexican market."<sup>124</sup>

# Mexican Sugar and U.S. Sweeteners

Mexican access to the U.S. sugar market and U.S. access to the Mexican market for high–fructose corn syrup (HFCS)<sup>125</sup> continued to be major issues in 1998.<sup>126</sup> These issues were discussed bilaterally, but with respect to HFCS, Mexico also requested in March formal consultations with the United States under

publication 3024, Apr. 1997, pp. 104-105.

<sup>125</sup> HFCS is an alternative sweetener to sugar, used in most soft drinks.

<sup>126</sup> USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 111.

<sup>&</sup>lt;sup>115</sup> Letter from USTR Charlene Barshefsky to Congressman Mac Collins, Aug. 14, 1998, found at Internet address http://www.insidetrade.com/sec-cgi/as\_web.exe?SE C\_current+D+61175, retrieved Aug. 1998.

<sup>&</sup>lt;sup>118</sup> USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, pp. 66 and 111; and Chapter 3, the "NAFTA" section, in this report.

<sup>&</sup>lt;sup>119</sup> USTR, "USTR Announces Results of Special 301 Annual Review," press release 98–44, May 1, 1998.

<sup>&</sup>lt;sup>120</sup> USTR, "USTR Underscores Need for Progress in Mexico's Implementation of WTO Telecom Commitments" press release *98–102*, Nov. 25, 1998, p. 25.

<sup>&</sup>lt;sup>121</sup> U.S. Department of State telegram, "1998 Trade Act Report: Mexico," message reference No. 11386, prepared by U.S. Embassy, Mexico City, Nov. 25, 1998.

<sup>&</sup>lt;sup>122</sup> See, for example, "Tomatoes" in USITC, *The Year in Trade: OTAP 1995*, USITC publication 2971, Aug. 1996, p. 56; and *The Year–In Trade: OTAP 1996*, USITC

<sup>&</sup>lt;sup>123</sup> USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998. pp. 113–14.

<sup>&</sup>lt;sup>124</sup> USTR, "Agreement between the U.S. Apple Industry and the Government of Mexico," press release 98–33, Mar. 20, 1998. Under the terms of this agreement, among other provisions, a specified reference price will replace the antidumping duties.

Chapter 20 of the North American Free Trade Agreement (NAFTA), and in May the United States invoked World Trade Organization (WTO) proceedings.

#### Sugar

In the 1990s, sugar mills in Mexico raised their output much faster than expected, as a result of privatization and technological modernization of the industry.<sup>127</sup> Growing sugar inventories and difficulties in selling to markets that suffer from financial hardships, such as Russia, pushed Mexico's sugar industry into a crisis.<sup>128</sup> The Mexican press reported that—

Mexican sugar mills are faced with an extremely grim situation, exactly 10 years after their privatization. The industry is undercapitalized, thanks to falling international sugar prices (from 13 cents per pound to 8 cents per pound), enormous debt (nearly 15 billion pesos) and the excess supply in Mexico of about 1 million tons.<sup>129</sup>

NAFTA partners' reciprocal access to one another's sugar markets is established in Section A of Annex 703.2 of NAFTA, and in a 1993 "understanding," generally referred to as "the side letter" between Michael A. Kantor, then USTR, and Jaime Serra Puche, then Mexico's Secretary of Commerce and Industrial Development (SECOFI).<sup>130</sup> Both the United States and Mexico have protected sugar markets, with prices well above the world market price in both countries.

The United States currently imports some one-fifth of the sugar that it consumes from some 40 countries, and it applies complex tariff-rate quotas (TRQs) to these imports. In accordance with NAFTA provisions, the United States allocated a share of its FY 1999 in-quota quantity to Mexico to cover imports up to 25,000 metric tons for raw and refined sugar combined.<sup>131</sup> In comparison, a quota allocation of 190,657 metric tons of raw sugar is specified for the Dominican Republic, and 157,076 metric tons for Brazil.

U.S. sugar quotas are based on historical imports. Most imported sugar traditionally originated in the Caribbean and South American countries, which explains the much smaller quota currently allocated to Mexico than to Brazil or the Dominican Republic. Nonetheless, under NAFTA, Mexico's quota share will be raised tenfold to 250,000 metric tons in the year 2001, and it will stay at this level each year thereafter through 2007. By 2008, the United States will altogether cease to apply any TRQ to sugar imports from Mexico, while continuing a TRQ for global imports. The NAFTA duty on over–quota Mexican imports is being reduced annually, and imports will be "free" on January 1, 2008, and thereafter.

In recent years, Mexico began to regard critically the NAFTA "understanding" on U.S. sugar quotas because of the crisis in its domestic sugar industry.<sup>132</sup> Mexican officials expressed interest in accelerating the NAFTA timetable to attain still greater access to the U.S. market than the tenfold expansion of its present quota share scheduled to begin in the year 2001. In August 1998, Luis Fernandez de la Calle, head of Mexico's NAFTA office in Washington, DC, told the 15th Annual International Sweetener Symposium sponsored by the American Sugar Alliance (ASA) that Mexico does not regard the "side letter" to be valid and that NAFTA provisions governing U.S.–Mexican sugar trade after the year 2000 should be renegotiated.<sup>133</sup>

U.S. officials, and representatives of U.S. sugar interests attending the symposium, were skeptical about reopening the sugar issue. Panelist Chuck Conner, president of the Corn Refiners Association (CRA), stated:

Unfortunately, the Mexican government has not been satisfied with substantially greater access to the U.S. sugar market. They expect the U.S.

<sup>&</sup>lt;sup>127</sup> U.S. Department of State telegram, "1997 Trade Act Report: Mexico," message reference No. 10605, prepared by U.S. Embassy, Mexico City, Oct. 31, 1997.

<sup>&</sup>lt;sup>128</sup> See, for example, Alva Senzek, "Sugar–Fructose Dispute, A Tricky Business," *El Financiero International Edition*, Aug. 31, 1998, through Sep. 6, 1998, p. 3.

<sup>&</sup>lt;sup>129</sup> Erminio Robollo Pinal, "Sugar Companies Need Bailout," *El Financiero International Edition*, Oct. 12–18, 1998, p. 3.

<sup>&</sup>lt;sup>130</sup> Letter of USTR Michael A. Kantor Nov. 3, 1993, to Jaime Serra Puche, Mexico's Secretary of Commerce and Industrial Development, reprinted in 103d Congress, 1st Session, House Document 103–160, p. 98. See also USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 111.

<sup>&</sup>lt;sup>131</sup> USTR, "USTR Announces Allocation of the Raw Cane Sugar and Sugar–Containing Products Tariff Rate Quotas for 1998–99," press release, *98–83*, Sept. 16, 1998.

<sup>&</sup>lt;sup>132</sup> Letter of USTR Michael A. Kantor, Nov. 3, 1993, to Jaime Serra Puche, Mexico's Secretary of Commerce and Industrial Development, reprinted in 103d Congress, 1st Session, House Document 103–160, p. 98. See also USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 111.

<sup>&</sup>lt;sup>133</sup> "U.S. skeptical of Mexican Call for NAFTA Sugar Changes," Annual International Sweetener Symposium sponsored by the American Sugar Alliance (ASA) in Sun Valley, Idaho, Aug. 12, 1998, found at Internet address http://www.sugaralliance.org/, retrieved on Oct. 28, 1998.

to throw out its GATT legal sugar program and abandon all of our traditional suppliers of sugar. This is not going to happen.<sup>134</sup>

#### High–Fructose Corn Syrup

In addition to seeking a larger share of the U.S. sugar market, Mexico strives to boost its domestic sugar consumption by limiting competition from alternative sweeteners. In particular, Mexican sugar producers became concerned that HFCS imported from the United States, which is less expensive than sugar, could replace domestically produced sugar in soft drinks and in candy and confectionary.

The issue of possibly imposing compensatory duties on HFCS imports surfaced in January 1997, when the Mexican National Chamber of Sugar and Alcohol Industries (Sugar Chamber), an association of sugar producers in Mexico, filed a petition with SECOFI, alleging sales at less than fair value of HFCS imported from the United States.<sup>135</sup> SECOFI responded by initiating an antidumping investigation in February 1997 and levying preliminary antidumping duties on HFCS products of lower fructose concentration in June. In January 1998, SECOFI made its final determination that HFCS imports from the United States had been sold at less than fair value and that such imports were threatening the Mexican sugar industry with material injury. Accordingly, SECOFI imposed final antidumping duties ranging from \$55.37 to \$175.50 per metric ton on HFCS commercial products HFCS 42 and HFCS 55.136

SECOFI also announced in January 1998 that it was investigating possible evasion of duties on HFCS imports. On September 8, SECOFI confirmed findings of duty evasion, stating that a Mexican firm imported an enriched HFCS mixture from the United States (HFCS 90), then diluted such imports to produce HFCS of lower fructose concentration (HFCS 55) locally in order to avoid paying the compensatory duty levied on the imports of the latter.<sup>137</sup> According to

SECOFI, as a result of this strategy, Mexican HFCS production increased 118 percent in January through April 1998 over a comparable 1997 period.<sup>138</sup> U.S. officials report that the prevention of such duty evasion was the primary objective of the September 8, 1998 decree, which extended compensatory duties to all HFCS imports.<sup>139</sup>

The U.S. industry has considered the HFCS dumping charges without merit ever since they surfaced in early 1997. From the U.S. industry's perspective, Mexican preoccupation with HFCS imports masks an attempt to gain increased access for Mexican sugar to the U.S. market.<sup>140</sup> In February 1998, shortly after the imposition of final antidumping duties in January, the Corn Refiners Association (CRA) requested review proceedings under Chapter 19 of NAFTA.<sup>141</sup> In May, USTR Charlene Barshevsky announced that the United States was invoking WTO dispute-settlement proceedings to challenge Mexico on restraining HFCS imports. The USTR claimed that "Mexico's antidumping action does not pass muster under WTO rules"<sup>142</sup> and requested, in October, a WTO panel to discuss the case.<sup>143</sup> At the time of this writing, the HFCS dispute-settlement case is pending in both NAFTA and the WTO.

In addition, in May 1998, the USTR announced an investigation initiated under section 301 of the Trade Act of 1974 in response to a petition filed by the CRA alleging that "[c]ertain practices of the Government of Mexico [GOM] deny fair and equitable market opportunities for U.S. exporters of HFCS."<sup>144</sup> The

<sup>140</sup> At public hearings held in 1997, U.S. producers of HCFS, represented by the Corn Refiners Association (CRA), argued that SECOFI's action amounted to a rescue mission for Mexico's ailing sugar industry. See also USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 111.

<sup>141</sup> Chapter 19 of NAFTA covers dispute settlement proceedings under the accord.

<sup>142</sup> USTR, "USTR Pursues WTO Case against Mexico on High Fructose Corn Syrup," press release *98–50*, May 8, 1998.

<sup>1998.</sup>
<sup>143</sup> U.S. Department of State telegram, "WTO Dispute Settlement Body Meeting," message reference No. 194966, U.S. Department of State, Washington, DC, Oct. 21, 1998.

<sup>144</sup> USTR, "USTR Barshevsky Initiates Investigation of Mexican Practices Affecting High Fructose Corn Syrup (HFCS)," press release 98–50, May 18, 1998.

<sup>&</sup>lt;sup>134</sup> Ibid.

<sup>&</sup>lt;sup>135</sup> See also USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 111.

<sup>&</sup>lt;sup>136</sup> Ibid.; and U.S. Department of Agriculture, *Attache Query Detail*, Global Agriculture Information Network (GAIN) Report, AGR Number MX#8005, Jan. 23, 1998, found at Internet address http://www.fas.usda.gov, retrieved on Oct. 29, 1998.

<sup>&</sup>lt;sup>137</sup> U.S. Department of State telegram, "Mexico Extends Coverage of Compensatory Dumping Duties Imposed on U.S. Exports of Enriched High Fructose Corn Syrup," message reference No. 09946, prepared by U.S. Embassy, Mexico City, Oct. 7, 1998; and U.S. Department of Agriculture, *Attache Query Detail*, Sep. 14, 1998, GAIN

<sup>137—</sup>Continued

Report #MX8104, found at Internet address http://www.fas.usda.gov. on Jan. 12, 1999.

<sup>&</sup>lt;sup>138</sup> U.S. Department of State telegram, "Mexico Imposes Compensatory Dumping Duties on U.S. Exports of Enriched High Fructose Corn Syrup," message reference No. 08849, prepared by U.S. Embassy, Mexico City, Sep. 8, 1998.

<sup>&</sup>lt;sup>139</sup> Ibid.; and U.S. Department of Agriculture, *Attache Query Detail*, Sep. 14, 1998, GAIN report #MX8104, found at Internet address http://www.fas.usda.gov on Jan. 12, 1999.

petition emphasized that "[the] GOM had encouraged and supported an agreement between the Mexican sugar and soft drink producers in August 1997 to limit HFCS input in soft drinks."<sup>145</sup> Local sugar producers reportedly agreed to sell their product at discounted prices to local soft drink bottling companies, provided these companies voluntarily maintained imports of U.S.-made HFCS for the next 3 years at levels not exceeding imports of the period May through July 1997. The agreement specified that the Mexican soft drink industry's rising demand for sweeteners was to be met by sugar.<sup>146</sup>

Table 4–1 shows the volume of U.S. sales of HFCS to Mexico from 1993 to 1998 in three HTS classifications, that include HFCS 42, HFCS 55, and HFCS90–the HFCS items that are subject to dumping duties. Data indicate that exports to Mexico under HTS 170240 subheading (containing HFCS 42), for which dumping duties had been in effect for the second half of the year, declined significantly in 1997 and 1998. Similarly, Mexico's share of U.S. exports to all countries declined, plummeting in 1998 to 17.9 percent of the total (from 56.6 percent in 1997).

Meanwhile, U.S. exports to Mexico under HTS 1702.60 subheading (which contains HFCS 55) increased in 1997 and 1998, even though the product became dutiable in January 1998. However, Mexico's share of total U.S. exports declined in both years: it was 89.1 percent in 1996, 73.3 percent in 1997, and 60.9 percent in 1998. U.S. exports to Mexico under HTS subheading 1792.90, which contains the high–fructose syrup HFCS 90, dropped precipitously in 1997, but recovered somewhat in 1998. Mexico's share of total U.S. exports was highest in 1996 at 63.8 percent; this share dropped steeply in 1997 to 3.6 percent and was up moderately at 9.5 percent in 1998. HFCS 90 became dutiable only at the end of this time span, in September 1998.

# Meat

The NAFTA made Mexican imports of live cattle and hogs and most beef and veal from the United States and Canada free of duty. However, the possibility of such imports into Mexico becoming once again dutiable emerged on October 21, 1998, when SECOFI initiated two antidumping investigations against imports originating in the United States: one covering live cattle, beef, and edible offal,<sup>147</sup> the other covering hogs for slaughter.<sup>148</sup> The announcement of these cases in the October 22, 1998, issue of the *Diario Oficial* did not include the immediate imposition of countervailing duties.<sup>149</sup>

## **Cattle and Beef**

SECOFI's investigation regarding cattle and beef is based on Mexican imports from the United States during June through December 1997. The investigation was initiated in response to a petition submitted by the National Association of Mexican Feedlots (AMEG), the National Cattlemen's Confederation (CNG), and several Mexican slaughterhouses and packing plants (TIF).

This was the second Mexican antidumping case involving U.S. beef since NAFTA took effect in January 1994.<sup>150</sup> The previous one, filed in May 1994 by the CNG alone, was settled in January 1996, i.e., before SECOFI had an opportunity to make a final determination. Settlement took the form of a Memorandum of Understanding (MOU) between the CNG on the Mexican side and what is now the U.S. National Cattlemen's Beef Association (NCBA) and the U.S. Department of Agriculture on the U.S. side. Various provisions contained in this MOU included collaboration between the United States and Mexico to increase mutual trade in beef, variety meats, and beef cattle; meetings to review animal health and inspection issues; technical assistance from the U.S. industry to the CNG; and U.S. commitment to provide credit lines to cover a substantial portion of Mexican ranchers' import needs for the next 2 years.<sup>151</sup>

<sup>145</sup> Ibid.

<sup>&</sup>lt;sup>146</sup> USITC, *The Year in Trade: OTAP 1997*, USITC publication 3103, May 1998, p. 111.

<sup>&</sup>lt;sup>147</sup> The affected provisions in Mexico's Tariff Schedule are the following: 0102.90.99, 0201.10.01, 0202.10.01, 0201.20.99, 0202.20.99, 0201.30.01, 0202.30.01, 0206.21.01, 0206.22.02, and 0206.29.99.

<sup>&</sup>lt;sup>148</sup> The affected provision in Mexico's Tariff Schedule is 0103.92.99, which covers live pigs whose weight is equal to, or exceeds, 50 kilograms.

<sup>&</sup>lt;sup>149</sup> The "Diario Oficial" is equivalent to the *Federal Register* in the United States.

<sup>&</sup>lt;sup>150</sup> U.S. Department of Agriculture, *Attache Query Detail*, GAIN Report #MX8113, Sept. 30, 1998, found at Internet address http://www.fas.usda.gov, retrieved on Oct. 29, 1998; and U.S. Department of State telegram, "Mexico Initiates Dumping Investigation of U.S. Origin Hogs, Cattle, Beef and Beef Offal," message reference No. 10179, prepared by U.S. Embassy, Mexico City, Oct. 15, 1998.

<sup>&</sup>lt;sup>151</sup> USITC, Cattle and Beef: Impact of the NAFTA and Uruguay Round Agreements on U.S. Trade, USITC publication 3048, July 1997, pp. 4–10.

		(	In metric ton:	s)			
	1993	1994	1995	1996	1997	1998	Percent change 1997/1998
All countries:							
HTS1702.40 <sup>1</sup>	27,741	33,094	24,835	42,593	24,203	49,786	105.7
HTS1702.60 <sup>2</sup>	77,357	85,837	76,842	177,120	245,243	340,337	38.8
HTS1702.90 <sup>3</sup>	14,057	17,909	71,371	86,378	34,008	70,865	108.4
Total	119,155	136,840	173,048	306,091	303,454	460,988	51.9
Mexico:							
HTS1702.40 <sup>1</sup>	25,839	28,527	7,862	25,318	13,694	8,924	-34.8
HTS1702.60 <sup>2</sup>	23,938	64,218	51,901	157,829	179,825	207,089	15.2
HTS1702.90 <sup>3</sup>	2,077	1,962	25,828	55,097	1,225	6,744	450.4
Total	51,854	94,707	85,591	238,244	194,744	222,757	14.4
				Percent			
Mexico as percentage of total:							
HTS1702.40 <sup>1</sup>	93.14	86.20	31.66	59.44	56.58	17.92	-
HTS1702.60 <sup>2</sup>	30.94	74.81	67.54	89.11	73.33	60.85	-
HTS1702.90 <sup>3</sup>	14.78	10.96	36.19	63.79	3.60	9.52	-
Average	43.52	69.21	49.46	77.83	64.18	48.32	-
4							

# Table 4-1 High-fructose corn syrup: Total U.S. exports and exports to Mexico, 1993-98

<sup>1</sup> HTS 1702.40 products contain at least 20 percent, but less than 50 percent, by weight of fructose. This group includes HFCS 42.

<sup>2</sup> HTS 1702.60 products contain at least 50 percent by weight of fructose. This group includes HFCS 55.

<sup>3</sup> HTS 1702.90 products are an enriched form of HFCS, containing 90 percent or more of fructose.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Prior to the announcement of the October 1998 investigation, U.S. agricultural officials met with the leaders of the CNG in May 1998 to discuss what the Mexican party perceived as persistent problems of their beef trade.<sup>152</sup> Mr. Cesar Gonzalez, then president of CNG, explained that U.S. beef shipments to Mexico continued to soar, notwithstanding the 1996 MOU. He admitted that the domestic industry encountered major internal problems irrespective of imports, including high feed costs and insufficient financing. Because of such problems, losing pre–NAFTA duty protection<sup>153</sup>—he said—made competition for the domestic industry with U.S. beef difficult.<sup>154</sup>

Notably, at the May 1998 meeting, CNG did not claim that U.S. beef had been sold at less than fair value.<sup>155</sup> Nonetheless, a few months later in October, SECOFI charged that imports of live cattle, beef, and edible beef offal from the United States have reached the Mexican market at prices significantly below the cost of production. SECOFI expressed concern about the damage that the Mexican industry might have suffered from these prices, identifying 11 Mexican importers and 8 U.S. exporters as the responsible parties. In accordance with Mexican antidumping procedures, no final determination is scheduled to be made until the second half of 1999. SECOFI expects final public statements to be submitted by July 30, 1999.

Mexico is the dominant U.S. export market for cattle, and the third largest U.S. market for fresh and frozen beef (after Japan and Canada). U.S. exports of live cattle, beef, and beef products (fresh or frozen beef

<sup>&</sup>lt;sup>152</sup> U.S. Department of State telegram, "Meeting with CNG to Discuss Prospects of Antidumping Petition Against U.S. Beef," message reference No. 05144, prepared by U.S. Embassy, Mexico City, May 27, 1998.

<sup>&</sup>lt;sup>153</sup> Before NAFTA became effective, imports of live cattle for immediate slaughter entering Mexico from the United States and Canada were dutiable at 15 percent ad valorem, fresh or chilled beef was dutiable at 20 percent ad valorem, and frozen beef was dutiable at 25 percent ad valorem.

 $<sup>^{154}</sup>$  The United States is virtually the only foreign supplier of beef to Mexico.

<sup>&</sup>lt;sup>155</sup> U.S. Department of State telegram, "Meeting with CNG to Discuss Prospects of Antidumping Petition Against U.S. Beef," message reference No. 05144, prepared by U.S. Embassy, Mexico City, May 27, 1998.

and beef offal) to Mexico declined in 1995, in part as a result of the peso devaluation, but increased steeply thereafter, as shown in table 4–2.

This increase of U.S. exports showed both greater demand in Mexico and the competitiveness of U.S. producers, who have access to cheaper feed and enjoy greater economies of scale than their Mexican counterparts.

### Hogs

The investigation covering live hogs for slaughter whose weight is equal to, or exceeds, 50 kilograms is based on imports during the period October1997 through March 1998.<sup>156</sup> SECOFI initiated this case in response to a petition filed by the Mexican Pork Producers Council (CMP), a group representing large–scale Mexican producers that accounts for 70 percent of domestic pork production.<sup>157</sup>

SECOFI alleges that the economic crisis in Southeast Asia and the depreciation of currencies in that region against the dollar caused orders of pork products from the United States to be canceled, which resulted in an oversupply of both pork products and live hogs in the U.S. market. This, in turn—says SECOFI—depressed prices below U.S. production costs and induced U.S. producers to offer hogs on the Mexican market at prices below normal value.<sup>158</sup>

However, U.S. officials see the real problem in the fact that most Mexican hog producers are not competitive with the U.S. industry. Part of the industry consists of backyard operations that need to be modernized. In addition, the producers depend on imported inputs, especially feed grains, unless expensive domestic feed grains are used.<sup>159</sup>

Meanwhile, pork is an important component of Mexico's basic market basket, from which the rate of inflation is calculated.  $^{160}$ 

Mexico has been virtually the only export market of the United States for live hogs and has been the second or third largest market (after Japan and, in some years. Canada), for fresh and frozen pork products. U.S. exports of hogs (HTS subheading 0103.92) to Mexico fluctuated widely in the 1990s. Exports dwindled to virtually nil in 1995 during Mexico's "peso crisis," which triggered a sharp drop of most imports that year. Exports subsequently recovered somewhat, but reached record levels in 1998, when they soared to nearly eight times their value of 1997 and nearly twice their prior record of 1994. It was this surge that apparently gave rise to the dumping charges discussed above. The following tabulation shows U.S. exports, by value, of live hogs to Mexico in 1993–98:

Annual:	Thousand of dollars	
1993	. 2,549	
1994	. 8,764	
1995	. 485	
1996	. 2,594	
1997	. 1,871	
1998	. 16,291	

Source: Official U.S. Census Data.

# China

Intensive negotiations between China and the United States regarding China's WTO accession continued in 1998. These issues have continued into 1999 as the USTR requested, in January 1999, that the USITC provide an investigative report assessing the probable economic effects on the United States of China's accession to the WTO.<sup>161</sup> The two main areas of negotiations in 1998 included (1) bilateral market access commitments on tariff rates, elimination of nontariff measures for industrial agriculture products, and progressive liberalization for services and (2) multilateral commitments to allow China to conform its current trade regime in accordance with WTO principles and obligations (particularly national treatment, nondiscrimination, transparency, balance of

<sup>&</sup>lt;sup>156</sup> U.S. Department of Agriculture, *Attache Query Detail*, Global Agriculture Information Network (GAIN) Report #MX8113, Sept. 30, 1998, found at Internet address http://www.fas.usda.gov, retrieved on Oct. 29, 1998; and U.S. Department of State telegram, "Mexico Initiates Dumping Investigation of U.S. Origin Hogs, Cattle, Beef and Beef Offal," message reference No. 10179, prepared by U.S. Embassy, Mexico City, Oct. 15, 1998.

<sup>&</sup>lt;sup>157</sup> U.S. Department of State telegram, "Mexican Pork Producers File Antidumping Petition Against U.S. Swine Industry," message reference No. 05747, prepared by U.S. Embassy, Mexico City, June 10, 1998.

<sup>&</sup>lt;sup>158</sup> U.S. Department of Agriculture, *Attache Query Detail*, GAIN Report #MX8113, Sept. 30, 1998, found at Internet address http://www.fas.usda.gov, retrieved on Oct. 29, 1998.

<sup>&</sup>lt;sup>159</sup> U.S. Department of State telegram, "Mexican Pork Producers File Antidumping Petition Against U.S. Swine Industry," message reference No. 05747, prepared by U.S. Embassy, Mexico City, June 10, 1998.

<sup>&</sup>lt;sup>160</sup> In January 1999, SECOFI levied preliminary compensatory duties on live hogs imported from the United States.

<sup>&</sup>lt;sup>161</sup> USITC, "Assessment of the Economic Effects on the United States of China's Accession to the WTO," press release, Jan. 20, 1999.

Table 4-2U.S. exports to Mexico of live cattle, beef and beef products, 1994-98

	Th	ousands of	dollars			
						Percent change
	1994	1995	1996	1997	1998	1997/1998
Live cattle	134,351	41,533	105,800	236,466	241,106	2.0
Fresh, chilled, or frozen beef	66,771	22,076	81,415	184,599	231,916	25.6
Beef and beef offal	22,161	10,562	26,885	30,890	43.233	40.0
Total	223,283	74,171	214,100	451,955	516,255	14.2

Source: Compiled from official statistics of the U.S. Department of Commerce.

payments, safeguards, subsidies, standards, customs valuation, state trading, and price controls).<sup>162</sup>

The Clinton Administration announced in May 1998 that, pursuant to section 402 of the Trade Act of 1974 (the Jackson-Vanik Amendment), it would extend normal trade relations (NTR) with China for an additional 12 months. China's receipt of NTR treatment with the United States is reviewed annually by the President, subject to congressional disapproval. The President will also decide in June 1999 whether to renew China's NTR status for another year.<sup>163</sup>

# Market Access

China's domestic developments in 1998 included the protection of the national fuel industry, a change in policy toward pyramid schemes and fraudulent sales practices, and the first–ever antidumping case against newsprint producers from the United States, Canada, and South Korea. There has also been increased government support for the private sector, in part to help control a growing unemployment problem in the labor force.

In a circular jointly issued by the State Economic and Trade Commission, State Development Planning Commission, Ministry of Foreign Trade and Economic Cooperation (MOFTEC), and General Administration of Customs, China suspended imports of diesel oil and gasoline in any form and froze any unused quota allocations effective September 20, 1998. Diesel oil and gasoline needed by domestic enterprises in special economic zones and foreign enterprises were to be provided by domestic sources at international prices.<sup>164</sup>

In 1997, China stepped up a battle against unethical sales techniques such as pyramid schemes and fraudulent sales practices. The State Council issued a complete ban on direct selling in April 1998, which affected both domestic and foreign companies; caused Amway, Avon, Mary Kay, Sara Lee, and other companies to cease operations in China; and resulted in a decline in the net worth of those companies on the New York Stock Exchange. Faced with the possibility of President Clinton raising the issue during his June visit to China, the State Council published a proclamation on June 18 allowing direct selling companies to modify their selling methods to comply with "store-selling" regulations. The new regulations allow foreign direct sales companies to market their products through sales promoters to Chinese consumers, provided that the parent company maintains retail access throughout the country. Sales promoters differ from direct sales distributors in that they do not take title to the goods and work solely on a commission basis.165

China announced the investigation and proceedings of its first–ever antidumping case against newsprint producers from the United States, Canada, and Korea in late 1997. No U.S. companies responded to MOFTEC's antidumping question- naire.<sup>166</sup> Accordingly, U.S. companies were treated as noncooperative and lost their right to participate in any

<sup>&</sup>lt;sup>162</sup> USTR, "Bilateral Negotiations Report," Feb. 4, 1999.

<sup>163</sup> Ibid.

<sup>&</sup>lt;sup>164</sup> "A Temporary Suspension of Diesel Oil and Gasoline Imports," *China Economic News*, Series No. 939, Oct. 12, 1998.

<sup>&</sup>lt;sup>165</sup> U.S. Department of State telegram, "Foreign Direct Sellers Back in Business Under New Regulations," message reference No. 14472, prepared by U.S. Embassy, Beijing, Aug. 20, 1998.

Aug. 20, 1998. <sup>166</sup> U.S. Department of State telegram, "MOFTEC's Initial Response to Demarche," message reference No. 9272, prepared by U.S. Embassy, Beijing, June 8, 1998.

hearings. At a May 20 meeting, MOFTEC and State Economic and Trade Commission (SETC) officials suggested that China's preliminary determination could result in a 20 percent ad volorem penalty duty on U.S. newsprint, 30 percent on Canadian newsprint, and 40 or 50 percent on South Korean newsprint.<sup>167</sup> These penalties would be assessed in addition to the sliding duty that China implemented on newsprint on October 1, 1997, which increases the import tariff to as high as 45 percent if the price of the imported newsprint drops.

As a result of the investigation, MOFTEC announced a preliminary determination in July 1998 that newsprint from the three countries had been dumped in China at margins of up to 78 percent below domestic levels.<sup>168</sup> A final determination is set for early 1999, yet importers of newsprint from the three countries must post cash guarantees equal in value to the margin assessed against it.169 The Chinese domestic paper and newsprint industry consists of many low-capacity state-run factories troubled by inefficiency, an excess of labor, and a general ban on logging imposed in response to summer 1998 flooding.<sup>170</sup> As a result of the new duties, domestic buyers will most likely face shortages of affordable newsprint.171

Commencing January 1, 1999, foreign firms will receive national treatment for export tax rebates, and private companies will be able to directly conduct foreign trade. The new policy reflects growing government support for the private sector to help absorb increasing numbers of unemployed workers.<sup>172</sup> State manufacturing firms could also face less red tape, with only perfunctory registration needed for import-export activity.<sup>173</sup>

# **Bilateral Economic Developments**

In a written statement issued on October 23, 1998, the USDA announced a ban on any imports from China packed in untreated solid wood material.<sup>174</sup> All shipments that departed China for the United States on or after December 17, 1998, are subject to an interim rule that requires that exporters in China must heat-treat, fumigate, or treat with preservatives all solid-wood packing materials and that such materials must be accompanied by official certification from the Chinese Government verifying treatment.<sup>175</sup> Packing material that departed from China prior to December 17 was not affected by the interim rule, even if it arrived in the United States after December 17.176 Shipments that do not contain any solid-wood packing material must include an exporter statement indicating that the shipment contains no such materials. The ban is to halt the introduction of wood-boring pests such as the Asian long-horned beetle.177 USDA estimated that the United States has had economic losses of more than \$40 billion for the forestry, fruit, maple syrup, and tourism industries as a result of damage done by the beetles.<sup>178</sup>

In 1992, the United States and China signed an MOU that committed China to strengthen its intellectual property rights (IPR) legal regime. Through 1995, China remained the world's leading exporter of pirated optical media products-compact discs (CDs), video discs (VCDs), and software CD-ROMs (containing software and video games). On February 26, 1995, the United States and China signed an IPR agreement designed to ensure both a crackdown piracy and real market access for on the above-mentioned media products. Since the Intellectual Property Rights Enforcement Agreement was finalized in 1995,179 China has shut down 64 CD production lines, including 54 underground factories that were not licensed, and 10 others that were improperly registered.<sup>180</sup> As a result, U.S. industry losses from optical media exports dropped significantly. In June 1996, the United States and China exchanged information in an IPR accord that detailed the steps that China had taken, and would take in the future, to ensure effective implementation of the 1995 Agreement, and China was removed from the

<sup>177</sup> In May 1999, USDA updated the procedures supporting the ban by increasing its inspection force and modifying documentation requirements.

<sup>178</sup> Ibid.

<sup>&</sup>lt;sup>167</sup> U.S. Department of State telegram, "China's Newsprint Antidumping Case," message reference No. 9140, prepared by U.S. Embassy, Beijing, June 4, 1998.

<sup>&</sup>lt;sup>168</sup> U.S. Department of State telegram, "National Trade Estimate," message reference No. 721, prepared by U.S. Embassy, Beijing, Jan. 22, 1998.

<sup>&</sup>lt;sup>169</sup> U.S. Department of State telegram, "China's Newsprint Antidumping Case," op.cit. <sup>170</sup> Ibid.

<sup>&</sup>lt;sup>171</sup> Ibid.

<sup>172</sup> Trade Reports International Group, Washington Trade Daily, Oct. 9, 1998.

<sup>&</sup>lt;sup>173</sup> China Watch, Orbis Publications, L.L.C., Vol. 1, No. 4, Oct. 15, 1998.

<sup>&</sup>lt;sup>174</sup> The Bureau of National Affairs, Inc., International Trade Daily, Art. No. 53061002, Nov. 2, 1998.

<sup>&</sup>lt;sup>175</sup> Ibid.

<sup>176</sup> Ibid.

<sup>&</sup>lt;sup>179</sup> For more information on the 1995 U.S.-China IPR agreement, see USITC, The Year in Trade: OTAP 1996, USITC publication 3024, Apr. 1997, p. 107.

<sup>&</sup>lt;sup>180</sup> USTR, "USTR Announces Results of Special 301 Annual Review," press release 98–44, May 1, 1998.

"priority watch list" under the "Special 301" trade law. China has been on the "Section 306 monitoring" list since April 1997. Section 306 of the Trade Act of 1974, as amended, authorizes the USTR to impose trade sanctions if there is a slippage in China's enforcement of the bilateral IPR agreements.<sup>181</sup>

In June 1998, the southern province of Guangdong held China's largest–ever antipiracy event promoting official commitments to protecting IPR, public awareness of the problem, and the success of provincial antipiracy enforcement.<sup>182</sup> Provincial officials stressed the region's commitment to protecting IPR and the value that the provincial leadership places on its close cooperative relationship with the regional U.S. consular officials. The event also showcased the success of the March to June enforcement campaign that resulted in 43 arrests, more than 2 million seized audiovisual products, and more than 50 fines issued to retail stores for illegal sales.<sup>183</sup>

# WTO Accession

Talks between China and the United States on WTO accession have been inconclusive, particularly because of a rising U.S. bilateral trade deficit that reached almost \$60 billion in 1998.184 Continued market access restrictions for U.S. businesses to key Chinese markets have slowed any new breakthroughs in China's effort to join WTO. The deputy director of SETC noted at a November 1998 meeting with U.S. officials that differences in the U.S. and Chinese positions on WTO were still great and had been compounded by the regional economic crisis.185 In a September 1998 Ministry of Foreign Affairs (MFA) press briefing, a spokesman remarked that the U.S. trade deficit with China is a statistical exaggeration and asserted that the most important factor contributing to the problem was U.S. restrictions on the export of high-technology goods to China.<sup>186</sup> In December 1998, the USITC received a request from the USTR for a report assessing the probable economic effect on the United States of China's accession to the WTO.<sup>187</sup>

### **Tariffs and Taxes**

China has taken steps to reduce tariffs pursuant to its bilateral commitments and in an effort to support its WTO accession bid. Many tariff reductions are still under negotiation in the context of WTO discussions with 36 trading partners. In November 1996, China's President Jiang Zemin announced that China would reduce the simple average tariff rate from the existing 23 percent ad valorem level to 15 percent by the year 2000. The October 1, 1997, tariff adjustments lowered China's simple average tariff level from 23 percent to 17 percent. Under the most recent tariff reductions, the average tariff for materials, parts, and finished products for machinery and electronic goods stands at 8.94 percent, 10.76 percent, and 14.92 percent, respectively. China has also indicated a plan to cut its highest tariffs, some up to 80 percent, which apply to luxury goods and goods for which China wishes to develop domestic capacity. Although the recent tariff reductions are substantial, the consumption and value-added taxes (VAT) promulgated in 1994 significantly increase the overall effective tax rate on many imported items. China's VAT is usually 13 or 17 percent, and China first imposes the import tariff and any applicable consumption tax and then incorporates those amounts into the base on which the VAT is applied.<sup>188</sup>

In January 1996, China announced a 2-year phaseout of investment incentives for projects not approved by April 15 that year. The announcement led to a rush of investors seeking project approvals before the cutoff date. A similar rush to import capital equipment occurred as China imposed an end-of-year deadline for the approved projects to bring in all capital equipment before the duty/value-added tax-free incentive was terminated. Policymakers have realized that the elimination of incentives not only dampened investor interest but also hurt the very types of investment projects that China intended to encourage, particularly those related to high-tech industries. In addition, the rationale behind the elimination of the incentive had been that it would help offset expected declines in duty collection following the tariff reductions in 1996. However, duty collections actually increased significantly under the reduced tariff-regime.

<sup>&</sup>lt;sup>181</sup> Ibid.

<sup>&</sup>lt;sup>182</sup> U.S. Department of State telegram, "IPR Protection in Guangdong: Good Efforts at All Levels," message reference No. 1808, prepared by American Consulate, Guangzhou, June 17, 1998.

<sup>&</sup>lt;sup>183</sup> Ibid.

<sup>&</sup>lt;sup>184</sup> U.S. Department of State telegram, "China: SETC on Bilateral Trade Matters, WTO, and APEC," message reference No. 19305, prepared by U.S. Embassy, Bejing, Dec. 1, 1998.

<sup>&</sup>lt;sup>185</sup> Ibid.

<sup>&</sup>lt;sup>186</sup> U.S. Department of State telegram, "Chinese MFA Press Briefing: Sept. 24," message No. 16686, prepared by U.S. Embassy, Beijing, Sept. 25, 1998.

<sup>&</sup>lt;sup>187</sup> The report, USITC Investigation No. 332–403, is to be completed in June 1999.

<sup>&</sup>lt;sup>188</sup> U.S. Department of State telegram, "Draft National Trade Estimate Report: People's Republic of China," message No. 3372, prepared by U.S. Embassy, Beijing, Feb. 1, 1998.

By early 1997, policymakers began considering the reintroduction of the incentives. On January 1, 1998, a new policy of providing duty/VAT-free importation of capital equipment for selected foreign investment projects and domestic investment projects was announced. Foreign investment projects that fall under categories of "encouraged" and "restricted category B" of China's investment guidelines and that have approved feasibility studies may apply to the State Planning Commission offices for a certificate establishing their status as a "nationally encouraged project." "Restricted category B" investments face stringent limits on their scope and activities, but may be approved as part of pilot schemes or as part of a centrally controlled growth plan. Domestic investment projects are eligible to apply for the certificate if the project falls within categories on a separately issued list of "industries, products, and technologies whose development are encouraged by national policy." The duty/VAT-free treatment may only be applied to the importation of capital equipment falling in Harmonized System tariff chapters 84-90 (most machinery, mechanical appliances, electrical equipment, and measuring devices) and not appearing on a separate China customs exceptions list.

The second major change to China's foreign investment regime is the revision of its "catalogue of industries for foreign investment," published on January 8, 1998. The lists were introduced in July 1995 to provide investors and local officials with guidelines for determining preferential treatment, restricted approval, or denial of a foreign investment project. The revised lists made numerous and notable additions and deletions to the category of manufactured goods. There were few or no changes to the services sector. The "prohibited" list remains unchanged. Notably, telecommunications services, an area that the United States and other nations have pressured China to open in WTO talks, remains on the prohibited list. Additions to the restricted category B list in the areas of agriculture, medical equipment, paper, power generation, and medicines may provide new market access for U.S. investors.189

# **Nontariff Measures**

On October 10, 1991, the U.S. Government initiated a 301 investigation concerning four broad

areas of China's market: the absence of transparency; import licensing requirements; import quotas, restrictions, and controls; and standards and certification requirements. The investigation resulted in the signing of a Memorandum of Understanding (MOU) on October 10, 1992, that committed China to significant liberalization of key aspects of its import administration, including reduction of trade barriers and the gradual opening of its market to U.S. exports. At the end of 1995, China abolished nontariff barriers on schedule for the 176 items specified under the 1992 market access MOU. Several items for which abolition of import restrictions were required at the end of 1996 under the market access MOU are no longer listed in China customs publications as being subject to nontariff measures. Most recently, MOFTEC issued an official circular that phased out import control measure of 13 eight-digit products on December 13, 1997.<sup>190</sup> Nonetheless, new alternative measures and some aspects of China's new industrial policies may be undercutting the market access gains that had been anticipated as a result of changes obligated under the market access MOU. These measures include the "automatic registration" requirement, electromechanical product import control measures, regulations on administration of medical the equipment, and camera import control measures. About 400 products covered by the annex to the 1992 market access MOU are now subject to these automatic registration requirements.<sup>191</sup>

After 12 years of WTO accession negotiations, China's most recent proposals still did not address a wide range of issues such as market opening in agricultural products, industrial goods, consumer goods, and services. In particular, the progress of opening the services sector to foreign competition, including the fields of legal, architectural, distribution, and financial services, has been slow.

# Hong Kong

Hong Kong has made progress in legislative improvements, notably the implementation of a licensing regime for imported CD production equipment in late 1997, the enactment of a new Copyright Ordinance requiring licensing and inspection of CD production sites in early 1998, and

<sup>&</sup>lt;sup>189</sup> U.S. Department of State telegram, "China's New Foreign Investment Regulations; Duty–Free Imports of Some Capital Equipment For Selected Projects Reinstated," message reference No. 2063, prepared by U.S. Embassy, Beijing, Jan. 13, 1998.

<sup>&</sup>lt;sup>190</sup> U.S. Department of State telegram, "1992 Market Access Compliance: Year–End 1997 Elimination of Non–Tariff Measures," message reference No. 2474, prepared by U.S. Embassy, Beijing, Feb. 6, 1998.

<sup>&</sup>lt;sup>191</sup> U.S. Department of State telegram, "Draft National Trade Estimate Report: People's Republic of China," message reference No. 3372, prepared by U.S. Embassy, Beijing, Feb. 2, 1998.

the drafting of laws to license and regulate the operation of optical disc production facilities. The new law, which became effective in August, gives Hong Kong authorities new powers to control illegal CD production of all types.<sup>192</sup> In raids on April 26, 1998, Hong Kong authorities seized some 7 million compact discs and closed a facility capable of producing 1.2 million compact discs per day. At the time of the raid, the facility was producing pirated U.S. movies and U.S. sound recordings. U.S. authorities look forward to full implementation of the antipiracy legislation, effective enforcement actions, and a significant reduction in piracy rates throughout 1998.<sup>193</sup>

On September 15, 1998, the United States and the Hong Kong Special Administrative Region agreed to additional steps to combat illegal circumvention of textile and apparel quota arrangements. The agreed measures include greater cooperation in joint factory observation visits in Hong Kong, increased information sharing, and enhanced enforcement measures to be taken by the United States and Hong Kong. In addition, on the basis of this greater cooperation, the United States will no longer require original signatures by manufacturers and subcontractors on U.S. textile declarations and certification by importers on the accuracy of textile declarations.<sup>194</sup>

# Taiwan

Taiwanese officials consider WTO accession before 2000 a "goal of utmost importance."<sup>195</sup> A number of unresolved issues, however, blocked Taiwan's effort to join the WTO during 1998. Bilateral issues that need to be resolved include an unresolved issue with Canada on downpayment quotas for meat products;<sup>196</sup> the lifting of an import ban on large U.S. motorcycles and related emissions issues, the elimination of subsidies for Taiwanese–produced auto components, an amendment to the lawyers' law that criminalizes foreign legal partnerships, discrimination against foreign–made high–quality medical devices, and better enforcement of Taiwan's legal regime for protecting intellectual property rights.<sup>197</sup>

In 1998, Taiwan reached a series of bilateral WTO agreements with the United States in the fields of telecommunications interconnection compliance<sup>198</sup> and the passenger auto market.<sup>199</sup> Despite the East Asian financial crisis, Taiwanese officials have indicated their confidence in Taiwanese market strength, which they expect to return to traditional levels in 1999, and their continued efforts in the WTO accession process.<sup>200</sup>

# Bilateral Economic Developments

On January 21, 1998, Taiwan's President signed the amended copyright bill into law.<sup>201</sup> The key provisions of the new copyright law are its extension of retroactive protection to works created fifty years prior to the date of Taiwan's accession to WTO and its inclusion of "performance works" to be protected. The amended copyright law also brings Taiwan's system for inspection and detention of goods suspected of infringing copyrights into conformity with the WTO TRIPs Agreement.

On April 30, 1997, USTR removed Taiwan from the Special 301 list for the first time since 1988.<sup>202</sup> USTR announced the results of its annual Special 301 review on May 1, 1998. The announcement indicated

<sup>&</sup>lt;sup>192</sup> USTR, "USTR Announces Results of Special 301 Annual Review," press release 98–44, May 1, 1998.

<sup>&</sup>lt;sup>193</sup> USTR, "USTR Welcomes New Hong Kong Moves Against IPR Piracy," press release 98–43, Apr. 30, 1998.

<sup>&</sup>lt;sup>194</sup> USTR, "United States and Hong Kong Agree to Enhanced Cooperation to Combat Illegal Textile Transshipment," press release 98–84, Sept. 17, 1998.

<sup>&</sup>lt;sup>195</sup> U.S. Department of State telegram, "Taiwan WTO: Letter From President Lee on Taiwan's Accession," message reference No. 4754, prepared by the American Institute in Taiwan, Taipei, Nov. 13, 1998.

<sup>&</sup>lt;sup>196</sup> Similar to the downpayment quotas that the U.S. provides Taiwan for meat products.

<sup>&</sup>lt;sup>197</sup> U.S. Department of State telegram, "Taiwan/WTO: Status Report and Next Steps for Unresolved Issues," message reference No. 118, prepared by the American Institute in Taiwan, Taipei, Jan. 15, 1999.

<sup>&</sup>lt;sup>198</sup> U.S. Department of State telegram, "Taiwan/WTO: Interconnect Compliance," message reference No. 5044, prepared by the American Institute in Taiwan, Taipei, Dec. 8, 1998.

<sup>&</sup>lt;sup>1998</sup>.
<sup>199</sup> U.S. Department of State telegram, "Taiwan/WTO: Bilateral Auto Issues Resolved," message reference No. 4040, prepared by the American Institute in Taiwan, Taipei, Sept. 16, 1998.

<sup>&</sup>lt;sup>200</sup> U.S. Department of State telegram, "Taiwan WTO: Letter From President Lee on Taiwan's Accession," message reference No. 4754, prepared by the American Institute in Taiwan, Taipei, Nov. 13, 1998.

<sup>&</sup>lt;sup>201</sup> U.S. Department of State telegram, "Taiwan IPR: Amended Copyright Bill Signed," message reference No. 357, prepared by the American Institute in Taiwan, Taipei, Jan. 28, 1998.

Jan. 28, 1998. <sup>202</sup> See USITC, *The Year in Trade, OTAP 1997*, USITC publication 3103, May 1998, p. 121 for more information.

that Taiwan authorities had made assurances to address U.S. concerns and that the USTR would closely monitor implementation of the specific measures over the following several months.

However, the U.S. viewed IPR enforcement actions in Taiwan as ineffective in reducing the production and export of pirated and counterfeit goods, especially video games and components, CD–ROMs, and music and video CDs.<sup>203</sup> Taiwan remained one of the top four sources of infringing goods that U.S. Customs agents seized on importation; it was also a major source of such exports to Latin American markets, especially Paraguay. Consequently, the USTR placed Taiwan back on the Special 301 watch list on August 11, 1998.<sup>204</sup>

# WTO Accession

In 1992, Taiwan applied to join the General Agreement on Tariffs and Trade (GATT)—the predecessor of the WTO—under the name of "the Customs Territory of Taiwan, Penghu, Kinmen, and Matsu." Taiwan must negotiate and formally sign all of its bilateral agreements with WTO contracting parties in order to realistically be considered for WTO membership.<sup>205</sup> As of September 1998, Taiwan had virtually complete bilateral accords with 26 WTO contracting parties that wished to negotiate Taiwan's WTO entry terms, including the United States. Work is continuing on the multilateral side of the negotiations, as Taiwan attempts to reach agreement with WTO members on the protocol setting out its commitments on implementation of WTO rules.

As part of the move to WTO entry, Taiwan has recently implemented three rounds of tariff reductions. The first, effective from June 19, 1998, cut duties on 350 agricultural and 780 industrial items from an average rate of 17.2 percent to 14.6 percent. The second, also effective from June 19, begins the first year of a four-year tariff reduction program on information technology items, which previously stood at an average of 4.7 percent. Tariffs on all information technology goods will be eliminated in the fourth year, as required by the terms of the WTO's Information Technology Agreement. The third round, approved by the Cabinet on July 30 but effective retroactively from July 1, cut tariffs on nearly 800 items, mostly agricultural and mineral commodities, from an average of 8.3 percent to 8.1 percent.<sup>206</sup> Nonetheless, despite progress in Taiwan's accession negotiations, recognition by the international community in 1971 of a "Single China" approach suggests that Taiwan is not likely to accede to the WTO before mainland China.<sup>207</sup>

### **Market Access**

On August 7, 1998, the United States concluded the bilateral negotiations of a market access package agreed to in February for Taiwan's accession to WTO; the United States also agreed to submit this package to WTO. Recent bilateral discussions have focused on Taiwan's "emerging industries" subsidies and agricultural import procedures.<sup>208</sup> The February 20, 1998 agreement,<sup>209</sup> which includes both immediate market access and phased–in commitments, will provide substantially increased access for U.S. industrial goods, services, and agriculture exports to Taiwan, the seventh–leading export market of the United States.

## Agriculture

Taiwan, in preparation for WTO accession and in an attempt to phase out its tariff rate quota system, will provide immediate market opening of 5,000 tons of pork and 12,500 tons of variety meats annually for U.S. products at current tariff rates. Taiwan has also agreed to completely open its market for pork, variety meats, and poultry to all WTO members upon accession by establishing a tariff rate quota system. The Agreement also covers special access for 10,000 tons of U.S. chicken meat at a tariff rate of 25 percent.

<sup>&</sup>lt;sup>203</sup> U.S. Department of State telegram, "Taiwan: Draft National Trade Estimate Report," message reference No. 370, prepared by the American Institute in Taiwan, Taipei, Jan. 26, 1998.

<sup>&</sup>lt;sup>204</sup> USTR, "USTR Announces Special 301 Action on Taiwan," press release 98–77, Aug. 11, 1998.

<sup>&</sup>lt;sup>205</sup> U.S. Department of State telegram, "Taiwan/WTO: Status Report and Next Steps for Unresolved Issues," message reference No. 118, prepared by the American Institute in Taiwan, Taipei, Jan. 15, 1999.

<sup>&</sup>lt;sup>206</sup> "Foreign Trade & Payments: Three Rounds of Tariff Cuts Take Effect," Country Reports: Taiwan, *The Economic Intelligence Unit Limited*, Sept. 3, 1998.

<sup>&</sup>lt;sup>207</sup> As a specialized United Nations (UN) agency, the GATT acknowledges United Nations General Assembly Resolution 2758 of Oct. 25, 1971, that recognized only one China. Although some GATT members at the GATT meeting considering Chinese Taipei's (i.e. Taiwan's) application interpreted this resolution to mean that Chinese Taipei should not accede to the GATT before the PRC, other members did not agree. Nonetheless, both sides agreed to establish the Working Party on the Accession of Chinese Taipei in 1992.

<sup>&</sup>lt;sup>208</sup> USTR, "USTR Announces Closure On Market Access Package With Taiwan," press release 98–74, Aug. 7, 1998.

 <sup>&</sup>lt;sup>209</sup> USTR, "Fact Sheet: U.S.–Taiwan Market Access Agreement," Feb. 20, 1998.

Upon WTO accession, Taiwan will establish a tariff rate quota for chicken meat before the market is completely opened on January 1, 2005. The in–quota tariff rate for chicken meat will be 25 percent ad valorem upon accession, falling to 20 percent by 2004. Taiwan will lift its ban on rice imports upon WTO accession and establish an import quota schedule. A portion of this quota will be allocated for private–sector rice trade. The rest of the rice quota will be imported by central authorities with conditions that will facilitate its release for table use in Taiwan. In addition to the market access agreement, Taiwan has agreed to change its practices that have forced surplus rice onto the international market.<sup>210</sup>

## **Industrial Tariffs**

Taiwan has committed to reduce its average tariff rates from 6.5 percent ad valorem to 4.9 percent, with about two-thirds of the tariff reductions made upon WTO accession. The remainder will be reduced by the year 2002, with limited exceptions to 2004. Taiwan has agreed to participate in all Uruguay Round zero-for-zero sectoral initiatives, which include chemical harmonization and the elimination of tariffs on paper, pharmaceuticals, medical equipment, construction equipment, steel, toys, furniture, agriculture equipment, civil aircraft, and distilled spirits. Apart from a few categories in which Taiwan will eliminate duties in 2004, Taiwan has offered to completely eliminate duties in these sectors by 2002. Taiwan has already participated in the Information Technology Agreement (ITA) and is an active participant in the ongoing negotiations on ITA II. Taiwan has agreed to support all of the APEC sectoral initiatives, and when an agreement is reached in APEC on the sectoral initiatives, Taiwan will include it in its WTO schedule. The immediate APEC initiatives include energy, equipment and services, environmental goods and services, forest products, toys, chemicals, medical equipment, fish and fish products, gems and jewelry, and telecommunications mutual recognition agreements.211

# **Automotive Products**

Taiwan has agreed to a reduction of tariffs on imported vehicles from 30 percent ad valorem to 20 percent over a reasonable period; a 25–30 percent decrease in the commodity tax applied to most U.S. vehicle imports; the complete elimination of a 9 percent subsidy on automobile components designed in Taiwan; and the elimination of the 50 percent local content requirement for auto parts, including an immediate reduction in this level to 40 percent. Taiwan has also agreed to facilitate used–car transactions, long–term vehicle leasing, and deregulation of auto insurance premiums.<sup>212</sup>

A tariff-rate quota (TRQ) on automotive products will be in place for 10 years after WTO accession. For countries enjoying access to the Taiwan market before 1997, the quota will be twice their highest level of annual imports between 1990 and 1993. Tariffs on motor vehicles outside the quota will be phased down from 60 percent ad valorem to 20 percent over the 10-year TRQ period, after which the TRQ will be entirely eliminated.<sup>213</sup>

### Services

Taiwan, at the time of its WTO accession, has agreed to open completely a number of service sectors, including professional services (architects, accountants, engineers, and lawyers), audiovisual services, express delivery services, advertising, computer services, construction, wholesale and retail distribution, franchising, and environmental services on WTO accession.

Taiwan has agreed to join the list of 69 international signatories to the WTO Global Basic Telecommunications Agreement. Foreign companies can hold a controlling interest (60 percent) in Taiwan's communications companies, and Taiwan has agreed to move rapidly toward competitive international rates for interconnection charges by the time that the state–owned telecommunications company, Chung Hwa, is privatized in 2001. Taiwan has joined with other WTO members to provide guarantees of full market access and national treatment for U.S. companies in a range of financial services–banking, insurance, and securities.

## **Government Procurement**

Taiwan has agreed to participate in the WTO Agreement on Government Procurement, a plurilateral agreement that imposes international transparency norms on government bidding processes. Taiwan's commitment covers about \$15.4 billion in infrastructure projects, one of the world's largest markets for government procurement contracts. Taiwan will establish a new mechanism, under the Public

<sup>&</sup>lt;sup>210</sup> Ibid.

<sup>&</sup>lt;sup>211</sup> Ibid.

<sup>&</sup>lt;sup>212</sup> Ibid.

<sup>&</sup>lt;sup>213</sup> Ibid.

Construction Commission (PCC), for mediation and binding arbitration applicable to contracts issued by the Government agencies. The PCC will ensure the transparency, uniformity, and integrity of Taiwan's procurement procedures by providing clear guidance to procuring entities.<sup>214</sup>

# **Privatization of Taiwan's Monopoly Board**

Taiwan is now in the process of privatizing its state monopoly that controls sales of alcohol and tobacco products and has intended that the spirits sector will be substantially opened to foreign investment and distribution. Taiwan has also agreed to eliminate completely tariffs on both brown and white spirits (e.g., bourbon, whiskey, gin, and vodka) by 2000. Tariffs on beer will be completely eliminated by 2005.

Effective June 15, 1998, the restrictions on foreign investment in Taiwan's power transmission and distribution sectors were lifted. The Ministry of Economic Affairs has also approved a proposal to privatize the state–run power company, Tai–Power, by July 2001, and plans to release Tai–Power in stages through overseas public offerings or global depositary receipts. The ceiling of investment in these two sectors is 50 percent, in accordance with the negative list of foreign direct investment issued by the Executive Branch of the Central Government.<sup>215</sup>

## Korea

U.S.–Korean trade relations continued to be calm in 1998, reflecting the easing of trade friction in recent years. Korea has made progress in liberalizing both its domestic economy and trade regime. The Korean economic crisis that began in 1997 and continued into 1998 has spurred some liberalizations and also has diverted attention and energy away from trade frictions. Newly inaugurated President Kim Dae–jung has been more favorably inclined toward reform than previous presidents. Also, the IMF rescue package has called for liberalizations as a condition of its loans.

There was one major bilateral trade issue involving the United States and Korea in 1998. In October, the United States and Korea announced a Memorandum of Understanding (MOU) ending a U.S. section 301 action concerning the access of foreign-made motor

<sup>215</sup> U.S. Department of State telegram, "Foreign Investment in Taiwan's Power Transmission and Distribution Businesses Allowed," message reference 2913, prepared by the American Institute in Taiwan, Taipei, July 1998. vehicles to the Korean market. Minor issues included a WTO ruling on a case brought by the United States concerning Korean liquor taxes and the start of negotiations on a U.S.–Korean bilateral investment treaty.

## **Automobiles**

The low level of sales of imported automobiles in Korea has been a source of bilateral friction in recent years. The United States has maintained that Korea supports a "sanctuary market for automobiles" while pursuing an aggressive automobile export strategy.<sup>216</sup> Although Korea is now the world's third largest auto exporter after Japan and the EU, imports accounted for less than one percent of all automobiles sold in Korea in 1996 and 1997.<sup>217</sup>

The United States and Korea signed an MOU on October 20, 1998, ending a section 301 investigation by the United States with respect to "certain acts, policies, and practices of the Government of the Republic of Korea that pose barriers to imports of U.S. autos into the Korean market."<sup>218</sup> The agreement is expected to provide "substantial opportunities for U.S. automakers by dismantling a range of discriminatory Korean trade barriers in the near term and by establishing a solid basis for steady improvement in the future."<sup>219</sup>

### Background

The United States and Korea previously signed an MOU in late 1995 designed to improve market access for foreign automobiles. The 1995 MOU covered Korea's treatment of foreign automobiles in the areas of taxation, standards and certification procedures, advertising, auto financing, and consumer perception.<sup>220</sup>

In the 1997 National Trade Estimate, the USTR acknowledged that Korea had implemented most of the commitments it made in the 1995 MOU, but stated that actions recently taken by the Korean Government

<sup>218</sup> 62 F.R. 55843.

<sup>&</sup>lt;sup>214</sup> Ibid.

 <sup>&</sup>lt;sup>216</sup> USTR, "USTR–Commerce Joint Press Release on the Implementation of the 1995 Agreement with Korea on Autos," press release No. 96–44a, June 3, 1996.
 <sup>217</sup> U.S. Department of State telegram, "Korean Auto

<sup>&</sup>lt;sup>217</sup> U.S. Department of State telegram, "Korean Auto Industry: Overview and Trade in 1997 and Prospects for 1998," message reference No. 1008, prepared by U.S. Embassy, Seoul, Feb. 24, 1998.

<sup>&</sup>lt;sup>219</sup> USTR, "U.S. Gains Major Improvements in Access to Korean Motor Vehicle Market," press release No. 98–93, Oct. 20, 1998.

<sup>&</sup>lt;sup>220</sup> For more details on the 1995 automobile MOU, see USITC, *The Year in Trade, OTAP* 1995, USITC publication 2971, Aug. 1996, pp. 63–64.

called into question Korea's commitment to open its domestic passenger car market to foreign competition. The USTR specifically cited tacit Korean Government approval of renewed antiimport efforts, an increase in taxes on sport–utility vehicles (SUVs), the high 8 percent ad valorem tariff on imports of passenger vehicles, its "cascading" taxes on autos that escalate with engine displacement, traffic police harassment of drivers of foreign autos, and tax audits that have been threatened against persons leasing foreign autos or otherwise indulging in "conspicuous consumption."<sup>221</sup> The USTR indicated that the United States would seek further market–opening measures from Korea in 1997.<sup>222</sup>

The United States initiated negotiations with Korea dealing with foreign access to Korea's domestic automobile market, and three rounds of working–level talks occurred in August and September 1997. The negotiations dealt with a number of market access issues, including U.S. requests for—

- A reduction of the 8 percent duty on auto imports to the U.S. level of 2.5 percent, as well as a reduction in Korea's WTO–bound rate of 80 percent;
- A change in the basis of automobile taxation from the current system based on engine size to one based on the age or price of the car;
- Korea to allow automobiles to be used as collateral for loans;
- A simplification of the Korean safety inspection and approval system; and
- Active and specific measures by the Korean government to change the attitude of Korean consumers toward foreign cars.<sup>223</sup>

Agreement was not reached during the negotiations. As a result, on October 1, 1997, USTR Charlene Barshefsky announced that she had identified Korea's barriers to imported automobiles as a priority foreign country practice under the Super 301 provisions of U.S. trade law. Under Super 301

procedures, the USTR initiated an investigation under section 302 (b) (1) (A) of the Trade Act of 1974, as amended, on October 20, 1997. Both sides agreed that negotiations would not start until there had been a cooling–off period, taking into account the Korean presidential elections, which elevated long–time dissident Kim Dae–jung to the presidency, and the economic and financial crisis in Korea.<sup>224</sup>

#### **Resolution of the Dispute**

Negotiations resumed in April. After four rounds of negotiations, agreement was reached on October 20, 1998, the normal deadline for reaching an agreement to avoid sanctions under section 301 procedures. The MOU covered the areas noted above, with the United States achieving most of its goals in the negotiations. A summary of MOU provisions follows:<sup>225</sup>

#### Motor Vehicle-Related Tax and Tariff Reductions

- The Korean Government pledged to lower its WTO tariff bindings on motor vehicles from 80 percent to the current applied rate of 8 percent and to actively participate in future multilateral negotiations aimed at reducing or eliminating tariffs in this sector.
- The Korean Government has committed to cut taxes, resulting in an average cost savings of over \$2,000 (2,750,000 won) per vehicle toward the purchase of a typical U.S. vehicle and about \$4,000 (5,500,000 won) over the life of a vehicle, including a 40 percent reduction in the annual vehicle registration tax for all motor vehicles with engine displacements over 2000 cubic centimeters. U.S. passenger cars, and especially minivans and SUVs, are more likely to have these higher engine displacements than Korean–produced vehicles.
- The Korean Government made a longer-term commitment to simplify Korea's motor vehicle tax structure and to reduce the tax burden on Korea motor vehicle purchases in ways that will advance MOU objectives.

<sup>&</sup>lt;sup>221</sup> USTR, 1997 National Trade Estimate on Foreign Trade Barriers, pp. 234, 250–1.

<sup>&</sup>lt;sup>222</sup> Ibid., p. 251.

<sup>&</sup>lt;sup>223</sup> Republic of Korea, "Washington Invokes Section 301 of the U.S. Trade Law Against Korea Demanding Wider Foreign Access to Korea's Automobile Market," press release, Oct. 18, 1997, found at Internet address http://korea.emb.washington.dc.us/embnews/pressrelease/ba ck971104.htm, retrieved Dec. 2, 1997.

 <sup>&</sup>lt;sup>224</sup> U.S. Department of State telegram, "Draft Talking Points/Background for U.S. Trade Action Group (TAG) Agenda Items," message reference No. 7268, prepared by U.S. Embassy, Seoul, Dec. 10, 1997.
 <sup>225</sup> USTR, "Fact Sheet: U.S.–Korea Memorandum of

<sup>&</sup>lt;sup>225</sup> USTR, "Fact Sheet: U.S.–Korea Memorandum of Understanding: Market Access for Foreign Motor Vehicles," Oct. 20, 1998; USTR, "U.S. Gains Major Improvements in Access to Korean Motor Vehicle Market," press release No. 98–93, Oct. 20, 1998; and "United States of America–Republic of Korea Memorandum of Understanding

Regarding Foreign Motor Vehicles in the Republic of Korea," Oct. 20, 1998.

#### Enhanced Motor Vehicle–Secured Financing System

• The Korean Government agreed to introduce a secured financing system for the purchase of motor vehicles that will enable Korean consumers to more easily finance purchases of both domestic- and foreign-produced vehicles.

#### Standards and Certification

- The Korean Government has committed to streamline Korean measures regarding standards and certification procedures to reduce costs and time delays incurred through redundant testing and excessive documentation requirements. For example:
- The Korean Government will institute a self-certification system by 2002, that will allow U.S. manufacturers to certify their own products. This commitment will make Korea the third country in the world, in addition to the United States and Canada, to institute a self-certification system
- The Korean Government will accept U.S. headlamp standards
- The Korean Government committed to significantly streamline the current safety standard certification system.

#### Scope

• The scope of the Agreement has been expanded beyond passenger vehicles to include SUVs and minivans.

#### Consultations/Goals and Objectives

- The Korean Government agreed to ongoing consultations to begin in spring 1999.
- The Agreement also set out general objectives to substantially increase market access for foreign motor vehicles in Korea and to establish conditions so that the Korean motor vehicle sector operates according to market principles.

Tax and tariff reduction was a major sticking point in the negotiations. A Korean official noted that under the International Monetary Fund (IMF) program addressing Korea's international finance problems, Korea had little flexibility to reduce taxes, explaining that auto–related taxes represent roughly 17 percent of total Korean national government tax revenues.<sup>226</sup>

# **Other Issues**

#### **Taxes on Distilled Spirits**

On July 31, 1998, a WTO dispute–settlement panel found that Korean taxes on distilled spirits violate Korea's WTO obligations concerning discriminatory taxes. The case was taken to the WTO in 1997 by the United States and the European Union. The dispute settlement panel report supports the U.S. challenge to two Korean laws that apply higher taxes to U.S. distilled spirits exports than to Korea's domestically produced distilled spirit, soju. Soju is a clear liquor distilled from starch (such as potatoes or grain) and sugar and has been compared to vodka. The panel found that these taxes violate Article III:2 of the General Agreement on Tariffs and Trade because they afford protection to domestic production of soju.

Korea's taxation of alcoholic beverages is based on a two-tiered taxation regime. First, under a general liquor tax law, Korea imposes an ad valorem tax of 100 percent on whiskey and brandy and 80 percent on vodka, rum, and gin. Taxes of 35 percent and 50 percent are applied to "diluted" and "distilled" soju, respectively. Second, under an education tax law, there is an additional tax that is a function of the applied liquor tax rate. Liquors having a liquor tax rate of 80 percent or higher are assessed an education tax at 30 percent of the liquor tax imposed. Those having a liquor tax rate of less than 80 percent are assessed an education tax at 10 percent of the liquor tax imposed.<sup>227</sup>

The USTR stated that the decision "should have constructive market–opening results for U.S. exports of distilled spirits."<sup>228</sup>

<sup>&</sup>lt;sup>226</sup> U.S. Department of State telegram, "USTR Korea Director Latimer's Meetings at MOFAT and Ministry of Industry," message reference No. 1976, prepared by U.S. Embassy, Seoul, Apr. 7, 1998.

<sup>&</sup>lt;sup>227</sup> USTR, "United States Wins WTO Case on Korean Liquor Taxes," press release No. 98–73, Aug. 5, 1998; and WTO, "Korea – Taxes on Alcoholic Beverages: Report of the Panel," WT/DS75/R and WT/DS84/R, Sept. 17, 1998.

<sup>&</sup>lt;sup>228</sup> In January 1999, the Appellate Body of the WTO affirmed the report of the dispute–settlement panel. USTR, "WTO Appellate Body Confirms U.S. Win in Korean Liquor Taxes Case," press release No. 99–05, Jan. 18, 1999.

### **Bilateral Investment Treaty** Negotiations

When Korean President Kim Dae–jung met with President Clinton on June 9, 1998, he proposed that the United States and Korea negotiate a bilateral investment treaty (BIT). Under a BIT, Korea would be obligated to liberalize its investment regime and establish certain guarantees for direct investments by U.S. companies. Initial talks were held in July and October, but numerous issues must be resolved before an agreement can be reached.<sup>229</sup>

<sup>&</sup>lt;sup>229</sup> U.S. Department of State telegram, "U.S.–Korea
BIT: Guidance on Answering Queries," message reference
No. 110941, prepared by U.S. Department of State,
Washington, DC, June 19, 1998, and U.S. Department of
State telegram, "U.S. Korea BIT: October 1998 Talks–Major
Hurdles," message reference No. 537, prepared by U.S.
Embassy, Seoul, Jan. 26, 1999.

# CHAPTER 5 Administration of U.S. Trade Laws and Regulations

This chapter surveys activities related to the administration of U.S. trade laws during 1998. It covers (1) the import relief laws; (2) the unfair trade laws; and (3) certain other trade provisions, including the U.S. Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), the Andean Trade Preference Act (ATPA), section 232 of the Trade Expansion Act of 1962 (impairment of national security), the Agricultural Adjustment Act (interference with programs of the U.S. Department of Agriculture); (4) programs affecting textile and apparel imports; and (5) U.S. trade sanctions.

# **Import Relief Laws**

The United States has enacted several safeguard laws, as well as a trade adjustment assistance program. The U.S. global action safeguard law, which is based on Article XIX of GATT 1994 and the Uruguay Round Agreement on Safeguards, is set forth in sections 201-204 of the Trade Act of 1974.<sup>1</sup> U.S. bilateral action safeguard laws are set forth in section 406 of the Trade Act of 1974 (market disruption from imports from Communist countries)<sup>2</sup> and sections 301-304 of the North American Free-Trade Agreement (NAFTA) Implementation Act.<sup>3</sup> The trade adjustment assistance provisions are set forth starting with section 221 of the Trade Act of 1974.<sup>4</sup>

# Safeguard Actions

During 1998, the U.S. International Trade Commission (Commission) completed one safeguard investigation, initiated one new investigation, and had pending at year-end one petition, all under the U.S. global safeguard law. At the end of 1998, the United States had one global safeguard measure in place, on imports of wheat gluten. A global safeguard measure on imports of broom corn brooms, imposed in 1996, was terminated in late 1998, almost a year earlier than scheduled.

The Commission made an affirmative injury determination in the one completed safeguard investigation, which involved imports of wheat gluten. In its report to the President in March 1998, the Commission recommended that the President impose a quota, for a 4-year period, on imports of wheat gluten.<sup>5</sup> Following receipt of the Commission's report, the President in May 1998 imposed a quota on imports of wheat gluten for a period of 3 years and 1 day.<sup>6</sup> In October 1998, the Commission instituted an investigation with respect to imports of lamb meat on the basis of a petition filed by domestic producers. The petitioners requested relief in the form of a tariff-rate quota on imports of lamb meat. The investigation was pending at year-end.7 On December 30, 1998, the Commission received a petition filed by domestic producers of certain steel wire rod. The petition was pending at year-end 1998.8

The one U.S. safeguard measure in effect at the beginning of 1998, involving higher tariffs on imports of broom corn brooms, was terminated early by the

<sup>8</sup> The Commission instituted the requested investigation effective January 12, 1999, following receipt of an amendment to the petition. In May 1999, the Commission made its determination in the injury phase of the investigation and was equally divided 3-3 in its determination. As a result, the Commission proceeded to the remedy phase of its investigation, and was scheduled to report its determination and any remedy recommendations to the President by July 12, 1999. U.S. law provides specifically for situations in which the USITC Commissioners are equally divided in their injury

<sup>&</sup>lt;sup>1</sup> 19 U.S.C. 2251 et seq.

<sup>&</sup>lt;sup>2</sup> 19 U.S.C. 2436.

<sup>&</sup>lt;sup>3</sup> 19 U.S.C. 3351 et seq.

<sup>&</sup>lt;sup>4</sup> 19 U.S.C. 2271 et seq.

<sup>&</sup>lt;sup>5</sup> Inv. No. TA–201–67, *Wheat Gluten*, USITC Publication 3088 (March 1998).

<sup>&</sup>lt;sup>6</sup> Proclamation 7103, May 30, 1998, published in the *Federal Register* of June 3, 1998 (63 FR 30359). The quota wasallocated on a country basis, with shares allocated to Australia, the European Community, and "other countries."

<sup>&</sup>lt;sup>7</sup> Inv. No. TA–201–68, *Lamb Meat.* The Commission made an affirmative injury determination and recommended relief in the form of a tariff–rate quota at a level less than that proposed by petitioners. The Commission sent its report to the President on April 5, 1999. The President has 60 days from when he receives the report to decide what, if any, action to take. As of the date of publication of this report, the matter was still pending before the President.

President on December 3, 1998. The measure was terminated on the basis of a finding by the President that the industry had "not made adequate efforts to make a positive adjustment to import competition."<sup>9</sup> The President's action followed receipt of a report that he had requested from the Commission under section 332(g) of the Tariff Act of 1930 on developments with respect to the domestic broom corn broom industry since November 28, 1996, including the progress and specific efforts made by workers and firms in the industry to make a positive adjustment to import competition.<sup>10</sup>

# **Adjustment Assistance**

The Trade Adjustment Assistance (TAA) program, set forth starting with section 221 of the Trade Act of 1974, authorizes the Secretaries of Commerce and Labor to provide trade adjustment assistance to firms and workers, respectively, who are adversely affected by increased imports. Initially authorized under the Trade Expansion Act of 1962, the current program is scheduled to expire on June 30, 1999. In 1993, a new subchapter was added to the TAA provisions in the Trade Act to provide transitional assistance to workers separated, or threatened to be separated, from their employment as a result of increased imports from, or shifts in production to, Canada or Mexico under the NAFTA.<sup>11</sup>

The TAA system of readjustment allowances to individual workers is administered by the U.S. Department of Labor through its Employment and Training Administration (ETA) in the form of monetary benefits for direct trade readjustment allowances and service benefits that include allocations for job search, relocation, and training. Industrywide technical consultation provided through Department of Commerce-sponsored programs is designed to restore the economic viability of U.S. industries adversely affected by international import competition.<sup>12</sup> The Department of Labor (DOL) instituted 1,400 investigations during fiscal year (FY) 1998 (October 1, 1997, through September 30, 1998) on the basis of petitions filed for trade adjustment assistance (TAA). Petitioners for TAA assistance represented a broad spectrum of manufacturing industries. The FY 1998 figure represents a slight increase from the 1,318 TAA petitions instituted in FY 1997. The results of the TAA investigations completed in FY 1998, including those in progress from the previous fiscal year, are shown in table 5-1.

The number of completed TAA cases (including partial certifications and denied, terminated, or withdrawn petitions) in FY 1998 decreased slightly to 1,359 cases from 1,373 in FY 1997. As shown above, there were a total of 96,868 workers fully certified in FY 1998, a 12.8 percent decrease from the number fully certified in FY 1997. For workers to be certified as eligible to apply for TAA, the Secretary of Labor must determine that workers in a firm have become, or are threatened to become, totally or partially separated; that the firm's sales or production have decreased absolutely; and that increases in like or directly competitive imported products contributed importantly to the total or partial separation and to the decline in the firm's sales or production. Workers certified for TAA are provided with a certification of eligibility and may apply for TAA benefits at the nearest office of the State Employment Security Agency.

Table 5-2 presents data on benefits and services provided under the TAA program. Expenditures for FY 1998 decreased to \$151.0 million, a 19.5 percent decrease from the \$187.6 million figure in FY 1997. In addition, there was a sharp decrease in the number of workers applying for such benefits (from 31,606 new recipients in FY 1997 to 20,474 recipients in FY 1998). The DOL also provided training, job search, and relocation allowances preliminarily valued at \$96.7 million in FY 1998, a 13.6 percent increase from the \$85.1 million allocated during FY 1997. However, the numbers of workers utilizing these services decreased from FY 1997 to FY 1998.

# NAFTA Transitional Assistance to Workers

The NAFTA Implementation Act<sup>13</sup> established the Transitional Adjustment Assistance program (NAFTA-TAA). That program, which began operation

<sup>&</sup>lt;sup>8</sup>—*Continued* phase determination: the President may consider the determination of either group of Commissioners as the determination of the Commission. If the President chooses the determination of the Commissioners voting in the affirmative, the President must then address the question of remedy. Under U.S. law, the President makes the final decision on remedy. He has 60 days in which to make his decision after receiving the Commission's report.

<sup>&</sup>lt;sup>9</sup> Proclamation 7154, Dec. 3, 1998. The measure was originally scheduled to expire on Nov. 27, 1999.

<sup>&</sup>lt;sup>10</sup> Inv. No. 332–394, Broom Corn Brooms: Efforts of Workers and Firms in the Industry to Make a Positive Adjustment to Import Competition, USITC Publication. 3122 (Aug. 1998).

<sup>&</sup>lt;sup>11</sup> Sec. 250 of the Trade Act of 1974 (19 U.S.C. 2331), as augmented by sec. 502 of the NAFTA Implementation Act.

<sup>&</sup>lt;sup>12</sup> Sections 251 through 264 of the TAA.

<sup>&</sup>lt;sup>13</sup> NAFTA Implementation Act, Title V, NAFTA Transitional Adjustment Assistance and Other Provisions, Public Law No. 103–182, 107 Stat. 2057, sec. 501–507 (Dec. 8, 1993).

# Table 5-1 Results of petitions filed under the Trade Adjustment Assistance program, FY 1998 and FY 1997

	Number of in or petitions		Number of workers—		
Item	FY 1998	FY 1997	FY 1998	FY 1997	
Completed certifications Partial certifications Petitions denied Petitions terminated or withdrawn	856 1 425 77	877 1 430 65	96,868 192 49,303 1,715	109,253 60 38,696 3,059	
Total	1,359	1,373	148,078	151,068	

Source: Preliminary (as of January 1999) data maintained by the U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance.

#### Table 5-2 Benefits and services provided under the Trade Adjustment Assistance program, FY 1998 and FY 1997

	Estimated number of participants—		
Item	FY 1998	FY 1997	
	Trade readjustment allowance benefits		
Number of new recipients	20,474	31,606	
Total expenditures (in millions of dollars)	151.0	187.6	
	Training, job search, a	nd relocation services	
Number entering training Number receiving a job search allowance Number receiving a relocation allowance	18,238 220 374	22,770 448 669	
Total allocations to States (in millions of dollars)	96.7	85.1	

Source: Preliminary (as of January 1999) data maintained by the U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance.

January 1, 1994, provides training, job search, and relocation assistance to workers in companies affected by imports from Canada or Mexico or by shifts of U.S. production to those countries<sup>14</sup>. Data for FY 1998 from the DOL indicate that 809 petitions were filed for assistance under the NAFTA-TAA program compared to 784 such filings in FY 1997. Petition activity under the program in FY 1998 and FY 1997 is summarized in table 5-3. As shown, there were 445 completed certifications in FY 1998, covering 53,301 workers.

Preliminary FY 1998 figures show that there were 2,545 new recipients of NAFTA-TAA, an increase over

the 2,242 workers that entered the program in FY 1997 (table 5-4). In addition, there was a sharp increase in the number of workers entering training (4,021 workers in FY 1998, compared with 2,910 workers in FY 1997). The DOL also provided direct benefits to workers that increased from \$13.1 million in FY 1997 to \$14.0 million in FY 1998, and expenditures for training, job search, and relocation services increased from \$27.6 million in FY 1997 to \$29.0 million in FY 1998.

# Assistance to Firms and Industries<sup>15</sup>

The U.S. Department of Commerce's Economic Development Administration (EDA) certified 167

<sup>&</sup>lt;sup>14</sup> Petitioners may apply for and, if eligible, be certified under both the TAA and NAFTA-TAA programs. However, such dual-certified workers are only permitted to receive benefits from either the TAA program or the NAFTA-TAA program, and must indicate their preferred program.

<sup>&</sup>lt;sup>15</sup> Information obtained from the Planning and Development Assistance Division, Economic Development Administration, U.S. Department of Commerce. The trade adjustment assistance program was extended through June 30, 1999, under the Omnibus Appropriations Bill for FY 1999.

#### Table 5-3 Results of petitions filed under the NAFTA Transitional Adjustment Assistance program, FY 1998 and FY 1997

	Estimated nu or petitions—	mber of investigations	Estimated number of workers—	
Item	FY 1998	FY 1997	FY 1998	FY 1997
Petitions filed Worker groups certified Petitions denied Petitions terminated	809 445 350 41	784 429 293 20	87,322 53,301 25,067 NA	88,606 55,975 29,243 NA

Source: Preliminary (as of January 1999) data maintained by the U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance.

#### Table 5-4 Benefits and services provided under the NAFTA Trade Adjustment Assistance program, FY 1998 and FY 1997

	Estimated number of participants—		
Item	FY 1998	FY 1997	
	Trade readjustment allowance benefits		
Number of new recipients	2,545	2,242	
Total expenditures (in millions of dollars)	14.0	13.1	
	Training, job search, a	nd relocation services	
Number entering training Number receiving a job search allowance Number receiving a relocation allowance	4,021 39 169	2,910 16 66	
Total allocations to States (in millions of dollars)	29.0	27.6	

Source: Preliminary (as of January 1999) data maintained by the U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance.

firms as eligible to apply for trade adjustment assistance during FY 1998. This figure represents a slight increase from the 159 firms certified in the previous fiscal year. To be certified as eligible to apply for trade adjustment assistance, a firm must show that increased imports of articles like, or directly competitive with, those produced by the firm contributed importantly to declines in its sales, production, or both, and to the separation, or threat of separation, of a significant portion of the firm's workers. Following certification, a firm may apply for technical assistance to develop and implement its economic recovery strategy.

The EDA administers its technical assistance programs through a nationwide network of 12 Trade Adjustment Assistance Centers (TAACs). The TAACs are nonprofit, nongovernment organizations established to help firms qualify for, and receive assistance in, adjusting to import competition. Technical services are provided to certified firms through TAAC staffs and independent consultants under contract with TAACs. Typical technical services include assistance in marketing (e.g., the design of new brochures and Web sites), identifying appropriate management information system hardware and software, and developing and completing quality assurance programs. The TAACs' funding for technical services to firms adversely affected by international import competition was \$9.5 million during FY 1998, a \$1.0 million increase over the amount awarded in FY 1997.

In addition to trade adjustment assistance for firms, the EDA also provided \$1.5 million in FY 1998 in defense conversion funding to the TAACs, a slight decrease from the \$1.6 million provided in FY 1997. These expenditures assist trade-injured firms in areas that have also experienced economic dislocations from defense expenditure cutbacks.

# Laws Against Unfair Trade Practices

Several actions were taken in 1998 pursuant to U.S. laws against unfair trade practices. The U.S. Department of Commerce (Commerce) issued nine new antidumping orders during 1998, following completion of investigations by Commerce and the Commission. Commerce entered into no new suspension agreements. Commerce issued one new countervailing duty order in 1998, following completion of investigations by Commerce and the Commission. During 1998, the Commission completed 15 investigations under section 337 of the Tariff Act of 1930 involving allegations of patent, trademark, or copyright infringement or other unfair methods of competition. The Commission did not issue any exclusion orders prohibiting the importation of merchandise. One limited exclusion order and one cease-and-desist order became final without Presidential action (both had been issued in 1997). Lastly, the USTR was involved in a number of actions directed against unfair trade practices.

# Section 301 Investigations

Section 301 of the Trade Act of 1974, as amended (the Trade Act), is the principal U.S. statute for addressing foreign unfair practices affecting U.S. exports of goods or services. Section 301 may be used to enforce U.S. rights under bilateral and multilateral trade agreements and may also be used to respond to unreasonable, unjustifiable, or discriminatory foreign government practices that burden or restrict U.S. commerce. Interested persons may petition the USTR to investigate a foreign government policy or practice, or the USTR may self-initiate an investigation.

If consultations do not result in a settlement and the investigation involves a trade agreement, section 303 of the Trade Act requires the USTR to use the dispute settlement procedures that are available under the agreement. If the matter is not resolved by the conclusion of the investigation, section 304 of the Trade Act requires the USTR to determine whether the practices in question deny U.S. rights under a trade agreement or whether they are unjustifiable, unreasonable, or discriminatory and burden or restrict U.S. commerce. If the practices are determined to violate a trade agreement or to be unjustifiable, the USTR must take action. If the practices are determined to be unreasonable or discriminatory and to burden or restrict U.S. commerce, the USTR must determine whether action is appropriate and, if so, what action to take. The time period for making these determinations varies according to the type of practices alleged.

In 1998, the USTR initiated two new section 301 investigations. Further developments occurred in four investigations initiated prior to 1998. Table 5-5 summarizes USTR activities on section 301 investigations during 1998.<sup>16</sup>

#### Super 301

The "Super 301" provisions of the Omnibus Trade and Competitiveness Act of 1988 were reinstituted via Executive Order by President Clinton in 1994<sup>17</sup> and later extended through calendar year 1997.<sup>18</sup> In 1998, the USTR did not issue a Super 301 report to the Congress, because of the expiration of the Executive Order.<sup>19</sup> The USTR terminated one outstanding investigation regarding Korean barriers to auto imports as a result of a bilateral agreement.

## **Special 301**

Under "Special 301" provisions,<sup>20</sup> the USTR must identify those countries that deny adequate and effective protection for intellectual property rights (IPR) or deny fair and equitable market access for persons who rely on intellectual property protection. Countries that have the most onerous or egregious acts, policies, or practices and whose acts, policies, or practices have the greatest adverse impact (actual or potential) on the relevant U.S. products must be designated as "priority foreign countries." Priority foreign countries are potentially subject to an investigation under the Section 301 provisions of the Trade Act.

<sup>&</sup>lt;sup>16</sup> Information contained in this table was compiled from USTR, *Report to Congress on Section 301 Developments Required by Section 309(a)(3) of the Trade Act of 1974.* 

<sup>&</sup>lt;sup>17</sup> On March 3, 1994, the President signed Executive Order 12901 reinstituting Super 301 for calendar years 1994 and 1995.

<sup>&</sup>lt;sup>18</sup> On September 27, 1995, the President amended Executive Order 1290,1 to extend it to calendar years 1996 and 1997.

<sup>&</sup>lt;sup>19</sup> The USTR announced the President's intent to reinstitute and modify "Super 301" in 1999. See USTR, "USTR Barshefsky Announces Super 301 and Title VII Executive Order," press release 99–10, Jan. 26, 1999. The modified provisions require the USTR to review U.S. trade expansion priorities and identify those priority foreign country practices, the elimination of which is likely to have the most significant potential to increase U.S. exports, and to report to the Senate Finance Committee and the House Ways and Means Committee on any such practices. The report is due by April 30, closer to the submission of the annual National Trade Estimate Report. (Executive Order 13116 was issued on March 31, 1999.)

<sup>&</sup>lt;sup>20</sup> Special 301 provisions are pursuant to Section 182 of the Trade Act of 1974, as amended by the Omnibus Trade and Competitiveness Act of 1988 and the Uruguay Round Agreement Act of 1994.

Table 5-5
Summary of activity on section 301 investigations on which actions were taken during 1998

Docket No.	Summary and actions occurring during course of investigation
Petitions filed or investi	gations self-initiated in 1998
Docket No. 301-118	<u>Mexican Practices Affecting High Fructose Corn Syrup</u> (HFCS), petition filed by the Corn Refiners Association, Inc. (April 1998), USTR invites public comments.
	On April 2, 1998, the Corn Refiners Association, Inc. filed a Section 301 petition alleging that the Government of Mexico denies fair and equitable market opportunities for U.S. exporters of HFCS by encouraging and supporting an agreement between Mexican sugar growers and bottlers to limit use of HFCS.
	On May 15, 1998, the United States Trade Representative (USTR) initiated a Section 301 investigation with respect to certain acts, policies and practices of the Government of Mexico that affect access to the Mexican market for HFCS. The USTR invited written comments from the public on the matters being investigated and the determinations to be made at the end of that investigation. Comments were filed on or before noon on Friday, June 19, 1998. (63 FR 28544 of 05/26/98).
	For further background, see Chapter 4 of this report.
Docket No. 301-117	Intellectual Property Laws and Practices of the Government of Paraguay, self-initiated by USTR (Feb. 1998), MOU signed (Nov. 1998) and GSP review of Paraguay's intellectual property practices is terminated.
	On Feb. 17, 1998, the USTR self-initiated an investigation under section 302(b)(2)(A) of the Trade Act with respect to certain acts, policies and practices of the Government of Paraguay that deny adequate and effective protection of intellectual property rights.
	The USTR invited public comments on the matters being investigated and requested consultations with the Government of Paraguay. (63 FR 9292 of 2/24/98).
	The USTR determined pursuant to section 304(a)(1)(A)(i) of the Trade Act that acts, policies, and practices of the Government of Paraguay with respect to the protection and enforcement of intellectual property rights were unreasonable and discriminatory and constituteda burden or restriction on U.S. commerce. On November 17, 1998, the United States and Paraguay signed a Memorandum of Understanding (MOU) in which the government of Paraguay committed to take a number of near-term and longer-term actions to address the practices that were the subject of this investigation. In light of the MOU signed by Paraguay, the USTR has determined to not take further action at this time under section 301(b)(2) of the Trade Act and the USTR will monitor Paraguay's implementation of the MOU. The GSP review of Paraguay's intellectual property practices has also been terminated. (63 FR 64982).

Table continued on next page

#### Table 5-5—Continued

Summary of activity on section 301 investigations on which actions were taken during 1998

Docket No.	Summary and actions occurring during course of investigation
Petitions filed or investiga	tions self-initiated in 1998— <i>Continued</i>
Docket No. 301-116	<u>Honduran Protection of Intellectual Property Rights</u> , self-initiated by USTR (Oct. 1997), USTR suspends preferential treatment accorded under the GSP and CBI programs to certain fruit and vegetable products of Honduras (April 1998).
	On October 31, 1997, the USTR initiated an investigation with respect to certain acts, policies, and practices of the Government of Honduras with respect to the protection of intellectual property rights, and proposed to determine that these acts, policies, and practices are actionable under section 301(b) and that the appropriate response is a partial suspension of tariff preferences.
	The USTR invited public comments on the matters being investigated and participation in a public hearing concerning the proposed determinations and action (62 FR 60299 of 11/7/97). On March 16, 1998, the USTR determined pursuant to sections 304(a)(1)(A) and 301(b) of the Trade Act that, based on the failure of the Government of Honduras to provide adequate and effective protection of intellectual property rights, certain acts, policies, and practices of Honduras with respect to the protection of intellectual property rights are unreasonable and burden or restrict United States commerce. Pursuant to sections 304(a)(1)(B), 301(b) and 301(c) of the Trade Act, the USTR also determined that the appropriate action to obtain the elimination of such acts, policies, and practices is to suspend, effective April 20, 1998, the preferential treatment accorded under the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI) programs to certain fruit and vegetable products of Honduras. (63 FR 16607 of 4/3/98). The suspended trade preferences were restored on June 30, 1998.
Docket No. 301-110	<u>Brazilian Practices Regarding Trade and Investment in the Auto Sector,</u> self-initiated by Acting USTR (Oct. 1996), agreement reached between the United States and Brazil (March 1998) and investigation terminated (March 1998).
	On October 11, 1996, the Acting USTR self-initiated an investigation under section 302(b)(1) of the Trade Act of 1974, with respect to certain acts, policies, and practices of the Government of Brazil concerning the grant of tariff-reduction benefits contingent on satisfying certain export performance and domestic content requirements.
	In August 1996, the USTR sought consultations with Brazil regarding its auto regime. Subsequently, Brazil agreed to enter into intensive talks with the United States to discuss the removal of the discriminatory impact of the Brazilian practices on U.S. exports. Pending the successful outcome of these talks, the USTR decided, pursuant to section 303(b)(1)(A) of the Trade Act to delay for up to 90 days requesting WTO dispute settlement procedures (required under section 303(a) of the Trade Act) for the purpose of ensuring an adequate basis for such consultations. The USTR also invited written comments on the matters being investigated (61 FR 54485 of 10/18/96). On January 10, 1997, the United States requested formal consultations pursuant to Articles 1 and 4 of the WTO, Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), Article XXIII:1 of the GATT 1994, Article 8 of the TRIMs Agreement, and Articles 4.1, 7.1 and 30 of the SCM Agreement. On March 16, 1998, the United States and Brazil reached an agreement concerning trade measures in the automotive sector in which Brazil committed not to extend its automative trade-related measures beyond December 31, 1999. On the basis of the agreement entered into to provide a satisfactory resolution of the matter under investigation, the USTR terminated the investigation on March 16, 1998, and will monitor Brazil's implementation of the agreement.

 Table 5-5—Continued

 Summary of activity on section 301 investigations on which actions were taken during 1998

Docket No.	Summary and actions occurring during course of investigation
Petitions filed or investi	gations self-initiated in 1998— <i>Continued</i>
Docket No. 106	India's Practices Regarding Patent Protection for Pharmaceuticals and Agricultural <u>Chemicals</u> , self-initiated by USTR (July 1996), India states its intention to comply with its WTO obligations (Feb. 1998) and that it would amend its law (April 1998) and USTR terminates its investigation (May 1998).
	On July 2, 1996, USTR self-initiated an investigation under section 302(b)(1) of the Trade Act with respect to certain acts, policies, and practices of the Government of India that may result in the denial of patents and exclusive marketing rights to U.S. individuals and firms involved in the development of innovative pharmaceutical and agricultural chemical products.
	The USTR invited public comment on the matters being investigated and requested consultation with the Government of India pursuant to Article XXII of GATT 1994, and Article 4 of the WTO DSU and Article 64 of the TRIPs Agreement (61 FR 35857 of 7/8/96). Subsequently, a WTO dispute settlement panel was formed to address this dispute and, in a report circulated September 5, 1997, found in favor of the United States. The panel found that India must establish a TRIPs-consistent mailbox system and provide exclusive marketing rights, and agreed with the U.S. arguments that India had not yet done so. India appealed this decision to the WTO's Appellate Body on October 15, 1997. On December 19, 1997, the WTO Appellate Body confirmed all the major panel findings against India. On February 13, 1998, India stated its intention to comply with its WTO obligations with respect to this matter and on April 22, 1998, stated that it would amend its law no later than April 19, 1999.
	On May 8, 1998, the USTR determined that certain acts, policies and practices of India violate, or otherwise deny, benefits to which the United States is entitled under the TRIPs Agreement. However, in light of India's commitment to implement its WTO obligations, pursuant to section 301(a)(2)(B)(i) of the Trade Act, the USTR will not take action at this time under section 301(a) of the Trade Act and has terminated this investigation. Furthermore, pursuant to section 306 of the Trade Act, the USTR will monitor India's implementation of the WTO reports and will take action under section 301(a) of the Trade Act if India does not come into compliance. (63 FR 29053 of 05/27/98).
Docket No. 301-100	European Communities' Banana Import Regime, self-initiated by USTR, the EC states its intention to implement all the rulings and recommendations in the WTO reports (Dec. 1997) and the USTR terminates its investigation (Feb. 1998).
	Pursuant to section 302(b)(1) of the Trade Act, the USTR self-initiated a new investigation concerning the EC's acts, policies, and practices relating to the importation, sale and distribution of bananas. (See 301-94).
	The USTR invited public comment on the acts, policies, and practices of the EC and pursuant to section 303(a) of the Trade Act, requested consultations with the EC pursuant to the WTO's DSU (60 FR 52027 of 10/4/95).
	On May 8, 1996, the DSB established a panel in response to the April 11, 1996, panel request filed jointly and severally by Ecuador, Guatemala, Honduras, Mexico, and the United States. A WTO dispute settlement panel was subsequently formed to address this dispute, and, in a report circulated in May 1997, found in favor of the United States. The findings in the report were affirmed by the WTO Appellate Body on September 9, 1997, and adopted by the WTO DSB on September 25, 1997.

#### Table continued on next page

Table 5-5—Continued	
Summary of activity on section 301 investigations on which actions were taken during 199	98

Docket No.	Summary and actions occurring during course of investigation
Petitions filed or investig	ations self-initiated in 1998— <i>Continued</i>
Docket No. 301-100	Continued
	On December 17, 1997, the EC stated its intention to comply with its international obligations and to implement all the rulings and recommendations in the WTO reports by January 1, 1999. In light of the foregoing, the USTR did not take action under section 301 of the Trade Act and terminated its investigation on February 10, 1998.
	For further background, see Chapter 4 of this report.

Source: Compiled by staff of the U.S. International Trade Commission from database (dated Jan. 20, 1999) maintained by the USTR.

The USTR has created a "Priority Watch List" and a "Watch List" under Special 301 provisions. Placement of a trading partner on either of these lists indicates that particular problems exist in that country with respect to IPR protection or enforcement or market access for persons relying on intellectual property. Countries placed on the Priority Watch List are the focus of increased bilateral attention concerning the problem areas.

On May 1, 1998, the USTR identified 48 trading partners that deny adequate and effective protection of intellectual property or deny fair and equitable market access to U.S. persons that rely upon intellectual property protection. Of the 48, 15 were placed on the Priority Watch List and 32 on the Watch List. Also announced was the monitoring of China's compliance with the 1996 bilateral intellectual property agreement under section 306 of the Trade Act. USTR also noted growing concern about an additional 17 countries not named to either list. Finally, the USTR used the Special 301 announcement to report its intention to bring WTO dispute-settlement cases against Greece and the European Union.<sup>21</sup>

In May, the USTR initiated a review of the protection of intellectual property in New Zealand.<sup>22</sup> In December, Hong Kong, Columbia, Jordan, and Vietnam were reviewed.<sup>23</sup> Paraguay remained a Priority Foreign Country because of "alarming levels of piracy and counterfeiting and failure to implement adequate and effective intellectual property laws," but the USTR determined not to take further action because of a Memoradum of Understanding (MOU) with Paraguay.<sup>24</sup> Monitoring of implementation of the MOU will continue.<sup>25</sup> Bulgaria was moved from the Priority Watch List to the Watch List, and Brazil was removed from all lists.

# Antidumping Investigations

The present antidumping law is contained in Title VII of the Tariff Act of 1930, as amended.<sup>26</sup> The antidumping law provides relief in the form of special additional duties that are intended to offset margins of dumping. Antidumping duties are imposed when (1) Commerce (the administering authority) has determined that imports are being, or are likely to be, sold at less than fair value (LTFV) in the United States and (2) the Commission has determined that a U.S. industry is materially injured or threatened with material injury or that the establishment of an industry in the United States is materially retarded by reason of such imports. Most investigations are conducted on the basis of a petition filed with Commerce and the Commission by, or on behalf of, a U.S. industry.

In general, imports are considered to be sold at LTFV when the U.S. price (i.e., the purchase price or the exporter's sales price, as adjusted) is less than the foreign market value, which is usually the home-market price or, in certain cases, the price in a third country, or a "constructed" value, calculated as set out by statute.<sup>27</sup> The antidumping duty is designed to equal

<sup>&</sup>lt;sup>21</sup> USTR, "USTR Announces Results of Special 301 Annual Review," press release 98–44, May 1, 1998.

<sup>&</sup>lt;sup>22</sup> USTR, "USTR Barshefsky Announces Initiation of Special 301 'Out–of–Cycle' Review of New Zealand," press release 98–52, May 27, 1998.

<sup>&</sup>lt;sup>23</sup> USTR, 1998 Annual Report of the President of the United States on the Trade Agreeements Program, p.255.

<sup>&</sup>lt;sup>24</sup> Ibid., pp. 255–56.

<sup>&</sup>lt;sup>25</sup> Ibid., p. 256.

<sup>&</sup>lt;sup>26</sup> 19 U.S.C. 1673 et seq.

<sup>&</sup>lt;sup>27</sup> 19 U.S.C. 1677b; 19 CFR part 353, subpart D.

the difference between the U.S. price and the foreignmarket value. The duty specified in an antidumping order reflects the dumping margin found by Commerce during its period of investigation. This rate of duty will be applied to subsequent imports if no request for annual reviews is received by Commerce. If a request is received, Commerce will calculate the antidumping duties for that year for each entry.

Commerce and the Commission each conduct preliminary and final antidumping investigations in making their separate determinations.<sup>28</sup> In 1998, the Commission completed 34 preliminary and 15 final antidumping injury investigations.<sup>29</sup> Antidumping duties were imposed as a result of affirmative Commission and Commerce determinations in 9 of the 15 final investigations on products from seven different countries. The antidumping orders put into effect in 1998 are shown in the following tabulation:

Country	Item
Chile	Certain preserved mushrooms Fresh Atlantic salmon
Italy	Stainless steel wire rod
Japan	Stainless steel wire rod
Korea	Stainless steel wire rod
Spain	Stainless steel wire rod
Sweden	Stainless steel wire rod
Taiwan	Stainless steel wire rod
	Static random access memory semiconductors

Details of all antidumping actions and orders, including suspension agreements,<sup>30</sup> in effect in 1998, are presented in tables A-22 and A-23. Table 5-6

<sup>29</sup> The figures set forth in this section do not include court–remanded investigations on which new votes were taken or investigations terminated before a determination was reached.

<sup>30</sup> An antidumping investigation may be suspended through an agreement before a final determination by the U.S. Department of Commerce. An investigation may be suspended if exporters accounting for substantially all of the imports of the merchandise under investigation agree either to eliminate the dumping or to cease exports of the merchandise to the United States within six months. In extraordinary circumstances, an investigation may be suspended if exporters agree to revise prices to completely eliminate the injurious effect of the imports. A suspended investigation is reinstituted should LTFV sales recur. See 19 U.S.C. 1673(c). summarizes the number of antidumping investigations during 1996-98.<sup>31</sup>

# Countervailing Duty Investigations

The U.S. countervailing duty (CVD) law is set forth in Title VII of the Tariff Act of 1930, as amended. It provides for the levying of special additional duties to offset foreign subsidies on products imported into the United States.<sup>32</sup> In general, procedures for such investigations are similar to those under the antidumping law. Petitions are filed with Commerce (the administering authority) and with the Commission. Before a countervailing duty order can be issued, Commerce must find a countervailable subsidy, and the Commission must make an affirmative determination of material injury, threat of material injury, or material retardation by reason of the subsidized imports.

One new countervailing duty order was imposed in 1998 as a result of investigations involving both Commerce and the Commission.<sup>33</sup> In 1998, the Commission completed 11 preliminary and one final injury investigations.<sup>34</sup> Details of countervailing duty actions and outstanding orders, including suspension agreements<sup>35</sup> in effect in 1998, are presented in tables A-24

 $^{32}$  A subsidy is defined as a bounty or grant bestowed directly or indirectly by any country, dependency, colony, province, or other political subdivision on the manufacture, production, or export of products. 19 U.S.C. 1677(5),and 1677–1(a).

<sup>33</sup> This resulted in a CVD order on stainless steel wire rod from Italy.

<sup>35</sup> A countervailing duty investigation may be suspended through an agreement before a final determination by Commerce if (1) the subsidizing country or exporters accounting for substantially all of the imports of the merchandise under investigation agree to eliminate the subsidy, to completely offset the net subsidy, or to cease exports of the merchandise to the United States within six months or (2) extraordinary circumstances are present and the government or exporters described above agree to completely eliminate the injurious effect of the imports of the merchandise under investigation. A suspended investigation is reinstituted if subsidization recurs. 19 U.S.C. 1671(c).

<sup>&</sup>lt;sup>28</sup> Upon the filing of a petition, the Commission has 45 days to make a preliminary determination of whether there is a reasonable indication of material injury or threat of material injury to an industry or of a material retardation of the establishment of an industry by reason of the allegedly dumped imports. If this determination is affirmative, Commerce continues its investigation and makes preliminary and final determinations concerning whether the imported article is being, or is likely to be, sold at LTFV. If Commerce reaches a final affirmative dumping determination, the Commission has 45 days thereafter to make its final injury determination. If the Commission's preliminary determination is negative, by contrast, both the Commission and Commerce terminate investigations.

<sup>&</sup>lt;sup>31</sup> When a petition alleges dumping (or subsidies) with respect to more than one like product and/or by more than one country, separate investigations generally are instituted for imports of each product from each country and each such investigation may be given a separate number. For this reason, the numbers of investigations instituted and determinations made may exceed the number of petitions filed. Moreover, an investigation based on a petition filed in one calendar year may not be completed until the next year. Thus, the number of petitions filed may not correspond closely to the number of determinations made. Also, the numbers set forth in this tabulation do not include determinations made following court–ordered remands.

<sup>&</sup>lt;sup>34</sup> The figures set forth in this section do not include court–remanded cases on which new votes were taken or investigations terminated before a determination was reached.

and A-25. Table 5-7 summarizes the number of countervailing duty investigations during 1996-98.<sup>36</sup>

### Reviews of Outstanding Antidumping and Countervailing Duty Orders

Section 751 of the Tariff Act of 1930 (19 U.S.C. 1675) requires Commerce, if requested, to conduct annual reviews of outstanding antidumping and

countervailing duty orders to determine the amount of any net subsidy or dumping margin and to determine compliance with suspension agreements. Section 751 also authorizes Commerce and the Commission, as appropriate, to review certain outstanding determinations and agreements after receiving information or a petition that shows changed circumstances. In these circumstances, the party seeking revocation or modification of an antidumping or countervailing duty order or suspension agreement has the burden of persuading Commerce and the Commission that circumstances have changed sufficiently to warrant review and revocation. Based on either of the reviews above, Commerce may revoke a countervailing duty or antidumping order in whole or in part or terminate or resume a suspended investigation. The Commission instituted 11 and completed 4 changed circumstances investigations under section 751 in 1998.

#### Table 5-6 Results of antidumping duty investigations, 1996-98

Antidumping duty investigations	1996	1997	1998
Petitions filed	20	15	36
Negative	0	1	1
Affirmative (includes partial affirmatives)	17	15	33
Terminated <sup>1</sup>	0	1	0
Final Commerce determinations:			
Negative	0	1	0
Affirmative	12	17	18
Terminated	0	0	0
Suspended	1	1	0
Final Commission determinations:			
Negative	3	2	6
Affirmative (includes partial affirmatives)	8	15	9
Terminated`	1	1	0

<sup>1</sup> These figures include petitions withdrawn voluntarily by petitioners.

Source: Compiled by staff of the U.S. International Trade Commission.

#### Table 5-7 Results of countervailing duty investigations, 1996-98

Countervailing duty investigations	1996	1997	1998
Petitions filed	1	6	12
Preliminary Commission determinations:			
Negative	0	0	1
Affirmative (includes partial affirmatives)	1	6	10
Final Commerce determinations:			
Negative	0	0	0
Affirmative	ž	4	1
Suspended	0	Ó	, O
Final Commission determinations:	0	0	0
	0	4	0
Negative	0	4	0
Affirmative (includes partial affirmatives)	2	0	1
Terminated	0	0	0

Source: Compiled by staff of the U.S. International Trade Commission.

<sup>&</sup>lt;sup>36</sup> Because a petition will sometimes name more than one product and/or country and because each product and country named is designated as a separate investigation when proceedings are formally instituted, the number of investigations instituted and determinations made generally exceeds the number of petitions filed.

The Uruguay Round Agreements Act amended section 751 of the Tariff Act of 1930 to require both Commerce and the Commission to conduct "sunset" reviews of outstanding orders 5 years after their publication to determine whether revocation of an order would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy and material injury.<sup>37</sup> Special rules apply to the conduct of sunset reviews of "transition" orders (orders in effect on January 1, 1995, the date on which the WTO Agreement entered into force with respect to the United States). During 1998, Commerce and the Commission initiated 40 and terminated 19 antidumping order sunset reviews and initiated 13 and terminated 2 countervailing duty order sunset reviews. No transition order may be revoked as a result of such a review before January 1, 2000. Three expedited and five other full reviews were also pending as of December 31, 1998. Details of antidumping and countervailing order sunset reviews are presented in tables 5-8 and 5-9.

Section 753 of the Tariff Act of 1930, which was added to the statute by the Uruguay Round Agreements Act, requires Commission determinations with respect to certain countervailing duty orders. To be subject to section 753, a countervailing duty order must have two characteristics. First, the order must have been issued under sections 303 or 701(c) of the Act without a determination of material injury br reason of subject imports. Second, the order must apply to merchandise from a country that entered the WTO Agreement on Subsidies and Countervailing Measures after the order was issued. Additionally, a domestic interested party must request initiation of the investigation. In a section 753 investigation, the Commission determines whether a domestic industry is likely to be materially injured by reason of subsidized imports if the countervailing duty order is revoked. In 1998 the Commission conducted one investigation under section 753 concerning extruded rubber thread from Malaysia. It determined that the domestic industry was not likely to be materially injured by reason of the subject imports if the order was revoked.

### Section 337 Investigations

Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), authorizes the Commission, on the basis of a complaint or on its own initiative, to conduct investigations with respect to certain practices in import trade. Section 337 declares unlawful the importation into the United States, the sale for importation, or the sale within the United States after importation, of articles that infringe a valid and enforceable U.S. pat-

If the Commission determines that a violation exists, it can issue an order excluding the subject imports from entry into the United States, or order the violating parties to cease and desist from engaging in the unlawful practices.<sup>39</sup> The President may disapprove a Commission order within 60 days of its issuance for "policy reasons."

In 1998, all of the complaints filed with the Commission under section 337 alleged infringement of U.S. patents by imported merchandise. The Commission completed a total of 15 investigations under section 337 in 1998, including two ancillary sanctions proceedings relating to previously concluded investigations. As in recent years, the section 337 caseload in 1998 was highlighted by investigations involving complex technologies, particularly in the computer and telecommunications fields. Significant among these were investigations involving electronic "smart" cards, optical waveguide fibers and multiplexing systems for telecommunications, CD-ROM and video graphics controllers, various types of memory chips and related integrated circuit devices, and processes for semiconductor fabrication. In addition, several section 337 investigations involved other sophisticated technologies, including recombinantly produced hepatitis B vaccines, photoconductor drums, mass spectrometers used to analyze the composition of substances, and artificial sweeteners. Other section 337 investigations active during 1998 concerned agricultural tractors, rare-earth magnets used in electronic products, automotive jacks, disposable cameras, lumbar supports used in automobile seats, and compact multipurpose tools.

<sup>&</sup>lt;sup>37</sup> 19 U.S.C. 1675(c).

<sup>&</sup>lt;sup>38</sup> Also unlawful under section 337 are other unfair methods of competition and unfair acts in the importation of articles into the United States, or in the sale of imported articles, the threat or effect of which is to destroy or substantially injure a domestic industry, to prevent the establishment of an industry, or to restrain or monopolize trade and commerce in the United States. Examples of other unfair acts are misappropriation of trade secrets, common law trademark infringement, misappropriation of trade dress, false advertising, and false designation of origin. Unfair practices that involve the importation of dumped or subsidized merchandise must be pursued under antidumping or countervailing duty provisions, not under section 337.

<sup>&</sup>lt;sup>39</sup> Section 337 proceedings at the Commission are conducted before an administrative law judge in accordance with the Administrative Procedure Act, 5 U.S.C. 551 et seq. The administrative law judge conducts an evidentiary hearing and makes an initial determination, which is transmitted to the Commission. The Commission may adopt the determination by deciding not to review it, or it may choose to review it. If the Commission finds a violation, it must determine the appropriate remedy, the amount of any bond to be collected while its determination is under review by the President, and whether public interest considerations preclude the issuance of a remedy.

# Table 5-8Title VII5-year reviews active in 1998, conducted under the authority of the Tariff Act of 1930, expedited or full, by order date

Order date	USITC investigation number	Product	Country of origin	Initiation date	Commerce determination	Commission determination	Date of final action
				Expe	dited 5-Year Title	VII Reviews	
	AA1921-127 AA1921-167	Elemental sulfur Pressure-sensitive plastic tape	Canada Italy	Aug. 3, 1998 Sept. 1, 1998	Affirmative Affirmative	Negative	1 1 1
Dec. 8, 1978	AA1921-188	Prestressed concrete steel wire strand	Japan	Sept. 1, 1998	Affirmative	•	·
				Fi	III 5-Year Title VII	Reviews	
Apr. 12, 1973	AA1921-111	Roller chain	Japan	July 6, 1998	Affirmative	1	1
June 8, 1973	AA1921-114	Stainless steel plate	Sweden	Aug. 3, 1998	Affirmative	1	1
July 10, 1973	AA1921-115	Synthetic methionine	Japan	Aug. 3, 1998	Affirmative	1	1
Dec. 6, 1973	AA1921-129	Polychloroprene rubber	Japan	Aug. 3, 1998	Affirmative	1	1
Feb. 2, 1977	AA1921-162	Melamine	Japan	Aug. 3, 1998	Affirmative	1	1

<sup>1</sup> In progress. Source: Compiled by the staff of the U.S. International Trade Commission.

#### Table 5-9

Title VII 5-year reviews, conducted under the authority of the Tariff Act of 1930, either terminated in 1998 or in the initiation phase as of December 31, 1998, antidumping or countervailing duty orders and findings, by order date

Order date	Product	Country of origin	Initiation date	Status
		Antidumping orders and findings		
Sept. 13, 1966	Steel jacks	Canada	July 6, 1998	Terminated
June 9, 1972	Fish netting of manmade fiber	Japan	July 6, 1998	Terminated
June 14, 1972	Large power transformers	France	July 6, 1998	Terminated
June 14, 1972	Large power transformers	Italy	July 6, 1998	Terminated
June 14, 1972	Large power transformers	Japan	July 6, 1998	Terminated
Nov. 22, 1972	Bicycle speedometers	Japan	July 6, 1998	Terminated
Mar. 23, 1973	Canned Bartlett pears	Australia	July 6, 1998	Terminated
Feb. 27, 1974	Racing plates (aluminum			
	horseshoes)	Canada	Aug. 3, 1998	Terminated
Aug. 30, 1976	Acrylic sheet	Japan	Aug. 3, 1998	Terminated
Dec. 22, 1977	Animal glue	Germany	Sept. 1, 1998	Terminated
Feb. 17, 1978	Railway track maintenance			
	equipment	Austria	Sept. 1, 1998	Terminated
May 25, 1978	Impression fabric	Japan	Sept. 1, 1998	Terminated
Mar. 21, 1979	Rayon staple fiber	Finland	Sept. 1, 1998	Terminated
June 13, 1979	Sugar	Belgium	Oct. 1, 1998	Pending
June 13, 1979	Sugar	France	Oct. 1, 1998	Pending
June 13, 1979	Sugar	Germany	Oct. 1, 1998	Pending
Apr. 9, 1980	Sugar and syrups	Canada	Oct. 1, 1998	Pending
Mar. 10, 1971	Television receivers	Japan	Oct. 1, 1998	Terminated
Apr. 30, 1984	Color television receivers	Korea	Oct. 1, 1998	Terminated
Apr. 30, 1984	Color television receivers	Taiwan	Oct. 1, 1998	Terminated
Nov. 6, 1980	Small electric motors	Japan	Oct. 1, 1998	Terminated
Jan. 7, 1981	Anhydrous sodium metasilicate	France	Oct. 1, 1998	Pending
Apr. 9, 1982	Sorbitol	France	Oct. 1, 1998	Pending
July 20, 1982	High-power microwave amplifiers	Japan	Oct. 1, 1998	Terminated
June 25, 1981	Barium carbonate	Germany	Oct. 1, 1998	Terminated
Oct. 17, 1984	Barium chloride	China	Oct. 1, 1998	Pending
Sept. 16, 1983	Greige polyester cotton printcloth	China	Nov. 2, 1998	Pending
Nov. 23, 1984	Carbon steel wire rod	Argentina	Nov. 2, 1998	Pending
Jan. 19, 1984	Potassium permanganate	China	Nov. 2, 1998	Pending
Jan. 31, 1984	Potassium permanganate	Spain	Nov. 2, 1998	Pending
Mar. 22, 1984	Chloropicrin	China	Nov. 2, 1998	Pending
May 5, 1986	Iron construction castings	Canada	Nov. 2, 1998	Pending
May 9, 1986	Iron construction castings	Brazil	Nov. 2, 1998	Pending
May 9, 1986	Iron construction castings	China	Nov. 2, 1998	Pending
Mar. 1, 1985	Brass fire protection products	Italy	Nov. 2, 1998	Pending
May 5, 1987	Frozen concentrated orange juice	Brazil	Dec. 2, 1998	Pending
Apr. 18, 1985	Calcium hypochlorite	Japan	Dec. 2, 1998	Pending
July 14, 1995	Sebacic acid	China	Dec. 2, 1998 Dec. 2, 1998	Pending
June 24, 1994	Red raspberries	Canada	Dec. 2, 1998 Dec. 2, 1998	Pending
Nov. 13, 1985	Barbed wire and barbless wire	Callada	DG0. 2, 1990	renuing
1404. 10, 1800	strand	Argentina	Dec. 2, 1998	Pending

#### Table 5-9—Continued

Title VII 5-year reviews, conducted under the authority of the Tariff Act of 1930, either terminated in 1998 or in the initiation phase as of December 31, 1998, antidumping or countervailing duty orders and findings, by order date

Order date	Product	Country of origin	Initiation date	Status
		Countervailing duty orders and findings		
Mar. 15, 1977	Cotton yarn	Brazil	Sept. 1, 1998	Terminated
May 15, 1979	Rayon staple fiber	Sweden	Sept. 1, 1998	Terminated
July 31, 1978	Sugar	European Union	Oct. 1, 1998	Pending
Sept. 27, 1982	Carbon steel wire rod	Argentina	Nov. 2, 1998	Pending
Nov. 7, 1983	Refrigeration compressors	Singapore	Nov. 2, 1998	Pending
Oct. 16, 1980	Iron castings	India	Nov. 2, 1998	Pending
May 15, 1986	Heavy iron construction castings	Brazil	Nov. 2, 1998	Pending
Mar. 12, 1985	Textiles	Columbia	Dec. 2, 1998	Pending
Mar. 12, 1985	Textiles	Thailand	Dec. 2, 1998	Pending
Mar. 2, 1983	Frozen concentrated orange juice	Brazil	Dec. 2, 1998	Pending
Mar. 16, 1976	Castor oil products	Brazil	Dec. 2, 1998	Pending
Aug. 15, 1985	Live swine	Canada	Dec. 2, 1998	Pending
Oct. 22, 1985	Agricultural tillage tools	Brazil	Dec. 2, 1998	Pending

Note.—Initiated reviews for which the Commission subsequently determined to conduct an expedited or full review are not listed in this table. Such reviews are listed in table 5-8.

Source: Compiled by the staff of the U.S. International Trade Commission.

No exclusion orders were issued during 1998. Several investigations were terminated by the Commission without determining whether section 337 had been violated. Generally, these terminations were based on a settlement agreement or consent order. At the close of 1998, there were 10 section 337 investigations pending at the Commission, including one formal enforcement proceeding. Commission activities involving section 337 actions in 1998 are presented in table A-26.

As of December 31, 1998, a total of 47 outstanding exclusion orders based on violations of section 337 were in effect. Twenty-seven of these orders involved unexpired patents. Table A-27 lists the investigations in which these exclusion orders were issued.

### Other Import Administration Laws and Programs

### Tariff Preference Programs

#### **Generalized System of Preferences**

The U.S. Generalized System of Preferences (GSP) program authorizes the President to grant duty-free ac-

cess to the U.S. market for certain products that are imported from designated developing countries and territories. It has been enhanced to allow duty-free treatment for certain products when imported only from countries designated as least-developed beneficiary developing countries. The program is authorized by Title V of the Trade Act of 1974, as amended (19 U.S.C. 2461 et seq.). The GSP program expired on June 30, 1998, and was extended retroactively through June 30, 1999, by legislation (Public Law 105-277) signed by the President on October 21, 1998. By offering unilateral tariff preferences, the GSP program reflects the U.S. commitment to three broad goals: (1) to promote economic development in developing and transitioning economies through increased trade, rather than foreign aid; (2) to reinforce U.S. trade policy objectives by encouraging beneficiaries to open their markets, to comply more fully with international trading rules, and to assume greater responsibility for the international trading system; and (3) to help maintain U.S. international competitiveness by lowering costs for U.S. business and lowering prices for American consumers.

Countries are designated as "beneficiary developing countries" under the program by the President. The President cannot designate certain developed countries named in the statute and also may not designate countries that, inter alia, afford preferential treatment to the products of a developed country, other than the United States, that has, or is likely to have, a significant adverse effect on U.S. commerce or countries that do not afford adequate protection to intellectual property rights or afford internationally recognized worker rights to their workers.<sup>40</sup> The President also designates the articles that are eligible for duty-free treatment, but may not designate articles that he determines to be "import-sensitive" in the context of the GSP. Certain articles (for example, footwear, textiles, and apparel) are designated by statute as "import-sensitive" and thus not eligible for duty-free treatment under the GSP program.<sup>41</sup> The statute also provides for graduation of countries from the program when they become "highincome" countries and for removal of eligibility of articles, or articles from certain countries, under certain conditions.

Each year (unless otherwise specified in a *Federal Register* notice), the Trade Policy Staff Committee (TPSC) conducts a review process in which products can be added to, or removed from, the GSP program or in which a beneficiary's compliance with the eligibility requirements can be reviewed. In October 1998, the TPSC in a *Federal Register* notice (63 F.R. 57150) began the annual GSP review for 1998 and terminated the review (initiated in 1995) of Panama's protection of intellectual property rights in light of Panama's improved enforcement efforts. The USTR requested the Commission to provide advice concerning possible modifications to the GSP for the products in the 1998 GSP Annual Review.

In June 1998, the President proclaimed certain modifications to the GSP implementing decisions made in regard to the 1997 Annual GSP Review. The modifications provided for (1) the addition of three regional associations to the GSP, which permits the African countries who are members of any one of the three regional associations to accumulate their value-added contributions (on GSP imports), making it easier for these countries to meet the 35 percent value-added requirement of the GSP rule of origin; (2) the granting of de minimis waivers for certain articles and restoration to preferential treatment of certain eligible articles from certain beneficiary countries; (3) the exclusion of specified articles from certain beneficiary countries from eligibility for preferential treatment under GSP where shipments exceeded the competitive need limits for calendar year 1997; and (4) the addition of eleven

Several other actions were taken under the GSP in 1998. On January 1, 1998, six beneficiaries (Aruba, Cayman Islands, Cyprus, Greenland, Macau, and the Netherlands Antilles) became ineligible for preferential treatment because of a Presidential determination in 1996 that these beneficiary developing countries had become high-income countries, as defined by the official statistics of the International Bank for Reconstruction and Development. In May 1997, the TPSC had announced, in response to a petition filed by the Meat Industry Trade Policy Council alleging that the Philippines was not respecting commitments that it made during the Uruguay Round of multilateral trade negotiations, that the TPSC would conduct a review to determine whether the Philippines continues to qualify for benefits under GSP. In February 1998, following the conclusion of successful negotiations with the Philippines that would result in the reform of restrictive tariff rate quotas and licensing practices for pork and poultry meat, the USTR terminated the review. In April 1998, the USTR suspended the preferential treatment accorded to certain products from Honduras under the GSP and the Caribbean Basin Initiative (CBI) based on a determination of the failure of Honduras to provide adequate and effective protection of intellectual property rights. In June 1998, the USTR terminated the suspension in view of the Government of Honduras measures to combat piracy and to protect intellectual property rights; at the same time, USTR restored certain products from Thailand to eligibility for preferential treatment under the GSP. Further, the USTR terminated GSP reviews of Panama's and Paraguay's intellectual property practices because of their improved enforcement of intellectual property rights. Lastly, the TPSC initiated reviews to consider the designation of Georgia, Eritrea, and Gabon as beneficiary developing countries under the GSP.

There were \$16.3 billion in duty-free imports entered under the GSP program in 1998,<sup>42</sup> accounting for more than 13.5 percent of total U.S. imports from GSP

<sup>&</sup>lt;sup>40</sup> 19 U.S.C. 2462(b).

<sup>&</sup>lt;sup>41</sup> 19 U.S. C. 2463.

<sup>&</sup>lt;sup>42</sup> As discussed above, the U.S. GSP program expired on June 30, 1998, and was extended retroactively through June 30, 1999, by legislation signed by the President on October 21, 1998. Because of the lapse of GSP benefits, articles otherwise eligible for GSP duty–free entry were subject to ordinary MFN duties during the period of GSP lapse unless another valid preferential tariff benefit, such as that provided by the Caribbean Basin Economic Recovery Act or the

beneficiaries and 1.8 percent of total U.S. imports (table 5-10). Thailand was the leading GSP beneficiary in 1998, followed by Brazil, Indonesia, Angola, and India (table 5-11). Apendix table A-28 shows the top 20 GSP products or product categories in 1998, and table A-29 shows the overall sectoral distribution of GSP benefits.

#### <sup>42</sup>—Continued

### Caribbean Basin Economic Recovery Act

Eligible imports from 24 Caribbean Basin countries entered the United States free of duty or at reduced duties under the Caribbean Basin Economic Recovery Act (CBERA) during 1998.<sup>43</sup> CBERA has been operative since January 1, 1984, and, as amended, the Act currently has no statutory expiration date.<sup>44</sup>

# Table 5-10U.S. imports for consumption<sup>1</sup> from GSP beneficiaries and the world, 1998

(Million dollars)

Item	All GSP beneficiaries	World
Total imports	119,616	905,339
Total GSP-eligible products	<sup>2</sup> 29,303	531,954
Non-LDBC-eligible products LDBC eligible products Total duty-free under GSP Non-LDBDC duty-free under GSP LDBDC duty-free under GSP Total of GSP-eligible products not benefitting from duty-free	27,101 2,202 16,336 14,661 1,675	321,275 192,874 16,336 14,661 1,675
GSP program exclusions	12,967 6,712 6,255 90,313	515,618 6,712 508,906 373,385

<sup>1</sup> Customs-value basis; excludes imports into the Virgin Islands.

<sup>2</sup> Includes imports from all beneficiary countries for the articles that are designated as eligible articles under GSP. Non–LDBDC–eligible products are those for which a rate of duty of "Free" appears in the Special rate column of the Harmonized Tariff Schedule of the United States (HTS), followed by the symbols "A" or "A\*" in parentheses (the symbol "A" indicates that all beneficiary countries are eligible for duty–free treatment with respect to all articles provided for in the designated provisions, and the symbol "A\*" indicates that certain beneficiary countries, specified in general note 4(d) of the HTS, are not eligible for duty–free treatment with respect to any article provided for in the designated provision). LDBDC–eligible products are those for which a rate of duty of "Free" appears in the Special rate column of the Harmonized Tariff Schedule of the United States (HTS) followed by the symbol "A+" in parentheses (the symbol "A+" indicates that all least–developed beneficiary developing countries (LDBDC) (and only LDBDCs) are eligible for duty–free treatment with respect to all articles provided for in the designated provisions). For a variety of reasons, all imports from beneficiary countries under HTS provisions that appear to be eligible for GSP treatment do not always and necessarily receive duty–free entry under the GSP. Such eligible imports may not receive duty–free treatment under GSP for at least five types of reasons: (1) the importers fail to claim GSP benefits affirmatively; (2) the goods are from a GSP beneficiary that lost GSP benefits on that product for exceeding the so–called competitive need limits; (3) the goods are from a GSP benefits or that product or because of some other action by the President or the USTR; (4) the GSP beneficiary country may claim duty–free treatment under some other program or provision of the HTS; and (5) the good fails to meet the rule of origin or direct shipment requirement of the GSP statute.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Andean Trade Preference Act (discussed below), was claimed and accorded. Duties paid on articles otherwise eligible for GSP duty–free entry during the period of GSP lapse were eligible to be refunded once the program again became operative. Procedures for such refunds were announced in a notice issued by the U.S. Customs Service, "Renewal of the Generalized System of Preferences Program," 63 F.R. 67169.

 $<sup>^{43}</sup>$  The 24 countries designated for CBERA benefits are listed in table A–31.

<sup>&</sup>lt;sup>44</sup> Public Law 98–67, title II, 97 Stat. 384, 19 U.S.C. 2701 et seq. Relatively minor amendments were made to CBERA by Public Laws 98–573, 99–514, 99–570, and 100–418. CBERA was significantly expanded by the Caribbean Basin Economic Recovery Expansion Act of 1990, Public Law 101–382, title II, 104 Stat. 629, 19 U.S.C. 2101 note.

# Table 5-11 U.S. imports for consumption and imports under the GSP from leading beneficiaries, and total, 1998

(Million dollars)

		Total	Imports of GSP arti	cles
Rank	Beneficiary	Total imports	GSP-eligible	GSP duty-free
1	Thailand	13,363	4.845	2.693
2	Brazil	9,922	4,098	2,186
3	Indonesia	9,262	3.210	1,927
4	Angola	2,165	2.041	1,571
5	India	8,190	2,081	1,355
6	Philippines	11,874	1,798	1,245
7	South Africa	3,053	617	552
3	Venezuela	8,420	566	546
9	Russia	5,675	527	424
10	Poland	780	472	401
	Top 10	72,705	20,256	12,901
	Total	119,616	29,303	16,336

Note.-Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

CBERA is the trade-related component of the Caribbean Basin Initiative (CBI).45 President Reagan launched CBI in 1982 to promote export-led economic growth and economic diversification in the countries in the Caribbean Basin.<sup>46</sup>

A wide range of Caribbean products is eligible for duty-free entry under CBERA.47 Excluded by statute from duty-free entry, however, are canned tuna, petroleum and petroleum derivatives, certain footwear, some watches and watch parts, and most textiles and apparel. Certain agricultural products (including sugar, dairy products, cotton, peanuts, and beef) may receive dutyfree entry, subject to U.S. quotas and/or health requirements. Other restrictions apply to ethyl alcohol produced from non-Caribbean feedstock. Handbags, luggage, flat goods (such as wallets, change purses, and eyeglass cases), work gloves, and leather wearing apparel are not eligible for CBERA duty-free entry; however, CBERA duty levels on these articles were reduced by a total of 20 percent, but not more than 2.5 percent ad valorem, beginning January 1, 1992, in five equal annual installments.

On October 31, 1997, the USTR initiated an investigation under Section 301 of the Trade Act of 1974 with respect to the protection of intellectual property rights in Honduras. On March 30, 1998, the Administration suspended a portion of the Honduras trade preferences under the CBERA and the GSP because of its failure to control piracy of television satellite signals.<sup>48</sup> However, effective June 30, the USTR restored the trade preferences "in recognition of the steps that the Government of Honduras has taken to stop broadcast piracy."49

Total U.S. imports from CBERA beneficiary countries in 1998 were \$17.1 billion. Imports under CBERA preferences were valued at 18.8 percent of the total (table 5-12). The leading items afforded duty-free

entry under CBERA in 1998 were cigars, medical instruments, sugar, leather footwear uppers, and precious-metal jewelry (table A-30). In 1998, three countries-the Dominican Republic, Costa Rica, and Guatemala—accounted for more than 70 percent of all U.S. imports under the CBERA preference program (table A-31).

### Andean Trade Preference Act

Eligible imports from Bolivia, Colombia, Ecuador, and Peru entered the United States free of duty under the Andean Trade Preference Act (ATPA) during 1998.<sup>50</sup> ATPA has been operative since December 4, 1991, and is scheduled to expire on December 4, 2001.<sup>51</sup> ATPA is the trade-related component of the Andean Trade Initiative. President Bush launched the initiative in 1990 to combat the production of illegal narcotics by helping beneficiaries promote exportoriented industries.52

ATPA benefits were modeled after CBERA, but some limits are linked to GSP. A wide range of Andean products is eligible for duty-free entry.53 ATPA excludes from duty-free entry the same list of articles excluded under CBERA, and rum is also excluded.54 As under CBERA, handbags, luggage, flat goods (such as wallets, change purses, and eyeglass cases), work gloves, and leather wearing apparel are not eligible for ATPA duty-free entry. However, ATPA duties on these articles were reduced by a total of 20 percent, but not more than 2.5 percent ad valorem, beginning January 1, 1992, in five equal annual installments.

Total U.S. imports from the four Andean countries totaled \$8.4 billion in 1998. Imports under ATPA preferences (shown by country in table A-32) were valued at \$1.65 billion, or 19.6 percent of the total (table 5-13). The leading items afforded duty-free entry under ATPA in 1998 were refined copper cathodes, roses, and chrysanthemums, standard carnations, anthuriums, and orchids (table A-33).

<sup>&</sup>lt;sup>45</sup> For a more detailed description of the CBERA, including country and product eligibility, see USITC, Caribbean Basin Economic Recovery Act: Impact on the United States, Thirteenth Report, 1997, USITC Publication 3132, Sept. 1998.

<sup>&</sup>lt;sup>46</sup> President, "Address Before the Permanent Council of the Organization of American States," *Weekly Compilation* of Presidential Documents, Mar. 1, 1982, pp. 217-223.

<sup>&</sup>lt;sup>47</sup> Section 213(a) of CBERA (19 U.S.C. 2703(a)) establishes criteria, or rules of origin, to determine which articles are eligible for duty-free treatment under the act.

<sup>48</sup> USTR, "USTR Announces Results of Special 301 Annual Review," May 1, 1998.

<sup>49</sup> USTR, "Trade Preferences for Honduras Restored," press release 98-65, July 1, 1998.

<sup>&</sup>lt;sup>50</sup> For a more detailed description of the ATPA, including country and product eligibility, see USITC, Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitu-tion, Third Report, 1996, publication 2995, Sept. 1996. <sup>51</sup> 19 U.S.C. 3202.

<sup>&</sup>lt;sup>52</sup> President, "Remarks Following Discussions With President Rodrigo Borja Cevallos of Ecuador," Weekly Compilation of Presidential Documents, July 23, 1990, pp. 1140–1143.

<sup>53</sup> Section 204(a) of ATPA (19 U.S.C. 3203(a)) establishes rules of origin to determine which articles are eligible for duty-free treatment under the Act.

<sup>&</sup>lt;sup>54</sup> ATPA sec. 204(b), 19 U.S.C. 3203(b).

Table 5-12U.S. imports for consumption from CBERA countries, 1996-98

Item	1996	1997	1998
Total imports (1000 dollars)	14,544,809.5	16,572,402.4	17,124,281.1
Imports under CBERA (1000 dollars)	2,791,055.4	3,207,842.4	3,224,563.9
Percent of total	19.2	19.4	18.8

Value of imports under CBERA has reduced by the the value of MFN duty-free imports and ineligible items that were misreported as entering under the program.

Source: Compiled from official statistics of the U.S. Department of Commerce.

#### Table 5-13

#### U.S. imports for consumption from Andean countries, 1996–98

Item	1996	1997	1998
Total imports (1000 dollars)	7,867,645.8	8,673,563.8	8,361,036.4
Total under APTA (1000 dollars)	1,270,053.9	1,352,855.1	1,645,196.5
Percent of total	16.1	15.6	19.7

Value of imports under APTA has reduced by the the value of MFN duty-free imports and ineligible items that were misreported as entering under the program.

Source: Compiled from official statistics of the U.S. Department of Commerce.

### National Security Import Restrictions

Section 232 of the Trade Expansion Act of 1962 authorizes the President, on the basis of a formal investigation and report by the Secretary of Commerce, to impose restrictions on imports that threaten to impair the national security of the United States.<sup>55</sup> Among the most important criteria considered by Commerce are—

- Requirements of the defense and essential civilian sectors;
- Maximum domestic production capacity;
- Quantity, quality, and availability of imports;
- Impact of foreign competition on the economic welfare of the essential domestic industry; and
- Other factors relevant to the unique circumstances of the specific case.

The President has 90 days to decide on appropriate action after receipt of the Secretary's findings. The section 232 authority to adjust imports has been used sparingly in the past. It has most notably been employed in connection with the imposition of quotas, fees, or economic sanctions on imports of petroleum products. The U.S. Commerce Department initiated no section 232 investigations during 1998.

### Agricultural Adjustment Act

Under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624), the President may take action in the form of an import fee or quantitative limitation to restrict imports that render, or tend to render, ineffective, or materially interfere with, the operation of any U.S. Department of Agriculture (USDA) program. The President acts on the basis of an investigation and report by the Commission, although he may take emergency action pending receipt of that report. Following advice of the Secretary of Agriculture and the investigation of the Commission, the President may modify, suspend, or terminate import restrictions because of changed circumstances.

Section 401(a)(2) of the Uruguay Round Agreements Act amended subsection (f) of section 22 to prohibit the imposition of quantitative limitations or fees under section 22 on articles that are the product of a WTO member. The amendment became effective with respect to all articles except wheat on the date of the entry into force of the WTO Agreement

<sup>55 19</sup> U.S.C. 1862.

(January 1, 1995).<sup>56</sup> There were no investigations conducted or actions in effect under section 22 during 1998.

### U.S. Textile and Apparel Trade Program

### The Uruguay Round Agreement on Textiles and Clothing

The Agreement on Textiles and Clothing (ATC) entered into force as part of the WTO agreements in 1995 and replaced the Multifiber Arrangement (MFA) as an interim measure creating special rules for trade in textiles and apparel (sector goods). The MFA, which governed most world trade in sector goods during 1974-94, permitted the use of quotas without compensation, which is contrary to the general prohibition against their use under the General Agreement on Tariffs and Trade (GATT).57 The ATC provides for the elimination of the quotas and the complete "integration" of sector goods into the GATT regime-that is, subject to GATT disciplines and the same rules as trade in other sectors-over a 10-year transition period ending on January 1, 2005. All WTO countries are subject to ATC disciplines, and only WTO countries are eligible for ATC benefits. The WTO countries with MFA quotas on sector goods, which were imposed mainly on developing countries, are the United States, the European Union (EU), Canada, and Norway.

The ATC provides for the elimination of quotas through two mechanisms: product integration, including quota removal, and acceleration of growth rates for quotas still in effect during the transition period. The ATC required WTO countries to integrate at least 16 percent of their sector trade into the GATT regime on January 1, 1995, and another 17 percent on January 1, 1998 (based on their respective 1990 import volumes). The countries are to integrate at least another 18 percent of the trade in 2002 and the remainder on January 1, 2005. As sector goods are integrated into the GATT regime, they become subject to normal GATT rules.

The acceleration of quota growth rates under the ATC is likely to affect U.S. import levels sooner than product integration, because most import-sensitive goods covered by the ATC will remain under quota throughout the transition period.<sup>58</sup> For products still under quota during the transition period, the ATC required importing countries to increase the quota growth rates for major supplying countries by 16 percent on January 1, 1995, by another 25 percent on January 1, 1998, and by yet another 27 percent in 2002.<sup>59</sup> For small suppliers (i.e., countries accounting for 1.2 percent or less of an importing country's total quotas in 1991), quota growth rates were advanced by one stage—that is, they were increased by 25 percent in 1995 and by 27 percent in 1998.<sup>60</sup>

The Textiles Monitoring Body (TMB), which supervises the implementation of the ATC provisions, reported that, with one exception, the articles integrated by the importing developed countries in the first stage were not subject to quotas.<sup>61</sup> The TMB also noted that

<sup>59</sup> The acceleration of quota growth rates is based on the rates specified in the bilateral MFA agreements in place on December 31, 1994. The base rates by which the quotas could grow annually vary by country and product, but usually ranged from less than 1 percent to 6 percent; some countries had base rates of 7 percent. Assuming a base rate for a major supplier of 6 percent, the annual quota growth rate would be 6.96 percent in stage one (1995–97), 8.7 percent in stage two (1998–2001), and 11.05 percent in stage three (2002–04).

<sup>&</sup>lt;sup>56</sup> With the exception of the tariff–rate quotas in effect on wheat, all section 22 fees and quantitative limitations on agricultural products were converted to bound tariffs and tariff–rate quotas (tariffs may not be raised above a bound level without compensating affected parties) under a process known as "tariffication." The special tariff–rate quotas on wheat expired in September 1995.

<sup>&</sup>lt;sup>57</sup> The MFA, a multilateral agreement negotiated under GATT auspices, provided a general framework and guiding principles for negotiation of bilateral agreements between textile–importing and –exporting countries for the purpose of setting quotas and quota growth rates or for unilateral action by an importing country if an agreement could not be reached. The MFA was established to deal with problems of market disruption in sector trade in developed countries, while permitting developing countries to share in expanded export opportunities.

<sup>&</sup>lt;sup>58</sup> The Statement of Administrative Action accompanying the U.S. Uruguay Round Agreements implementing legislation states that the Committee for the Implementation of Textile Agreements (CITA), in drawing up the lists of products, was to defer the integration of the most sensitive goods until the end of the 10-year period. See U.S. House of Representatives, "Statement of Administrative Action," *The Uruguay Round Trade Agreements, Texts of Agreements Implementing Bill, Supporting Statements, Message from the President of the United States*, Sept. 27, 1994, House Doc. 103–316, vol. 1, p. 115.

<sup>&</sup>lt;sup>60</sup> Small suppliers subject to U.S. quotas are Bahrain, Bulgaria, Colombia, Costa Rica, Czech Republic, Dominican Republic, Egypt, El Salvador, Fiji, Guatemala, Hungary, Jamaica, Kenya, Kuwait, Macau, Mauritius, Poland, Qatar, Romania, Slovak Republic, United Arab Emirates, and Uruguay.

<sup>&</sup>lt;sup>61</sup> Information in this paragraph is from the WTO, *Comprehensive Report of the Textiles Monitoring Body to the Council for Trade in Goods on the Implementation of the Agreement on Textiles and Clothing During the First Stage of the Integration Process*, document G/L/179 (97–3288), July 31, 1997, paras. 15 and 70, found at Internet address http://www.wto.org/wto/ddf, retrieved Jan. 28, 1998.

the articles integrated in both the first and second stages were concentrated in relatively less value-added products such as yarns and fabrics, rather than apparel and other made-up textile products. Taking the first and second stages together, TMB stated that lower-valueadded goods accounted for 76 percent of the import volume integrated by the EU, 65 percent for the United States, 60 percent for Norway, and 47 percent for Canada.

The ATC also allows WTO countries during the 10-year transition period to establish quotas on uncontrolled imports of sector goods that have yet to be integrated into the GATT regime by applying a "transitional safeguard" when imports cause or threaten serious damage to a domestic industry. These quotas may remain in place for up to 3 years or until the product is integrated into the GATT regime.

#### U.S. Quota Actions in 1998

The United States currently has quotas on sector goods from 47 countries, 37 of which are WTO members whose exports of such goods are subject to the terms of the ATC (table 5-14). In 1998, the 37 WTO countries supplied 56 percent of the total value of U.S. sector imports. Another 12 percent of the imports came from Mexico, a WTO member for whom U.S. quotas are being phased out under the NAFTA. The nine non-WTO countries subject to U.S. quotas on sector goods, led by China and Taiwan, supplied 16 percent of the imports in 1998. Sector imports from non-WTO countries are subject to quotas imposed by the President under section 204 of the Agricultural Act of 1956, which provides the President with the basic statutory authority to enter into agreements with foreign governments to limit their exports of sector goods to the United States, and to issue regulations to carry out such agreements.<sup>62</sup>

In 1998, the Committee for the Implementation of Textile Agreements (CITA), an interagency group that administers the U.S. trade agreements program for sector goods, initiated three requests for consultations with foreign supplying countries ("calls") for the purpose of establishing new quotas.<sup>63</sup> These calls involved one ATC safeguard action on yarn from Pakistan (a WTO country) and two calls under section 204 of the Agricultural Act of 1956 on apparel from Cambodia (a non-WTO member).

The call with respect to Pakistan, initiated in December 1998, resulted in the establishment of a quota on imports of Pakistani combed cotton yarn (category 301) of 5,262,665 kilograms for the 12-month period beginning on March 17, 1999.<sup>64</sup> According to CITA, U.S. imports of the Pakistani yarn had risen significantly, and the U.S. industry had experienced declining production and shipments, downward pricing pressures, a substantial increase in inventories, deteriorating financial performance, two mill closures, and employment losses.<sup>65,66</sup>

The two calls with respect to Cambodia, initiated in October 1998, resulted in the establishment of quotas on its cotton knit shirts and blouses (338/339) of 1,745,634 dozen and cotton sweaters (345) of 53,001 dozen for the 12-month period beginning on October 28, 1998. According to CITA, U.S. imports of the sweaters and low-valued knit shirts and blouses from Cambodia had increased significantly, and the U.S. industry had experienced declines in production and market shares for these goods.<sup>67</sup> The only other U.S. quota in place with Cambodia (a quota on cotton gloves of 1,250,841 dozen pairs set in 1997) was extended by CITA at the same level for 1 more year, beginning on October 29, 1998.<sup>68</sup>

On January 20, 1999, the United States and Cambodia signed a new, 3-year bilateral textile agreement that cancels and supersedes the previous quotas for Cambodia.<sup>69</sup> The agreement establishes 12 quotas for

<sup>67</sup> See CITA *Federal Register* notices, "Request for Public Comments on Bilateral Textile Consultations with the Government of Cambodia," (63 F.R. 59548), Nov. 4, 1998, p. 59548; and "Establishment of Import Limits for Certain Cotton Textile Products Produced or Manufactured in Cambodia," (63 F.R. 71620), Dec. 29, 1998, p. 71620.

<sup>68</sup> CITA, "Establishment of an Import Limit for Certain Cotton and Man–Made Fiber Textile Products Produced or Manufactured in Cambodia," *Federal Register* (63 F.R. 57666), Oct. 28, 1998, p. 57666.

<sup>&</sup>lt;sup>62</sup> 7 U.S.C. 1854.

<sup>&</sup>lt;sup>63</sup> The three calls in 1998 were down from the four calls issued in 1997. In 1995, the first year of the ATC, the United States initiated 28 calls, 15 of which were rescinded.

<sup>&</sup>lt;sup>64</sup> CITA, "Establishment of an Import Limit for Certain Cotton Textile Products Produced or Manufactured in Pakistan," *Federal Register* (64 F.R. 12290), Mar. 12, 1999, p. 12290. CITA had initiated a call on the combed cotton yarn from Pakistan in 1997, but allowed the call to expire without further action.

<sup>&</sup>lt;sup>65</sup> CITA, "Request for Public Comments on Bilateral Textile Consultations with the Government of Pakistan," *Federal Register* (63 F.R. 72288), Dec. 31, 1998, p. 72288.

<sup>&</sup>lt;sup>66</sup> In April 1999, the TMB recommended that the quota introduced by the United States on imports of combed cotton yarn from Pakistan should be rescinded. WTO, Textiles Monitoring Body, "Fifty-Fourth Meeting of the TMB," G/TMB/18, Apr. 29, 1999 (99-1738), found at Internet address http://www.wto.org/ddf/cgi\_bin/searchp, retrieved June 1, 1999.

<sup>&</sup>lt;sup>69</sup> Information on the new agreement is from CITA, "Establishment of Import Restraint Limits for Certain Cotton, Wool and Man–Made Fiber Textile Products Produced or Manufactured in Cambodia," *Federal Register* (64 F.R. 6050), Feb. 8, 1999, p. 6050; and USTR, "U.S. and Cambodia Reach Bilateral Textile Agreement," press release 99–07, Jan. 21, 1999.

## Table 5-14 Trading partners with which the United States has textile and apparel quotas, as of March 31, 1999, and U.S. bilateral imports of textiles and apparel in 1998 (*Million dollars*)

artners	Impor
VTO members subject to the ATC	
ahrain	8
angladesh	1.69
ırazil	
ulgaria	
	39
osta Rica	8
zech Republic	
ominican Republic	2,3
յγpt՝	4
Salvador	1,2
i	
Jatemala	1,1
onduras	
ong Kong (China)	4.6
ingary	,
Jia	2,2
Ionesia	,
maica	2
nya	
wait	
cau	1.0
laysia	· · _
uritius	2
anmar (Burma)	7
kistan	
ilippines	2.0
land	, .
and tar	
uth Korea	2.6
	,
	3
igapore	
ovak Republic	
ailand	
rkeyitad Arab Emirataa	1,0
ited Arab Emirates	2
uguay	
n-WTO members subject to section 204 of the Agricultural Act of 1956	
mbodia	3
ina	5,9
rmer Yugoslav Republic of Macedonia	
pal	1
nan	
Issia	1
iwan	2,8
TO member subject to the North American Erec Trade Agreement	
TO member subject to the North American Free-Trade Agreement	7 /
exico	7,4

Source: U.S. Department of Commerce, International Trade Administration, Office of Textiles and Apparel.

selected apparel articles from Cambodia, including larger quotas for the articles previously subject to quotas. Under the agreement, Cambodia also agreed to improve cooperation and information sharing to prevent illegal textile transshipments and to increase market access in Cambodia for U.S. exporters. In addition, for the first time in a U.S. bilateral textile agreement, the United States obtained a commitment from Cambodia to improve labor conditions in its textile and apparel sector. If the United States determines that Cambodia's labor conditions comply with international labor standards by December 1 of each agreement year, U.S. quotas could be increased by 14 percent for the following agreement year, in addition to the annual quota growth rate of 6 percent.<sup>70</sup>

### **Other Trade Agreements**

In addition to the ATC, bilateral and regional trade agreements govern U.S. trade in sector goods with several major trading partners, notably China and NAFTA partners Mexico and Canada. The textile agreements with China provide for quotas on its sector exports to the United States and, for the first time, market- opening commitments from China for exports of U.S.-produced sector goods.

#### China

The United States and China agreed on a series of agreements contained in a Memorandum of Understanding (MOU) dated February 1, 1997, governing trade in sector goods.<sup>71</sup> One agreement extended U.S. quotas on Chinese nonsilk goods for 4 years through the year 2000. This agreement reduced quotas for products in which China had repeatedly violated quotas by transshipping through third countries, strengthened enforcement terms against illegal transshipments, and, similar to the 1994 agreement, allowed the United

States to "triple charge" quotas for repeated violations of the agreement.<sup>72</sup> A second agreement involved a visa arrangement<sup>73</sup> and a third agreement extended U.S. quotas on Chinese silk goods for 1 more year to December 31, 1997, when they were allowed to expire.<sup>74</sup> Another agreement with China involved market access, whereby the United States for the first time "obtained significant market opening commitments from China for export of U.S.-manufactured apparel and textile products."<sup>75</sup>

As part of the textile agreements reached with China in February 1997, the United States agreed that should China become a member of the WTO, it would immediately receive the same benefits on the same schedule accorded other WTO textile-exporting countries under the ATC, including the phaseout of quotas discussed earlier.<sup>76</sup> However, under the terms of the textile agreements with China, U.S. imports of sector goods from China would be subject to the application of a selective safeguard clause for 4 years beyond the termination of all other textile quotas for WTO countries on January 1, 2005. In a related matter, and at the request of the United States Trade Representative, the United States International Trade Commission in January 1999 instituted investigation No. 332-403, "Assessment of the Economic Effects on the United States of

<sup>73</sup> In May 1998, CITA announced that triple charges would be assessed against certain of China's quotas for illegal transshipments. For further information, see CITA, "New Transshipment Charges for Certain Cotton and Man–Made Fiber Textile Products Produced or Manufactured in the People's Republic of China," *Federal Register* (63 F.R. 25202), May 7, 1998, p. 25202.

<sup>74</sup> The United States agreed to China's request to eliminate visa requirements for silk goods effective as of January 1, 1999. See CITA, "Elimination of Export Visas and Electronic Visa Information System (ELVIS) Requirements for Silk Apparel Products Produced or Manufactured in the People's Republic of China," *Federal Register* (63 F.R. 65753), Nov. 30, 1998, p. 65753.

 $<sup>^{70}</sup>$  USTR official, telephone conversation with USITC staff, Feb. 16, 1999.

<sup>&</sup>lt;sup>71</sup> On January 22, 1999, China's Ministry of Foreign Trade and Economic Cooperation notified the U.S. Embassy in Beijing that it was ready to exchange diplomatic notes to formalize the agreements contained in the MOU. The initial diplomatic note submitted by the U.S. Embassy on March 11, 1997, had not been reciprocated by the Chinese, pending the reduction of certain Chinese tariffs, which was announced on January 1, 1999. See U.S. Department of State telegram No. 000799, "China Ready to Exchange Notes on Textile Agreement," prepared by U.S. Embassy, Beijing, Jan. 26, 1999.

<sup>&</sup>lt;sup>72</sup> The United States requires visas for sector goods from China and many other countries. Issued by the quota regulatory authority of the country in which the goods originate, a visa is a stamp on a paper document that certifies the origin of the goods, specifies the product type and quantity, and authorizes the shipment. The U.S. Customs Service, which is implementing electronic visas with several countries, uses the information to charge imports against quotas and to help eliminate unlawful transshipments.

<sup>&</sup>lt;sup>75</sup> U.S. Department of State telegram , "Textiles/China: Exchange of Notes," message referance No. 040894, prepared by U.S. Department of State, Washington, DC, Mar. 5, 1997.

<sup>&</sup>lt;sup>76</sup> "Agreement Between the United States of America and The People's Republic of China Concerning Trade In Textile and Apparel Products," para. 21, Feb. 1, 1997.

China's Accession to the WTO."<sup>77</sup> The study will include an assessment of the effect of removal of U.S. sector quotas on all WTO members relative to the inclusion of China in the WTO, in the context of the U.S. bilateral agreements on sector goods with China.

### NAFTA

The NAFTA entered into force on January 1, 1994, and provides for the elimination of duties on trade among the United States, Canada, and Mexico in "originating" goods.<sup>78</sup> As of January 1, 1998, U.S. imports of all originating sector goods from Canada can enter free of duty. The United States did not, and does not, apply quotas to sector imports from Canada. For Mexico, U.S. tariffs for most originating sector goods were phased out as of January 1, 1999; the remainder will be phased out in 2003. The United States eliminated quotas for originating sector goods from Mexico upon implementation of the NAFTA and will phase out quotas for nonoriginating goods (i.e., goods that do not meet NAFTA rules of origin) by 2004. The NAFTA provision having the greatest impact on sector trade to date allows U.S. imports from Mexico of sector goods that are assembled from fabric made and cut in the United States to enter free of duty and quota under HTS heading 9802.00.90.79

As a general rule, NAFTA preferential tariffs do not apply to imports of nonoriginating goods, which are subject to normal trade relations or general tariffs. However, NAFTA contains an exception to this rule that permits limited amounts of nonoriginating sector

<sup>79</sup> The NAFTA origin rules for sector imports from Mexico under heading 9802.00.90 stipulate that all fabric components, including interlinings, must be of fabric wholly made and cut in the United States. Because of a loss of domestic supply of certain interlinings used in suits and suit– type coats, the United States in September 1998 extended duty–free entry to such goods from Mexico that are assembled from U.S.–made and –cut fabric, but containing foreign interlinings. See President, Proclamation 7125 of September 18, 1998, "To Modify Certain Provisions of the Special Textile and Apparel Regime Implemented under the North American Free Trade Agreement," *Federal Register* (63 F.R. 50737), Sept. 22, 1998, p. 50737. goods imported from another NAFTA member to qualify for preferential tariffs up to specified annual quantity levels known as tariff preference levels (TPLs). The TPL for U.S. imports of wool apparel from Canada has been of concern to the U.S. industry because of the concentration of TPL imports in men's (and boys') wool suits and their rapid growth since implementation of the United States-Canada Free-Trade Agreement (CFTA) in 1989.80 The suits accounted for slightly more than 60 percent of the imports under the wool apparel TPL in 1997 and in 1998, when Canada filled 93 percent of the TPL. Although total imports of men's wool suits from Canada in 1998 fell by 7 percent from 1997, to 1.3 million suits valued at \$149 million, they were up by almost sixfold since 1989. Most of these Canadian suits were nonoriginating goods (e.g., suits made from Asian or European fabric) and therefore were entered under the TPL in order to benefit from NAFTA preferential tariffs (duty-free as of 1998). Legislation introduced in September 1997 to provide relief for the U.S. industry from increased imports of wool tailored clothing from Canada (H.R. 2432) did not come up for a vote before adjournment of the 105th Congress in October 1998. In a related matter, legislation introduced, but not voted on, in the 105th Congress would have reduced or eliminated U.S. tariffs on fine wool fabrics used in the production of tailored clothing (H.R. 4358 and S. 2339).<sup>81</sup> U.S. tariffs on such fabrics (31.7 percent ad valorem in 1998) are more than double the Canadian tariffs.

### Proposed Legislation on Textiles and Apparel from Africa

Legislation introduced in the 105th Congress— H.R. 1432, the African Growth and Opportunity Act would have increased U.S. market access for sector goods from 48 eligible countries of sub-Saharan Africa (SSA), which accounted for less than 1 percent of U.S. sector imports in 1998. The bill would have eliminated U.S. quotas on sector imports from SSA countries

<sup>&</sup>lt;sup>77</sup> USITC, "Assessment of the Economic Effects on the United States of China's Accession to the WTO" (investigation No. 332–403), *Federal Register* (64 F.R. 3714), Jan. 25, 1999, p. 3714.

<sup>1999,</sup> p. 3714. <sup>78</sup> NAFTA preferences apply to goods that "originate" in the United States, Canada, and Mexico—that is, the goods meet the NAFTA rules of origin and are therefore eligible for preferences upon importer claims. The NAFTA rule of origin for textiles and apparel is basically a "yarn forward" rule, which requires that the goods be produced in a NAFTA country from the yarn–formation stage forward in order to receive the benefits of the agreement. For certain products, a fiber or fabric forward rule applies.

<sup>&</sup>lt;sup>80</sup> In 1994, the CFTA was suspended and its duty phaseout schedules were incorporated into NAFTA.

<sup>&</sup>lt;sup>81</sup> On January 19, 1999, a similar bill was introduced in the Senate (S. 218, To Amend the Harmonized Tariff Schedule of the United States to Provide for Equitable Duty Treatment for Certain Wool Used in Making Suits) to reduce or eliminate U.S. import duties for fine wool fabrics used in the production of suits.

(Mauritius and Kenya are the only SSA countries currently subject to such quotas) and authorized the President to grant duty-free treatment under the Generalized System of Preferences (GSP) to sector goods from SSA countries. The House of Representatives passed H.R. 1432 in March 1998, but the companion bill in the Senate, S. 778, did not come up for a vote before adjournment of the 105th Congress. The African Growth and Opportunity Act was introduced in the 106th Congress on February 2, 1999 (H.R. 434), and March 18, 1999 (S. 666). Another bill relating to Africa, the HOPE for Africa Act (H.R. 772), was introduced on February 23, 1999.

# U.S. Textile and Apparel Trade in 1998

U.S. imports of sector goods in 1998 rose by 13 percent over the 1997 level to a record 25.9 billion square meter equivalents (SMEs) (valued at \$60.4 billion).<sup>82</sup> A major share of the import increase continued to come from countries benefiting from preferential market access, namely NAFTA partners Mexico and Canada and the Caribbean Basin Economic Recovery Act (CBERA) countries. However, the import growth from the NAFTA and CBERA countries slowed significantly in 1998, reportedly because of increased competition from East Asian countries that had devalued their currencies in 1997.83 Imports from Mexico grew by 17 percent in 1998, down from 38 percent in 1997, to 3.6 billion SMEs (\$7.5 billion). Mexico remained the largest supplier of sector imports by quantity and, for the first time, supplanted China as the largest supplier by value. Imports from CBERA countries rose by 8 percent in 1998, down from 25 percent in 1997, to 3.2 billion SMEs (\$8.4 billion).

Competition in sector goods between CBERA countries and Mexico, which mainly compete with one another for apparel assembly work from U.S. firms, has changed since the NAFTA's implementation in 1994. Although garments sewn in Mexico from fabric made and cut in the United States enter free of duty and quota under the NAFTA, similar CBERA goods enter under preferential quotas (guaranteed access levels), but are still subject to duty on the value added

offshore.<sup>84</sup> The competitive balance between Mexico and CBERA countries was also affected by the 50 percent devaluation of the Mexican peso during December 1994-January 1995, which effectively reduced dollar prices of Mexican goods in the U.S. market. Trade and investment reportedly have been diverted from CBERA countries to Mexico.<sup>85</sup> To remedy the situation, legislation was again introduced in the U.S. Congress in 1998 (S. 2400, the Trade and Tariff Act of 1998) to provide NAFTA-like treatment for qualifying sector goods and other articles exempted from dutyfree entry under the CBERA.<sup>86</sup> However, the bill did not come up for a vote before adjournment of the 105th Congress.<sup>87</sup>

U.S. imports of sector goods from China resumed their downward trend in 1998, declining by 7 percent to 1.9 billion SMEs valued at \$5.9 billion. They had grown by 27 percent in 1997, after falling by 24 percent during 1993-96. Industry sources attributed the import decline from China in 1998 to competition from East Asian nations (Korea, Indonesia, Malaysia, the Philippines, and Thailand) that had devalued their currencies.<sup>88</sup> In addition, floods that destroyed many textile factories in South China and efforts by the Chinese government to restructure the textile industry may have slowed production of sector goods for export to the United States.<sup>89</sup> Trade sources have suggested that the

<sup>&</sup>lt;sup>82</sup> Import data in this section are from the U.S. Department of Commerce, Office of Textiles and Apparel (OTEXA), *Major Shippers Report*. Such data, which represent U.S. general imports of goods covered by the U.S. textile trade agreements program, are available on OTEXA's Web site at http://otexa.ita.doc.gov/msrpoint.htm.

<sup>&</sup>lt;sup>83</sup> American Textile Manufacturers Institute, "International Trade," *Textile HiLights*, Dec. 1998, p. vi.

<sup>&</sup>lt;sup>84</sup> For every \$10 in f.o.b. value, a typical CBERA garment entered under heading 9802.80 contains \$6.40 in dutyfree U.S. parts and \$3.60 in dutiable, foreign value added. Applying the 1998 trade-weighted average duty on apparel of 15.8 percent to the foreign value added yields an average duty of \$0.57, or an ad valorem equivalent of 5.7 percent.

<sup>&</sup>lt;sup>85</sup> Textile trade consultant, telephone conversation with USITC staff, Jan. 22, 1999.

<sup>&</sup>lt;sup>86</sup> In November 1997, the U.S. House of Representatives voted down a bill that would have granted NAFTA parity to CBERA sector goods (H.R. 2644, the United States–Caribbean Trade Partnership Act).

<sup>&</sup>lt;sup>87</sup> Subsequently, legislation was introduced in the 106th Congress on February 4, 1999 (S. 371, Central American and Caribbean Relief Act), and March 4, 1999 (H.R. 984, Caribbean and Central America Relief and Economic Stabilization Act), to provide CBERA countries with NAFTA parity and economic assistance needed to recover from the devastation caused by Hurricanes Mitch and Georges in the fall of 1998.

<sup>&</sup>lt;sup>88</sup> Industry trade consultant, telephone interview with USITC staff, Jan. 22, 1999.

<sup>&</sup>lt;sup>89</sup> U.S. Department of State telegram, "China/Textile Industry: Everything You Might Possibly Want to Know," message reference No. 017845, prepared by the U.S. Embassy, Beijing, Oct. 22, 1998.

U.S. Government's imposition of triple charges against China's quotas in May 1998<sup>90</sup> because of illegal Chinese transshipments may also have contributed to the import decline from China in 1998.<sup>91</sup> Such enforcement measures may have discouraged some U.S. firms from importing sector goods from China.

The relative decline of the traditional "Big Three" Asian suppliers of sector goods-Hong Kong, Taiwan, and Korea-slowed in 1998, as imports from Hong Kong and Korea grew significantly. Imports of sector goods from Hong Kong and Korea rose by 18 percent to 1.0 billion SMEs (\$4.6 billion) and 28 percent to 1.0 billion SMEs (\$2.6 billion), respectively; imports from Taiwan fell by 1 percent to 1.2 billion SMEs (\$2.8 billion). The import increase from Hong Kong followed 3 years of decline and occurred despite competition from lower cost countries in East Asia and U.S. efforts to combat alleged transshipments of Chinese sector goods through Hong Kong.<sup>92</sup> The import growth from Hong Kong may be partly attributable to its economic and political stability during a year of economic uncertainty in East Asia, its reputation for reliable deliveries and quality production and service, and limited overlap in the composition of its sector exports with other East Asian countries.93 Trade sources attribute the import growth from Korea, which was more than double the 12 percent gain in 1997, to lower export prices as a result of its currency devaluation in 1997. The import decline from Taiwan is partly attributable to a decrease in its price competitiveness relative to Korea and other East Asian nations that devalued their currencies. Another contributing factor may be Taiwan's growing foreign investment in textile production in East Asian countries such as Thailand and in Mexico, to take advantage of Mexico's preferential access and proximity to the U.S. market and its competitively priced labor.<sup>94</sup>

U.S. imports of sector goods from the Association of Southeast Asian Nations (ASEAN) rose by 20 percent for the second consecutive year in 1998, to 3.2 billion SMEs (\$7.4 billion). Imports from the major ASEAN sources, Thailand and Indonesia, rose by 30 percent and 14 percent, respectively. The import increase from Indonesia was smaller than what some trade sources had expected, given the devaluation of its currency; however, the devaluation had effectively increased costs of imported production inputs for Indonesian apparel producers and, hence, limited their ability to reduce prices of apparel exports to the United States.<sup>95</sup> U.S. quotas on imports of sector goods from Indonesia also limited the growth of its exports to the United States.

### Developments in the Rules of Origin for Textiles and Apparel

The United States implemented new rules of origin for textiles and apparel on July 1, 1996, as required by section 334 of the Uruguay Round Agreements Act. The rules affect country-of-origin determinations for U.S. imports of such goods that are subject to manufacturing and processing operations in, or contain components from, more than one country. The U.S. industry had sought the rules change on the basis that foreign suppliers were dividing their production operations among various countries as a means of avoiding U.S. import quotas.<sup>96</sup>

As part of a settlement of a complaint brought by the EU against the new U.S. origin rules, the Clinton administration proposed legislation in 1998 to restore the preexisting rules of origin for certain dyed and printed nonwool fabrics and silk accessories (mainly scarves).<sup>97</sup> Under the section 334 rules, the country of origin for these fabrics and scarves is the country in which the base fabric is formed, even though the fabric

<sup>&</sup>lt;sup>90</sup> USTR, "Triple Charges Assessed on Chinese Textile Transshipments," press release 98–45, May 4, 1998, found at Internet address: http://www.ustr.gov/releases/1998/05/98– 45.pdf, retrieved May 8, 1998.

<sup>&</sup>lt;sup>91</sup> American Textile Manufacturers Institute, "International Trade," *Textile HiLights*, Sept. 1998, p. v.

<sup>&</sup>lt;sup>92</sup> Hong Kong trade sources attributed the drop in 1997 sector imports to additional reporting requirements established by the U.S. Customs Service to combat illegal transshipments. The United States and Hong Kong agreed to enhanced enforcement measures (expanded information sharing, increased cooperation on factory observation visits, and greater access to statistical information) on September 18, 1998. OTEXA official, telephone interview with USITC staff, Jan. 21, 1999.

<sup>&</sup>lt;sup>93</sup> "Price Pressure on Exporters," *Textile Asia*, June 1998, p. 87; and U.S. Department of State telegram "Hong Kong Trade Outlook: A Bit Weak, but No Dramatic Decline," message reference No. 001495, prepared by U.S. Department of State, Washington, DC, Feb. 19, 1998.

<sup>&</sup>lt;sup>94</sup> John R. Westbrook, "Massive Mexican Investment" and "More Investment in Thailand," *Textile Asia*, June 1998, pp. 92–93.

<sup>&</sup>lt;sup>95</sup> "Indonesia in the Midstream," *Textile Asia*, Sept. 1998, p. 64.

<sup>&</sup>lt;sup>96</sup> U.S. House of Representatives, Committee on Ways and Means, *Overview and Compilation of U.S. Trade Statutes*, 105th Cong., 1st sess. (Washington, DC: U.S. Government Printing Office, June 25, 1997), WMCP: 105–4, p. 121.

<sup>&</sup>lt;sup>97</sup> S. 2394 (To Amend Section 334 of the Uruguay Round Agreements Act to Clarify the Rules of Origin with Respect to Certain Textile Products) and H.R. 4526 (A Bill Which Would Change Customs Rules–of–Origin for Certain Textile Products) were introduced on July 30 and September 9, 1998, respectively.

undergoes dyeing, printing, and other finishing operations in another country. The U.S. rules in effect before July 1996 permitted the processes of dyeing and printing to confer origin when accompanied by two or more finishing operations.

In May 1997, the EU filed a request with the WTO for consultations with the United States, stating that the new rules had adversely affected its exports of certain silk accessories and dyed and printed nonwool fabrics to the U.S. market. The EU stated that as a result of the U.S. rules change, its exports of these articles had lost their quota-free access to the U.S. market, and EU exporters had to comply with U.S. quota or visa requirements applicable to the country of origin of the base fabric. In addition, the silk accessories had to be marked as a product of the country in which the base fabric was formed (mainly China), rather than as a product of the EU country in which the fabric was printed, dyed, and otherwise finished (e.g., Italy), as was the usual case under the previous rules.

The United States and the EU reached agreement in July 1997 to postpone formal WTO dispute- settlement proceedings and accept an interim solution. If the WTO rules-of-origin harmonization process was not completed by July 20, 1998, the United States agreed that within 1 month, it would introduce legislation to restore the rules of origin for certain textile articles that existed before July 1, 1996.<sup>98</sup> In the meantime, the United States agreed to exempt the silk accessories from U.S. marking rules identifying them as the product of the country in which the base fabric was formed and to remove certain dyed and printed nonwool fabrics from quotas and visa requirements of the countries in which the base fabric was formed.

Since the WTO extended the deadline for the rulesof-origin harmonization process to November 1999, legislation to amend the U.S. rules of origin for certain textile products was introduced in the U.S. Congress on July 30, 1998 (S. 2394), and September 9, 1998 (H.R. 4526). Although no action was taken on the legislation before adjournment of Congress in October 1998, the EU claimed that the legislation was too narrow in scope for it did not include all the commitments that it had understood would be covered by the U.S.- EU settlement in 1997.<sup>99</sup> In particular, the EU stated that the legislation did not include finished textile articles that are made from the dyed or printed fabrics, such as bed sheets.<sup>100</sup> On November 25, 1998, the EU renewed its complaint with the WTO over the U.S. origin rules.<sup>101</sup> On January 14 and 15, 1999, U.S. and EU trade officials held informal talks in Geneva; however, no agreement was reached during the consultations, and no further action was taken as of January 22, 1999.<sup>102</sup>

### Major U.S. Trade Sanctions Activities

The United States imposes trade sanctions against specific foreign countries under several statutory authorities.<sup>103</sup> Many of the sanctions are administered and enforced by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury.<sup>104</sup> A few specifically targeted trade controls are administered and enforced by other agencies, including the Bureau of Export Administration of the U.S. Department of Commerce, the Office of Defense Trade Controls of the U.S. Department of State, and the U.S. Customs Service of the U.S. Department of the Treasury.

<sup>103</sup> The basic authorizing statutes are the Trading with the Enemy Act (50 U.S.C. App. 1–44); International Emergency Economic Powers Act (50 U.S.C. sec. 1701–06); Iraqi Sanctions Act (Public Law 101–513, 104 Stat. 2047–55); United Nations Participation Act (22 U.S.C. 287(c)); International Security and Development Cooperation Act (22 U.S.C. 2349 aa–9); The Cuban Democracy Act (22 U.S.C. 6001–10); the Cuban Liberty and Democratic Solidarity Act of 1996 (Public Law 104–114); the Antiterrorism and Effective Death Penalty Act of 1996 (Public Law 104–132); and the United Nations Participation Act (22 U.S.C. 287(c)).

<sup>104</sup> OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and to freeze assets under U.S. jurisdiction. OFAC also has the authority to impose civil monetary penalties for certain violations. The United States applies criminal penalties (prison terms and/or monetary penalties) for violations under these regulations. U.S. Department of the Treasury, OFAC, "Foreign Assets Control Regulations for Exporters and Importers," Aug. 19, 1998, found at Internet address http://www.ustreas.gov/treasury/services/fac/fac.html, retrieved Jan. 11, 1999.

<sup>&</sup>lt;sup>98</sup> The WTO Agreement on Rules of Origin calls for the multilateral harmonization of rules of origin used for nonpreferential trade regimes so as to provide more certainty in the conduct of world trade. To this end, the Agreement called for a 3-year work program that was scheduled to be completed by July 20, 1998; however, the WTO extended the deadline until November 1999.

<sup>&</sup>lt;sup>99</sup> Hugo Paemen, Head of Mission for the Delegation of the European Commission to the United States, "EU Letter on Rules of Origin," Oct. 2, 1998, found at Internet address http://www.insidetrade.com/sec-cgi/as\_web.ece?SEC\_current+B+trade984022, retrieved Oct. 9, 1998.

<sup>&</sup>lt;sup>100</sup> For bed sheets finished in one country from fabric made in another country, the current U.S. rules stipulate that the country of origin is the country in which the fabric is formed, rather than the country in which the fabric is cut to size, hemmed, and otherwise sewn, as was the usual case under the previous rules.

<sup>&</sup>lt;sup>101</sup> USTR official, telephone interview with USITC staff, Dec. 9, 1998.

<sup>&</sup>lt;sup>102</sup> OTEXA official, telephone interview with USITC staff, Jan. 22, 1999.

In this report, the term "trade sanction" applies to actions undertaken to restrict or prohibit U.S. trade (including nonmilitary exports, imports, government procurement, and trade finance) with designated hostile or pariah countries to further U.S. foreign policy or national security objectives. U.S. trade sanctions are covered under many statutes. Some of the U.S. sanctions are multilateral undertakings pursuant to United Nations (UN) resolutions and carried out in close cooperation with other governments; other sanctions are unilateral U.S. actions. During 1998, the USITC conducted an investigation requested by the House Ways and Means Committee on U.S. unilateral economic sanctions.<sup>105</sup> In addition to trade sanctions imposed by the Federal Government, some U.S. states and municipalities also imposed international trade sanctions during 1998.

Table 5-15 lists major U.S. trade sanctions against specific countries operative during 1998. The United States imposed and subsequently removed certain trade sanctions against India and Pakistan during 1998. New economic sanctions were imposed against the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Governments of Serbia for their actions in Kosovo. Also during 1998, sanctions imposed by the Commonwealth of Massachusetts against companies that do business with Burma (such sanctions are also imposed by other individual U.S. states and municipalities) were the subject of a WTO complaint by U.S. trading partners.<sup>106</sup> U.S. trade sanctions restricting imports of certain shrimp from countries that do not comply with U.S. marine wildlife conservation efforts are discussed in the context of developments in the WTO in chapter 2.

<sup>&</sup>lt;sup>105</sup> USITC, Overview and Analysis of Current U.S. Unilateral Economic Sanctions, USITC Publication 3124, Aug. 1998.

<sup>&</sup>lt;sup>106</sup> Proceedings of the panel, established in October 1998, were suspended in February 1999.

Table 5-15Summary of major U.S. trade sanctions operative in 1998

Country	Sanctions
Burma	No trade restrictions. New investment in Burma by U.S. persons prohibited. Several U.S. states and municipalities apply selective purchasing/contracting measures against companies that do business with Burma.
	<i>1998 developments:</i> Consultations between the United States and the EU during 1997–98 failed to reach an agreement on a WTO complaint filed by the EU (WT/DS88/1) in June 1997 concerning the selective procurement measures enacted by the Commonwealth of Massachusetts. Consequently, the WTO established a dispute settlement panel to investigate the matter on Oct. 21, 1998 at the request of the EU. The EU complaint alleges that, as Massachusetts is covered under the U.S. schedule to the Agreement on Government Procurement (GPA), the Massachusetts measures violate the GPA.
Cuba	Sanctions prohibit imports of goods or services either directly or through third countries, and prohibit exports or reexports of U.S. goods, technology, or services, brokering offshore transactions, and provision of consulting services by U.S. persons wherever located. Vessels carrying goods or passengers to or from Cuba or carrying goods in which Cuba or a Cuban national has any interest prohibited from entering U.S. ports. Cuban assets in the United States blocked, and total freeze on financial dealings with Cuba. Title III of the 1996 Cuban Liberty and Democratic Solidarity (Libertad) Act <sup>1</sup> permits U.S. nationals whose property was confiscated by the Cuban government to sue Cuban governmental entities or foreign investors who use or profit in any way from these properties; President Clinton has suspended the right to file such suits since that provision entered into force. Title IV of the Libertad Act denies visas and entry into the United States of individuals who traffic in U.Sclaimed properties in Cuba.
	<i>1998 developments:</i> On May 18, 1998, the United States and the EU signed an Understanding with Respect to Disciplines for the Strengthening of Investment Protection in which the EU agreed to take concrete action to discourage investments in illegally expropriated properties. <sup>2</sup> That Understanding terminated a 1997 EU complaint against the United States before the WTO alleging that the Libertad Act is inconsistent with the U.S. obligations under the WTO Agreement. <sup>3</sup>
Federal Republic of Yugoslavia (Serbia and Montenegro) and Republic of Serbia	Because of actions and policies of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro) <sup>4</sup> and the Republic of Serbia with respect to Kosovo, President Clinton issued Executive Order 13088 on June 9, 1998, imposing sanctions against those countries. General License No. 1, issued on June 18, 1998, however, excludes the Government of the Republic of Montenegro from the U.S. sanctions. Effective June 10, 1998, all property and the interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro) <sup>4</sup> and the Republic of Serbia in the United States or subject to U.S. jurisdiction or control are blocked. Financial transactions, including trade financing, with the Federal Republic of Yugoslavia (Serbia and Montenegro) <sup>4</sup> and the Republic of Serbia in the Republic of Serbia are prohibited, and new investments in the Republic of Serbia are prohibited.
India and Pakistan	The United States imposed economic sanctions against India on May 13, 1998 and Pakistan on May 30, 1998 following detonations of nuclear explosive devices by those countries. The sanctions, required under sec. 102 of the Arms Export Control Act (AECA), terminated loans, credits, and military and non-humanitarian economic assistance. On July 15, 1998, President Clinton signed into law a bill (P.L. 105-194) that exempts agricultural credits from economic sanctions imposed pursuant to sec. 102(b) of the AECA. On Dec. 1, 1998, the President waived, until Oct. 21, 1999, sanctions against lending in India and Pakistan by Overseas Private Investment Corporation, the Export–Import Bank, and the Trade and Development Agency, commercial bank activity, and military training; other sanctions remain in place, including trade with specific Indian and Pakistani government, military, and business entities and subsidiaries involved in nuclear or missile activities. <sup>5</sup>

See footnotes at end of table.

#### Table 5-15—*Continued* Summary of major U.S. trade sanctions operative in 1998

Country	Sanctions
Iran	Trade, investment, and financial dealings with Iran by U.S. persons, wherever located, generally are prohibited.
Iraq	Virtually all other trade, investment, and financial dealings with Iraq are prohibited, except trade provided for under UN Security Council Resolution 986 of 1995 permitting Iraq to sell specific quantities of oil and to purchase specific humanitarian goods. All assets of the Iraqi government subject to U.S. jurisdiction are blocked.
Libya	Virtually all trade, whether direct or through third countries, and investment activities with Libya by U.S. persons, wherever located, are prohibited. Also prohibited are transactions that ultimately benefit Libya, including brokering third-country sales of Libyan crude oil or transportation for Libyan cargo. Certain U.S. sales to Libya are permitted, including the sale of parts and components to third countries where the U.S. goods will be "substantially transformed" into new and different articles of commerce prior to shipment to Libya, as well as the sale of goods that come to rest in the inventory of a third–country distributor whose sales are not predominantly to Libya. All assets of the Libya government subject to U.S. jurisdiction are blocked.
North Korea	Virtually all trade, whether direct or through third countries, investment, and financial dealings with North Korea by U.S. persons, wherever located, are prohibited. All assets of North Korea and North Korean nationals subject to U.S. jurisdiction blocked. Implementing regulations have been modified in recent years as a result of commitments made to begin the normalization of bilateral relations.
Sudan	Virtually all trade (whether direct or through third countries) with Sudan by U.S. persons, wherever located, are prohibited. All assets of Sudan subject to U.S. jurisdiction are blocked. Financial transactions which pose a risk of furthering terrorist acts in the United States prohibited.
Syria	No trade sanctions. Sanctions prohibit financial transactions which pose a risk of furthering terrorist acts in the United States.

<sup>1</sup> Also known as the Helms-Burton Act in reference to the two members of Congress who were the main sponsors of the legislation, Senator Jesse Helms (R-NC) and Representative Dan Burton (R-IN)
<sup>2</sup> Stuart E. Eizenstat, Under Secretary of State for Economic, Business, and Agricultural Affairs, Remarks on

the President's Title III Decision Washington, DC, July 16, 1998.

<sup>3</sup> For additional information on the impact of the Cuba sanctions on U.S.-EU relations, see the section on the EU in ch. 4.

<sup>4</sup> U.S. economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) date back to May 30, 1992; certain aspects of those sanctions were suspended in 1996, although asset subject to U.S. jurisdiction remained blocked.

<sup>5</sup> Waiver granted under the authority of an amendment to P.L. 105-277. President, Presidential Determination 99-7, Dec. 1, 1998.

Notes.—Exceptions generally allow for \$100 worth of merchandise brought into the United States as accompanied baggage by authorized travelers, and for exports of certain humanitarian goods licensed for export and, in some instances, certain informational material. For more details, see USITC, *Overview and Analysis of Current U.S. Unilateral Economic Sanctions*, publication 3124, Aug. 1998.

Sources: Office of Foreign Assets Control, U.S. Department of the Treasury, compiled by the staff of the USITC and WTO, "Overview of the State-of-Play of WTO Disputes," found at Internet address http://www.wto.org/wto/dispute/bulletin.htm, retrieved Mar. 31, 1999. For detailed background information on the listed trade sanctions, see USITC, *The Year in Trade: OTAP, 1996*, USITC publication 3024, April 1997 pp. 157–164.

# **APPENDIX Statistical Tables**

Table A-1U.S. merchandise trade with European Union, by SITC numbers (revision 3), 1996-98

(1,000 dollars)

SITC				
section No.	Description	1996	1997	1998
			U.S. exports	
0	Food and live animals	4,745,961	4,614,150	4,253,054
1	Beverages and tobacco	2,575,617	2,351,653	2,411,463
2	Crude materials, inedible, except fuels	7,049,765	7,2915385	6,364,403
3	Mineral fuels, lubricants and related materials	2,697,421	2,2456,632	1,804,264
4	Animal and vegetable oils, fats and waxes	260,594	241,573	247,536
5	Chemicals and related products, nesi	15,018,280	17,407,726	18,688,451
6	Manufactured goods classified chiefly by material	7,864,553	9,005,187	9,077,454
7	Machinery and transport equipment	57,328,374	65,945,637	73,129,210
8	Miscellaneous manufactured articles	15,106,949	16,532,031	17,308,5494
9	Commodities and transactions not classified elsewhere in the SITC	7,072,131	5,905,124	6,932,385
	Total	119,719,310	131,751,156	140,216,713
			U.S. imports	
0	Food and live animals	2,860,308	3,028,922	4,198,677
1	Beverages and tobacco	3,474,811	3,861,157	4,198,677
2	Crude materials, inedible, except fuels	1,350,670	1,505,497	1,645,832
3	Mineral fuels, lubricants and related materials	4,254,085	3,928,611	3,017,061
4	Animal and vegetable oils, fats and waxes	461,232	432,936	367,395
5	Chemicals and related products, nesi	19,085,053	22,117,040	26,123,243
6	Manufactured goods classified chiefly by material	20,026,561	21,237,368	22,515,354
7	Machinery and transport equipment	62,442,613	69,790,369	80,573,354
8	Miscellaneous manufactured articles	20,389,556	22,384,989	24,211,204
9	Commodities and transactions not classified elsewhere in the SITC	7,109,629	7,603,294	8,985,594
	Total	141,454,518	155,890,182	174,881,021

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-2Leading exports to the European Union, by Schedule B numbers, 1996-98

(1,000 dollars)

Schedule B				
No.	Description	1996	1997	1998
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	3,927,581	6,688,338	9,075,033
8473.30	Parts and accessories for automated data processing machines and units	6,566,543	7,364,918	6,923,149
8803.30	Parts of airplanes or helicopters, nesi	3,533,272	4,147,083	4,755,869
9880.00	Estimate of non-Canadian low value export shipments; compiled low value and not	0.007.500		0 170 050
	identified by kind shipments to Canada	3,097,566	3,286,232	3,478,053
8411.91	Parts for turbojets or turbopropellers	2,050,435	2,742,081	3,261,942
8708.99	Parts and accessories for motor vehicles, nesi	2,345,029	2,155,643	2,452,816
8471.80	Other units of automated data processing machine	1,912,643	2,222,838	2,305,668
7108.12	Nonmonetary gold (including gold plated with platinum), unwrought, excluding powder	2,426,527	1,220,238	2,092,098
1201.00	Soybeans, whether or not broken	2,348,784	2,315,842	1,548,043
8542.13	Metal oxide semiconductors	1,391,811	1,534,338	1,450,719
9018.90	Medical, surgical, dental or veterinary sciences instruments, appliances, and parts, nesi	1,057,761	1,314,483	1,395,031
8411.12	Turbojets of a thrust exceeding 25kN	619,574	652,794	1,333,462
2701.12	Bituminous coal, whether or not pulverized, but not agglomerated	1,745,058	1,519,246	1,284,916
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 1,500 but not over 3,000 cc	1,514,978	1,212,767	1,277,294
3004.90	Certain medicaments put up in measure doses or in forms or packings for retail sale, nesi	456,889	693,502	1,189,101
3822.00	Composite diagnostic or laboratory reagents, except pharmaceuticals	980,463	1,123,945	1,183,574
8471.49	Other digital automated data processing machines, entered in the form of systems	2,137,038	1,255,030	1,059,594
8471.70	Automatic data processing storage units	742,041	1,050,358	1,029,395
2402.20	Cigarettes containing tobacco	1,329,419	1,046,927	1,027,938
8411.99	Gas turbines parts, nesi	605,805	924,996	859,260
8517.90	Parts of telephonic or telegraphic apparatus	437,019	544,324	807,186
8471.60	Input or output units for automated data processing machines	523,112	721,808	806,367
8479.89	Machines and mechanical appliances having individual functions, nesi	805,617	737,679	755,824
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	209,155	299,895	754,649
8802.30	Airplanes and aircraft, of an unladen weight over 2,000 kg but not over 15,000 kg	750,933	334,570	716,885
	Total of items shown	43,515,051	47,109,873	52,823,864
	All others	76,204,259	84,641,283	87,392,849
	Total of all commodities	119,719,310	131,751,156	140,216,713

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-3Leading imports from the European Union, by HTS numbers, 1996-98

(1,000 dollars)

HTS No.	Description	1996	1997	1998
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 1,500 but not over 3,000 cc	6,242,758	7,798,303	9,649,965
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	6,300,869	6,498,240	8,097,556
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported or returned	4,959,995	5,184,338	5,818,316
3004.90	Certain medicaments put up in measure doses or in forms or packings for retail sale, nesi	1,311,324	2,286,826	3,990,049
8411.91	Parts for turbojets or turbopropellers	2,268,191	3,196,328	3,848,749
8411.12	Turbojets of a thrust exceeding 25 kn	1,154,345	2,129,231	3,042,090
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	1,133,982	1,199,956	2,473,857
2934.90	Heterocyclic compounds nesi	1,098,064	1,831,811	2,287,345
9999.95	"Estimated " "low valued" "shipments"	1,378,694	1,520,043	2,236,452
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and			
	preparations, nesi	2,476,395	2,602,523	2,201,343
9701.10	Paintings, drawings and pastels, executed entirely by hand, framed or not framed	1,331,901	1,789,277	2,068,256
8473.30	Parts and accessories for automated data processing machines and units	1,473,023	1,830,449	2,042,812
8803.30	Parts of airplanes or helicopters, nesi	1,277,437	1,769,462	2,011,698
7102.39	Nonindustrial diamonds, nesi	1,501,938	1,745,816	1,854,957
7113.19	articles of jewelry and parts thereof, of precious metal (excluding silver)	1,310,687	1,308,948	1,473,719
8542.13	Metal oxide semiconductors	1,692,771	1,298,515	1,333,765
2933.90	Heterocyclic compounds with nitrogen hetero-atom(s) only, nesi	455,329	836,836	1,292,722
8802.30	Airplanes and aircraft, of an unladen weight over 2,000 kg but not over 15,000 kg	1,069,409	1,174,422	1,278,484
8708.99	Parts and accessories for motor vehicles, nesi	1,177,007	1,130,924	1,209,348
8471.80	Other units of automated data processing machines	812,560	1,024,050	1,089,659
2204.21	Wine nesi of fresh grapes or fortified wine, in containers not over 2 liters	838,615	961,493	1,084,843
9706.00	Antiques of an age exceeding one hundred years	692,654	828,131	907,085
2203.00	Beer made from malt	735,128	805,467	896,895
6403.99	Footwear not covering the ankles, with outer soles of rubber or plastics or composition leather and uppers of leather	771,720	862,051	895,821
2933.59	Heterocyclic compounds containing a pyrimidine ring (hydrogenated or not) or a piperazine ring in the structure, nesi	375,123	594,938	819,708
	– Total of items shown	43,839,918	52,208,378	63,905,493
	–	97,614,600	103,681,804	110,975,528
	Total of all commodities	141,454,518	155,890,182	174,881,021

Note.—Because of rounding, figures may not add to totals shown. The appreviation, nesi, stand for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-4 U.S. merchandise trade with Canada, by SITC numbers (revision 3), 1996-98

(1,000 0	dollars)
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SITC				
section No.	Description	1996	1997	1998
			U.S. exports	
0	Food and live animals	5,499,424	5,925,162	6,199,587
1	Beverages and tobacco	232,888	301,653	340,935
2	Crude materials, inedible, except fuels	3,758,615	4,282,685	3,950,144
3	Mineral fuels, lubricants and related materials	1,851,287	2,280,104	2,353,112
4	Animal and vegetable oils, fats and waxes	173,639	222,703	201,105
5	Chemicals and related products, nesi	11,334,840	12,712,646	13,243,958
6	Manufactured goods classified chiefly by material	16,058,037	18,730,028	19,391,618
7	Machinery and transport equipment	64,785,287	73,658,380	75,111,792
8	Miscellaneous manufactured articles	11,869,949	13,334,655	14,144,585
9	Commodities and transactions not classified elsewhere in the SITC	3,558,877	3,345,590	2,830,958
	Total	119,122,843	134,793,606	137,767,796
			U.S. imports	
0	Food and live animals	6,663,389	7,413,214	7,765,489
1	Beverages and tobacco	750,345	814,940	818,490
2	Crude materials, inedible, except fuels	11,314,720	11,950,346	11,057,549
3	Mineral fuels, lubricants and related materials	16,775,287	17,882,257	14,654,232
4	Animal and vegetable oils, fats and waxes	404,754	379,240	420,910
5	Chemicals and related products, nesi	8,530,839	9,510,738	9,467,068
6	Manufactured goods classified chiefly by material	25,833,114	27,305,567	28,922,070
7	Machinery and transport equipment	67,327,222	72,064,695	77,297,113
8	Miscellaneous manufactured articles	8,992,086	10,301,342	11,750,222
9	Commodities and transactions not classified elsewhere in the SITC	9,706,847	10,258,672	12,532,316
	Total	156,298,602	167,881,010	174,685,459

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-5Leading exports to Canada, by Schedule B numbers, 1996-98

(1,000 dollars)

<i>Schedule B</i> No.	Description	1996	1997	1998
8708.29	Parts and accessories of bodies (Including cabs) for motor vehicles, nesi	4,410,316	4,706,272	4,685,104
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine,			
	cylinder capacity over 3,000 cc	4,231,410	5,298,707	4,667,159
8708.99	Parts and accessories for motor vehicles, nesi	3,126,957	3,708,625	3,652,219
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 1,500 but not over 3,000 cc	3,509,281	3,932,783	3,648,609
8407.34	Reciprocating spark-ignition piston engines, of a cylinder capacity over 1,000 cc	2,347,422	2,578,791	3,195,530
8708.40	Gear boxes for motor vehicles	2,041,641	2,096,184	2,284,025
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, gross vehicle weight not exceeding 5 mt	2,027,978	2,372,856	2,227,433
8542.13	Metal oxide semiconductors	2.042.655	2,142,948	2,046,432
8409.91	Parts for spark-ignition internal-combustion piston engines	1.094.039	1.296.249	1.671.261
9880.00	Estimate of non-Canadian low value export shipments; compiled low value and not identified	1,004,000	1,200,240	1,071,201
5000.00	by kind shipments to Canada	2,413,696	1,966,754	1,643,868
8471.50	Digital processing units other than those of 847141 and 847149	1,053,101	1,332,160	1,363,963
8473.30	Parts and accessories for automated data processing machines and units	1,387,637	1,341,975	1,237,903
8701.20	Road tractors for semi-trailers	789,893	1,055,431	1,180,632
8708.39	Brakes and servo-brakes and parts for motor	989,663	1,064,624	1,071,540
8803.30	Parts of airplanes or helicopters, nesi	770,964	864,745	1,055,864
9032.89	Automatic regulating or controlling Instruments and apparatus, nesi	710,810	1,019,438	1,012,069
7606.12	Rectangular plates, sheets and strip, over 02 mm thick, of aluminum alloy	756,696	830,697	827,730
4901.99	Printed books, brochures, leaflets and similar printed matter, other than in single sheet	731,383	802,992	799,541
8471.49	Other digital automated data processing machines, entered in the form of systems	611,969	672,135	784,052
8408.20	Compression-ignition internal-combustion piston engines	612,196	673,287	775,339
9401.90	Parts of seats (except medical, barbers, dentist, etc)	619,510	684,297	761,258
8525.20	Transmission apparatus incorporating reception apparatus	382,305	743,813	741,323
3004.90	Certain medicaments put up in measure doses or in forms or packings for retail sale, nesi	520,965	590,673	699,288
8411.91	Parts for turbojets or turbopropellers	518,668	610,483	692,856
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations, nesi	620,363	713,832	658,276
	Total of items shown	38,321,518	43,100,754	43,383,273
	All others	80,801,325	91,692,852	94,384,523
	Total of all commodities	119,122,843	134,793,606	137,767,796

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included."

Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-6Leading imports from Canada, by HTS numbers, 1996-98

(1,000 dollars)

HTS No.	Description	1996	1997	1998
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	19,372,032	19,880,796	22,565,822
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported or returned	5,847,162	6,076,681	7,698,472
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder			
	capacity over 1,500 but not over 3,000 cc	5,087,297	5,461,001	5,948,391
4407.10	Coniferous wood sawn or chipped lengthwise, sliced or peeled, of thickness exceeding 6mm	6,251,623	6,598,640	5,922,863
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	7,367,016	7,423,720	5,560,287
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, gross	E 920 170	7 065 446	E 404 464
0744.04	vehicle weight not exceeding 5 mt	5,839,170	7,065,416	5,434,461
2711.21	Natural gas, gaseous state	3,914,607	5,068,629	5,184,321
4801.00	Newsprint, in rolls or sheets	4,019,150	3,488,032	3,517,326
8708.99	Parts and accessories for motor vehicles, nesi	3,198,181	3,164,471	2,878,220
8473.30	Parts and accessories for automated data processing machines and units	2,364,805	2,267,445	2,389,435
9999.95	Estimated "low valued" shipments	1,530,975	1,628,019	2,349,866
8407.34	Reciprocating spark-ignition piston engines, of a cylinder capacity over 1,000 cc	1,712,136	1,958,517	2,300,629
8542.13	Metal oxide semiconductors	1,809,672	2,044,459	2,077,776
8708.29	Parts and accessories of bodies (including cabs) for motor vehicles, nesi	1,599,083	1,832,276	1,944,474
8701.20	Road tractors for semi-trailers	1,337,175	1,656,051	1,875,839
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations, nesi	2,482,415	2,385,893	1,737,681
8802.30	Airplanes and aircraft, of an unladen weight over 2,000 kg but not over 15,000 kg	996,569	1,196,435	1,606,769
4703.21	Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood	1,654,302	1,649,436	1,453,057
7108.12	Nonmonetary gold (including gold plated with platinum), unwrought, excluding powder	1,631,647	1,691,546	1,393,975
7601.20	Unwrought aluminum alloys	1,187,692	1,410,338	1,350,530
4802.60	Paper nesi, over 10% (weight) fiber obtained by mechanical process	1,049,533	1,154,359	1,261,949
2716.00	Electrical energy	901,670	978,160	1,038,943
4410.11	Waferboard, including oriented strand board	595,772	595,008	1,031,097
8803.30	Parts of airplanes or helicopters, nesi	662,494	862,562	992,942
8517.90	Parts of telephonic or telegraphic apparatus	902,454	948,040	979,058
	Total of items shown	83,314,633	88,485,930	90,494,180
	All others	72,983,969	79,395,080	84,191,278
	Total of all commodities	156,298,602	167,881,010	174,685,459

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-7U.S. merchandise trade with Japan, by SITC numbers (revision 3), 1996-98

SITC section No.	Description	1996	1997	1998
110.		1000	U.S. exports	1000
0	- Food and live animals	10,795,879	9.514.173	8,063,577
1	Beverages and tobacco	2,051,428	2,062,838	2,144,988
2	Crude materials, inedible, except fuels	6.308.149	5,262,177	3,897,607
3	Mineral fuels, lubricants and related materials	1.107.921	898.572	716.334
4	Animal and vegetable oils, fats and waxes	114.567	95.577	95,122
5	Chemicals and related products, nesi	5,769,207	6.319.129	5.459.372
6	Manufactured goods classified chiefly by material	3.758.885	3.591.184	2.884.047
7	Machinery and transport equipment	23,466,945	24,414,387	22,742,784
8	Miscellaneous manufactured articles	9,015,383	8,776,285	7,677,843
9	Commodities and transactions not classified elsewhere in the SITC	, ,	1,157,174	1,164,262
	- Total	63,584,804	62,091,495	54,845,936
			U.S. imports	
0	Food and live animals	279,857	356,146	336,757
1	Beverages and tobacco	34,428	38,516	50,024
2	Crude materials, inedible, except fuels	211,687	228,199	228,025
3	Mineral fuels, lubricants and related materials	180,145	246,181	234,870
4	Animal and vegetable oils, fats and waxes	19,222	20,437	17,172
5	Chemicals and related products, nesi	5,575,384	6,041,013	6,070,212
6	Manufactured goods classified chiefly by material	6,768,200	7,501,610	8,847,348
7	Machinery and transport equipment	89,143,404	91,635,437	90,572,610
8	Miscellaneous manufactured articles	10,385,310	11,865,148	11,879,190
9	Commodities and transactions not classified elsewhere in the SITC	2,164,619	2,547,669	3,077,142
	- Total	114,762,256	120,480,356	121,313,351

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-8Leading exports to Japan, by Schedule B numbers, 1996-98

(1,000 dollars)

Schedule B				
No.	Description	1996	1997	1998
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	1,375,657	2,482,343	3,072,363
8473.30	Parts and accessories for automated data processing machines and units	1,927,463	2,005,979	1,673,309
8803.30	Parts of airplanes or helicopters, nesi	1,143,732	1,295,123	1,654,853
2402.20	Cigarettes containing tobacco	1,523,004	1,549,304	1,594,834
1005.90	Corn (maize), other than seed	2,454,811	1,914,567	1,484,190
8542.13	Metal oxide semiconductors	1,265,932	1,577,737	1,333,014
8529.90	Parts, except antennas, for transmission, radar, radio, television, etc, nesi	735,428	886,725	1,320,251
1201.00	Soybeans, whether or not broken	1,142,637	1,128,280	873,476
8708.99	Parts and accessories for motor vehicles, nesi	556,841	721,094	793,467
4403.20	Coniferous wood in the rough, not treated	1,640,238	1,096,828	706,866
0201.30	Meat of bovine animals, boneless, fresh or chilled	763,590	701,821	643,634
9880.00	Estimate of non-Canadian low value export shipments; compiled low value and not identified			
	by kind shipments to Canada	745,691	711,626	621,573
0202.30	Meat of bovine animals, boneless, frozen	633,658	597,187	550,771
2844.20	Uranium and its compounds enriched in u235; plutonium and its compounds	554,280	804,457	538,186
8471.80	Other units of automated data processing machines	656,381	659,651	522,164
8479.89	Machines and mechanical appliances having individual functions, nesi	876,988	733,244	504,091
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine,	500.000	440.000	407 5 40
	cylinder capacity over 3,000 cc	536,320	418,929	497,542
1001.90	Wheat and meslin, excluding durum wheat	644,957	573,526	470,275
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 1,500 but not over 3,000 cc	1,604,034	895,454	443,726
9018.90	Medical, surgical, dental or veterinary sciences instruments, appliances, and parts, nesi	405,668	459,348	420,689
8411.91	Parts for turbojets or turbopropellers	300,614	395,810	396,645
8471.70	Automatic data processing storage units	286,316	456,325	388,810
8542.30	Other monolithic integrated circuits	335,601	337,765	370,995
8471.50	Digital processing units other than those of 8471.41 and 8471.49	607,563	511,256	366,489
9018.39	Medical etc needles nesi, catheters, cannulae and the like; parts and accessories thereof	338,919	400,931	362,54
	Total of items shown	23,056,320	23,315,309	21,604,751
	All others	40,528,484	38,776,186	33,241,186
	Total of all commodities	63,584,804	62,091,495	54,845,936

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-9Leading imports from Japan, by HTS numbers, 1996-98

(1,000 dollars)

HTS No.	Description	1996	1997	1998
8703.23	Passenger Motor Vehicles with Spark-ignition Internal-combustion reciprocating piston engine, cylinder over 1,000 but over 1,500 Cc	19,189,833	21,143,181	20,353,499
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder over 3,000 cc	6,101,828	5,463,492	7,174,479
8471.60	Input or output units for automated data processing machines	4,233,546	4.654.108	4.504.128
8542.13	Metal oxide semiconductors	6,174,903	5.334.621	3.857.395
8473.30	Parts and accessories for automated data processing machines and units	4,375,585	4.377.691	3,622,142
8471.70	Automatic data processing storage units	3.370.690	3,896,917	3,122,031
9504.10	Video games used with television receiver and parts and accessories	1,224,379	2,327,577	2,274,356
8525.40	Still image video cameras and other video camera recorders	1,712,237	1,626,635	1,932,981
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported	1,712,207	1,020,000	1,002,001
5001.00	or returned	1,322,975	1,559,969	1,916,054
8803.30	Parts of airplanes or helicopters, nesi	739,935	1,209,272	1,433,582
8708.99	Parts and accessories for motor vehicles, nesi	1,475,146	1,490,963	1,427,172
9009.12	Electrostatic Photocopying Apparatus, Operating by Reproducing the Original Image via	, ,	, ,	, ,
	intermediate onto the copy (indirect process)	1,376,542	1,554,346	1,213,105
9999.95	Estimated "low valued" shipments	759,186	791,688	1,066,630
8479.89	Machines and mechanical appliances having individual functions, nesi	1,016,430	1,182,415	912,238
8517.90	Parts of telephonic or telegraphic apparatus	750,504	689,682	905,794
8429.52	Self-propelled mechanical shovels and excavators, with a 360-degree revolving superstructure	525,271	617,658	892,619
9009.90	Parts and accessories of photocopying apparatus	948,755	952,142	858,536
8521.10	Magnetic tape-type video recording or reproducing apparatus	811,372	857,968	813,966
8708.40	Gear boxes for motor vehicles	650,966	698,672	806,899
8457.10	Machining centers for working metal	586,973	640,141	792,431
8409.91	Parts for spark-ignition internal-combustion piston engines	777,974	733,994	732,349
9102.11	Wrist watches, with battery, mechanical display, of base metal	653,728	647,578	720,022
8523.13	Prepared unused magnetic tapes for sound recording, of a width exceeding 65mm	538,017	640,162	676,356
8471.50	Digital processing units other than those of 8471.41 and 8471.49	324,843	378,849	685,012
8407.34	Reciprocating spark-inition piston engines, of a cylinder capacity over 1,000 cc	554,050	515,373	653,224
	Total of items shown	60,195,668	63,985,094	63,320,000
	All others	54,566,588	56,495,262	57,993,351
	Total of all commodities	114,762,256	120,480,356	121,313,351

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-10U.S. merchandise trade with Mexico, by SITC numbers (revision 3), 1996-98

(1,000 0	lollars)
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SITC section				
No.	Description	1996	1997	1998
		U.S. exports		
0	Food and live animals	3,547,511	3,027,572	3,792,142
1	Beverages and tobacco	67,654	60,971	62,105
2	Crude materials, inedible, except fuels	2,455,237	2,939,317	3,059,103
3	Mineral fuels, lubricants and related materials	1,504,694	1,988,424	1,770,521
4	Animal and vegetable oils, fats and waxes	322,546	373,912	459,888
5	Chemicals and related products, nesi	5,062,163	6,233,736	6,764,896
6	Manufactured goods classified chiefly by material	8,049,697	9,118,864	10,532,324
7	Machinery and transport equipment	25,080,540	33,483,224	36,016,100
8	Miscellaneous manufactured articles		8,153,822	9,318,845
9	Commodities and transactions not classified elsewhere in the SITC	2,279,557	3,013,377	3,593,376
	Total	54,685,865	68,393,219	75,369,300
		U.S. imports		
0	Food and live animals	3,650,835	3,909,317	4,313,646
1	Beverages and tobacco	528,479	698,343	836,594
2	Crude materials, inedible, except fuels	961,686	1,000,990	907,053
3	Mineral fuels, lubricants and related materials	8,024,077	7,829,476	4,869,554
4	Animal and vegetable oils, fats and waxes	22,813	18,301	30,777
5	Chemicals and related products, nesi	1,578,881	1,791,399	1,725,281
6	Manufactured goods classified chiefly by material	5,628,895	6,552,053	7,420,643
7	Machinery and transport equipment	40,596,350	46,899,121	53,115,769
8	Miscellaneous manufactured articles	-, -,	12,916,290	15,770,037
9	Commodities and transactions not classified elsewhere in the SITC	2,949,618	3,389,504	4,028,004
	Total	74,179,119	85,004,793	93,017,358

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-11Leading exports to Mexico, by Schedule B numbers, 1996-98

(1,000 dollars)

Schedule B		4000	4007	1000
No.	Description	1996	1997	1998
9880.00	Estimate of non-Canadian low value export shipments; compiled low value and not identified	4 054 700	0 405 470	0 700 045
0700.00	by kind shipments to Canada	1,951,768	2,465,472	2,738,245
8708.99		1,868,127	1,658,078	1,965,372
8708.29	Parts and accessories of bodies (including cabs) for motor vehicles, nesi	1,007,352	1,533,609	1,514,423
8540.11	Cathode-ray television picture tubes, color, including monitor	917,180	1,082,988	1,357,578
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations, nesi	988,223	1,413,561	1,340,325
8473.30	Parts and accessories for automated data processing machines and units	834,572	931,677	1,238,618
3926.90	Articles of plastics and articles of other materials of headings 3901 to 3914, nesi	880,137	1,049,673	1,237,992
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	590.874	742.338	900.668
8538.90	Parts for electrical apparatus for electrical circuits; for electrical control nesi	697.303	855.770	833,447
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine,	037,000	000,770	000,++7
0704.51	gross vehicle weight not exceeding 5 mt	335.552	836.068	827.075
1201.00	Soybeans, whether or not broken	858.812	909.354	759,128
7326.90	Articles of iron or steel, nesi	536,455	592,281	737,174
9401.90	Parts of seats (except medical, barbers, dentist, etc)		565,191	722,819
8542.30	Other monolithic integrated circuits	566.752	761,959	705,723
8544.30	Insulated ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	685.678	743,336	691,306
8534.00	Printed circuits	528,647	618,090	630,434
8517.90	Parts of telephonic or telegraphic apparatus	218,799	349,653	622,612
8525.20	Transmission apparatus incorporating reception apparatus	150,782	276,600	618,824
5201.00	Cotton, not carded or combed	257.238	354,104	615,689
1005.90	Corn (maize), other than seed	1,011,698	328,754	600,046
8536.90	Electrical apparatus for switching or protecting electrical circuits, nesi	522.885	507.364	563.344
4819.10	Cartons, boxes and cases corrugated paper and paperboard	471,489	468,896	516,936
8503.00	Parts of electric motors, generators and sets	390,693	449,923	504,129
9809.00	Export transactions valued not more than \$10,000, not indentified by kind	,	194,539	442,312
8479.89	Machines and mechanical appliances having individual functions, nesi		346,879	426,157
	Total of items shown	17,123,115	20,036,158	23,110,374
	All others	37,562,750	48,357,062	52,258,926
	Total of all commodities	54,685,865	68,393,219	75,369,300

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or indcluded." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-12Leading imports from Mexico, by HTS numbers, 1996-98

(1,000 dollars)

HTS No.	Description	1996	1997	1998
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 1,500 but not over 3,000 cc	5,972,387	5,601,248	5,922,028
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	7,032,759	6,565,114	3,818,640
8544.30	Insulated ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	3,013,814	3,579,345	3,687,265
8528.12	Incomplete or unfinished color reception apparatus for televisions	2,725,954	2,810,572	3,648,902
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	2,267,745	2,677,954	3,020,916
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported or	2,201,110	2,011,001	0,020,010
5001.00	returned	2,043,373	2,433,200	2,785,534
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, gross vehicle weight not exceeding 5 mt	2,176,852	2,292,556	2,711,781
8471.60	Input or output units for automated data processing machines	601,535	1,104,529	1,832,085
8473.30	Parts and accessories for automated data processing machines and units	924,133	1,293,941	1,626,239
8407.34	Reciprocating spark-ignition piston engines, of a cylinder capacity over 1,000 cc	1,372,663	1,470,243	1,539,353
9401.90	Parts of seats (except medical, barbers, dentist, etc)	938,360	1,171,271	1,438,373
8471.30	Portable digital automated data processing machines not exceeding 10 kg, with at least a CPU, keyboard and display	1,034,153	1,659,449	1,273,858
6203.42	Men's or boys' trousers, bib and brace overalls, breeches and shorts not knitted or crocheted, of cotton	745.376	938,319	1,214,230
8527.21	Radiobroadcast receivers for motor vehicles	1,005,551	1,102,366	1,105,541
8525.10	Transmission apparatus for radio or television	1,081,821	717,490	1,104,952
6204.62	Women's or girls' trousers, etc, of cotton, not knitted or crocheted	451,217	728,087	1,008,683
8708.29	Parts and accessories of bodies (including cabs) for motor vehicles, nesi	440,634	815,072	934,991
8529.90	Parts, except antennas, for transmission, radar, radio, television, etc, nesi	782,156	868,475	885,289
9999.95	Estimated "low valued" shipments	498,012	583,062	846,427
9032.89	Automatic regulating or controlling instruments and apparatus, nesi	437,009	582,830	841,266
8504.40	Static converters	480,035	700,361	713,140
6109.10	T-shirts, singlets, tank tops and similar garments, of cotton, knitted or crocheted	370,738	482,797	688,492
8501.40	AC motors nesoi, single-phase	451,017	514,629	673,311
8708.21	Safety seat belts for motor-vehicles	702,186	777,064	666,124
8708.99	Parts and accessories for motor vehicles, nesi	774,685	715,002	659,760
	Total of items shown	38,324,164	42,184,977	44,647,181
	All others	35,854,955	42,819,816	48,370,177
	Total of all commodities	74,179,119	85,004,793	93,017,358

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-13U.S. merchandise trade with China, by SITC numbers (revision 3), 1996-98

(1,000 dollars)	
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SITC section				
No.	Description	1996	1997	1998
		U.S. exports		
0	Food and live animals	769,631	396,593	483,682
1	Beverages and tobacco	3,173	8,677	12,389
2	Crude materials, inedible, except fuels	1,871,381	1,636,719	1,069,057
3	Mineral fuels, lubricants and related materials	67,587	226,044	127,032
4	Animal and vegetable oils, fats and waxes	113,629	169,069	320,521
5	Chemicals and related products, nesi	1,722,182	1,928,933	1,966,794
6	Manufactured goods classified chiefly by material	783,853	801,654	850,678
7	Machinery and transport equipment	5,464,882	6,385,836	8,007,944
8	Miscellaneous manufactured articles	847,386	826,925	865,745
9	Commodities and transactions not classified elsewhere in the SITC	157,540	153,031	204,654
	Total	11,801,243	12,533,479	13,908,496
			U.S. imports	
0	Food and live animals	655,224	728,995	730,258
1	Beverages and tobacco	15,168	18,904	21,548
2	Crude materials, inedible, except fuels	376,751	481,495	520,006
3	Mineral fuels, lubricants and related materials	462,465	390,659	360,998
4	Animal and vegetable oils, fats and waxes	7,549	8,465	8,857
5	Chemicals and related products, nesi	1,077,181	1,290,242	1,478,889
6	Manufactured goods classified chiefly by material	4,548,265	5,762,918	6,936,687
7	Machinery and transport equipment	13,813,261	17,366,754	21,311,722
8	Miscellaneous manufactured articles	29,819,465	35,416,085	38,703,661
9	Commodities and transactions not classified elsewhere in the SITC	434,046	531,409	742,410
	— Total	51,209,376	61,995,926	70,815,036

Note.—Because of rounding, figures may not add to the totals shown. The abreviation, "nesi", stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-14Leading exports to China, by Schedule B numbers, 1996-98

(1,000 dollars)

No.         Description         1996         1997         1998           8802.40         Airplanes and other aircraft, of an unladen weight exceeding 15.000 kg         1,310.778         1,769,198         3,122,248           3100.00         Fertilizers         891,052         1,049,662         1,064,093         291,373           1507.10         Soybean oil and fractions, crude, whether or not degummed         391,315         153,228         291,973           3100.00         Soybeans, whether or not broken         414,476         410,960         273,508           8473.30         Parts and accessories for automated data processing machines and units         67,825         96,434         273,214           8542.13         Metal oxide semiconductors         66,933         97,928         260,607           8803.260         Spacecraft including satellites and spacecraft launch vehicles         121,674         86,000         167,800           2304.00         Soybean oilcake and other solid residue, whether or not ground         116,700         84,429         159,541           829.90         Parts, airgent antennas, for transmission, radar, radio, television, etc, nesi         157,737         157,199         134,253           8471.49         Other digital automated data processing machines, entered in the form of systems         76,641         65,015	Schedule B				
3100.00       Fertilizers       891,052       1,049,662       1,064,093         1507.10       Soybean oil and fractions, crude, whether or not degummed       99,135       153,238       291,973         3201.00       Soybeans, whether or not broken       414,476       410,960       273,508         8473.30       Parts and accessories for automated data processing machines and units       67,825       96,434       273,508         8803.30       Parts of airplanes or helicopters, nesi       166,991       202,188       231,946         8802.60       Spacecraft including satellites and spacecraft launch vehicles       121,674       86,000       167,800         8304.11       Kraftliner, uncoated, unbleached, in rolls or sheets       102,362       95,053       135,448         8229.90       Parts, eccept antennas, for transmission, radar, radio, television, etc, nesi       157,737       157,199       134,253         8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       131,073         8431.43       Parts of telephonic or telegraphic apparatus       85,537       231,404       122,414         8252.00       Transmission apparatus incorporating reception apparatus       727,497       572,415       118,428         8471.40       Other digital automa	No.	Description	1996	1997	1998
1507.10         Soybean oil and fractions, crude, whether or not degummed         99,135         153,238         291,973           1201.00         Soybeans, whether or not broken         414,476         410,960         273,508           8473.30         Parts and accessories for automated data processing machines and units         66,933         97,928         260,807           8802.60         Spacecraft including stellites and spacecraft launch vehicles         126,74         86,000         167,800           2304.00         Soybean oilcake and other solid residue, whether or not ground         116,700         84,429         159,541           8471.50         Digital processing units other than those of 8471.41 and 8471.49         5,176         40,432         151,920           8404.11         Kraftliner, uncoated, unbleached, in rolls or sheets         102,362         95,053         133,448           8529.90         Parts, except antennas, for transmission, radar, radio, television, etc, nesi         157,737         157,199         134,253           8471.49         Other digital automated data processing machines, entered in the form of systems         76,641         65,015         131,073           8431.43         Parts or belephonic or telegraphic apparatus         122,077         103,484         120,144           8252.00         Transmission apparatus incorporating recep	8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	1,310,778	1,769,198	3,122,248
1201.00       Soybeans, whether or not broken       414,476       410,960       273,508         8473.30       Parts and accessories for automated data processing machines and units       67,825       96,434       273,214         8542.13       Metal oxide semiconductors       66,933       97,928       260,807         8802.60       Spacecraft including satellites and spacecraft launch vehicles       121,674       86,000       167,800         2304.00       Soybean oilcake and other solid residue, whether or not ground       116,700       84,423       159,541         8471.50       Digital processing units other than those of 8471.41 and 8471.49       5176       40,432       151,920         8471.49       Other digital automated data processing machines, entered in the form of systems       166,641       65,015       131,073         8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       131,073         8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       131,073         8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       134,428         8471.40       Chtor not carded or combed       727,497       572,415       118,428	3100.00	Fertilizers	891,052	1,049,662	1,064,093
8473.30       Parts and accessories for automated data processing machines and units       67,825       96,434       273,214         8542.13       Metal oxide semiconductors       66,933       97,928       260,807         8803.30       Parts of airplanes or helicopters, nesi       166,991       202,188       231,946         8802.60       Spacecraft including satellites and spacecraft launch vehicles       121,674       86,000       167,800         2304.00       Soybean olicake and other solid residue, whether or not ground       116,700       84,429       159,541         4871.50       Digital processing machines, enter or not ground       102,362       95,053       135,448         8529.90       Parts, except antennas, for transmission, radar, radio, television, etc, nesi       157,737       157,199       134,253         8431.43       Parts of telephonic or telegraphic apparatus       76,641       65,015       131,073         8431.43       Parts of telephonic or telegraphic apparatus       120,077       103,484       120,144         8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         8479.80       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8470.80       Parts of	1507.10	Soybean oil and fractions, crude, whether or not degummed	99,135	153,238	291,973
8542.13         Metal oxide semiconductors         66,933         97,928         260,807           8803.30         Parts of airplanes or helicopters, nesi         166,991         202,188         231,946           8802.60         Spacecraft including satellites and spacecraft launch vehicles         121,674         86,000         167,800           2304.00         Soybean oilcake and other solid residue, whether or not ground         116,700         84,429         159,541           8471.50         Digital processing units other than those of 8471.41 and 8471.49         5,176         40,432         151,920           8480.411         Kraftliner, uncoated, unbleached, in rolls or sheets         102,362         95,053         135,448           8529.90         Parts, except antennas, for transmission, radar, radio, television, etc, nesi         157,737         157,199         134,253           8471.49         Other digital automated data processing machines, entered in the form of systems         76,641         65,015         131,073           8471.49         Parts of telephonic or telegraphic apparatus         120,077         103,484         120,177         103,484         120,144           5201.00         Cotton, not carded or combed         727,497         572,415         118,428           8479.89         Machines and shins of bovine animals, nesi, fresh or	1201.00	Soybeans, whether or not broken	414,476	410,960	273,508
8803.30         Parts of airplanes or helicopters, nesi         166,991         202,188         231,946           8802.60         Spacecraft including satellities and spacecraft launch vehicles         116,700         84,429         159,541           8471.50         Digital processing units other than those of 8471.41 and 8471.49         5,176         40,432         151,920           4804.11         Kraftliner, uncoated, unbleached, in rolls or sheets         102,362         95,053         135,448           8529.90         Parts, except antennas, for transmission, radar, radio, television, etc, nesi         157,737         157,719         134,253           8471.49         Other digital automated data processing machines, entered in the form of systems         76,641         65,015         131,073           8431.43         Parts for boring or sinking machinery, nesi         85,537         231,404         122,414           8517.90         Parts of telephonic or telegraphic apparatus         120,077         103,484         122,414           8529.90         Cotton, not carded or combed         727,497         572,415         118,428           8410.121         Raw hides and skins of bovine animals, nesi, fresh or wet-salted         91,569         102,109         115,804           8479.89         Machines and mechanical appliances having individual functions, nesi	8473.30	Parts and accessories for automated data processing machines and units	67,825	96,434	273,214
8802.60         Spacecraft including satellites and spacecraft launch vehicles         121,674         86,000         167,800           2304.00         Soybean olicake and other solid residue, whether or not ground         116,700         84,429         159,541           8471.50         Digital processing units other than those of 8471.41 and 8471.49         5176         40,432         151,920           8404.11         Kraftliner, uncoated, unbleached, in rolls or sheets         51776         40,432         151,920           8471.49         Other digital automated data processing machines, entered in the form of systems         76,641         65,015         131,073           8431.43         Parts for boring or sinking machinery, nesi         85,537         231,404         122,414           82517.90         Parts of telephonic or telegraphic apparatus         76,641         65,015         131,073           8431.43         Parts for boring or sinking machinery, nesi         85,537         231,404         122,077         103,484         120,144           525.20         Transmission apparatus incorporating reception apparatus         91,569         102,109         115,804           8470.80         Machines and skins of bovine animals, nesi, fresh or wet-salted         91,569         102,109         115,804           8471.70         Automatic data processing	8542.13	Metal oxide semiconductors	66,933	97,928	260,807
2304.00         Soybean oilcake and other solid residue, whether or not ground         116,700         84,429         159,541           8471.50         Digital processing units other than those of 8471.41 and 8471.49         5,176         40,432         151,920           4804.11         Kraftliner, uncoated, unbleached, in rolls or sheets         102,362         95,053         135,448           8529.90         Parts, except antennas, for transmission, radar, radio, television, etc, nesi         157,737         157,199         134,253           8471.49         Other digital automated data processing machines, entered in the form of systems         76,641         65,015         131,073           8431.43         Parts for beling or sinking machinery, nesi         85,537         231,404         122,414           8517.90         Parts of telephonic or telegraphic apparatus         120,077         103,484         120,107           8201.00         Cotton, not carded or combed         727,497         572,415         118,428           8525.20         Transmission apparatus incorporating reception apparatus         144,873         147,781         116,607           4101.21         Raw hides and mechanical appliances hor wet-salted         91,569         102,109         115,804           8479.89         Machines and mechanical appliances naving individual functions, nesi	8803.30	Parts of airplanes or helicopters, nesi	166,991	202,188	231,946
8471.50         Digital processing units other than those of 8471.41 and 8471.49         5,176         40,432         151,920           4804.11         Kraftliner, uncoated, unbleached, in rolls or sheets         102,362         95,053         135,448           8529.90         Parts, except antennas, for transmission, radar, radio, television, etc, nesi         157,737         157,199         134,253           8471.40         Other digital automated data processing machines, entered in the form of systems         76,641         65,015         131,073           8431.43         Parts for boring or sinking machinery, nesi         76,641         65,015         131,073           8431.43         Parts of telephonic or telegraphic apparatus         727,497         572,415         118,428           8525.20         Transmission apparatus incorporating reception apparatus         144,873         147,781         116,607           4101.21         Raw hides and skins of bovine animals, nesi, fresh or wet-salted         91,569         102,109         115,804           8471.80         Other units of automated data processing machines         17,837         55,452         106,526           8471.70         Automatic data processing machines         138,439         135,459         110,082           8470.80         Parts of steam and other vapor turbines         151,194	8802.60	Spacecraft including satellites and spacecraft launch vehicles	121,674	86,000	167,800
4804.11       Kraftliner, uncoated, unbleached, in rolls or sheets       102,362       95,053       135,448         8529.90       Parts, except antennas, for transmission, radar, radio, television, etc, nesi       157,737       157,199       134,253         8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       131,073         8431.43       Parts for boring or sinking machinery, nesi       72,417       102,362       95,053       134,253         8431.43       Parts for boring or sinking machinery, nesi       76,641       65,015       131,073         8431.43       Parts of telephonic or telegraphic apparatus       727,497       572,415       118,428         8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8479.89       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8471.70       Automatic data processing machines       15,194       22,623       85,715         8471.80       Other units of automated data processing machines       15,194       22,623       85,715 <td< td=""><td>2304.00</td><td>Soybean oilcake and other solid residue, whether or not ground</td><td>116,700</td><td>84,429</td><td>159,541</td></td<>	2304.00	Soybean oilcake and other solid residue, whether or not ground	116,700	84,429	159,541
4804.11       Kraftliner, uncoated, unbleached, in rolls or sheets       102,362       95,053       135,448         8529.90       Parts, except antennas, for transmission, radar, radio, television, etc, nesi       157,737       157,199       134,253         8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       131,073         8431.43       Parts for boring or sinking machinery, nesi       72,417       102,362       95,053       134,253         8431.43       Parts for boring or sinking machinery, nesi       76,641       65,015       131,073         8431.43       Parts of telephonic or telegraphic apparatus       727,497       572,415       118,428         8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8479.89       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8471.70       Automatic data processing machines       15,194       22,623       85,715         8471.80       Other units of automated data processing machines       15,194       22,623       85,715 <td< td=""><td>8471.50</td><td>Digital processing units other than those of 8471.41 and 8471.49</td><td>5,176</td><td>40,432</td><td>151,920</td></td<>	8471.50	Digital processing units other than those of 8471.41 and 8471.49	5,176	40,432	151,920
8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       131,073         8431.43       Parts for boring or sinking machinery, nesi       85,537       231,404       122,414         8517.90       Parts of telephonic or telegraphic apparatus       120,077       103,484       120,144         8525.20       Transmission apparatus incorporating reception apparatus       727,497       572,415       118,428         8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8471.80       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8471.80       Other units of automated data processing machines       8,183       11,974       98,088         8471.80       Other units of automated from bituminous minerals, crude       16,425       118,759       78,075         9880.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferou	4804.11	Kraftliner, uncoated, unbleached, in rolls or sheets	102,362	95,053	135,448
8471.49       Other digital automated data processing machines, entered in the form of systems       76,641       65,015       131,073         8431.43       Parts for boring or sinking machinery, nesi       85,537       231,404       122,414         8517.90       Parts of telephonic or telegraphic apparatus       120,077       103,484       120,144         8525.20       Transmission apparatus incorporating reception apparatus       727,497       572,415       118,428         8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8471.80       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8471.80       Other units of automated data processing machines       8,183       11,974       98,088         8471.80       Other units of automated from bituminous minerals, crude       16,425       118,759       78,075         9880.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferou	8529.90	Parts, except antennas, for transmission, radar, radio, television, etc, nesi	157,737	157,199	134,253
8517.90       Parts of telephonic or telegraphic apparatus       120,077       103,484       120,144         5201.00       Cotton, not carded or combed       727,497       572,415       118,428         8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8479.89       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,622         8406.90       Parts for steam and other vapor turbines       17,837       554,52       106,526         8471.70       Automatic data processing storage units       8,183       11,974       98,088         8471.80       Other units of automated data processing machines       15,194       22,623       85,715         2709.00       Petroleum oils and oils obtained from bituminous minerals, crude       16,425       118,759       78,075         988.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       5,117,144       5,950,840	8471.49		76,641	65,015	131,073
5201.00       Cotton, not carded or combed       727,497       572,415       118,428         8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8479.89       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8406.90       Parts for steam and other vapor turbines       17,837       55,452       106,526         8471.70       Automatic data processing storage units       8,183       11,974       98,088         8471.80       Other units of automated data processing machines       16,425       118,759       78,075         2709.00       Petroleum oils and oils obtained from bituminous minerals, crude       16,425       118,759       78,075         9880.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       5,117,144       5,950,840       7,616,110         All others       All others       6,684,099       6,582,639       6,292,386	8431.43	Parts for boring or sinking machinery, nesi	85,537	231,404	122,414
8525.20       Transmission apparatus incorporating reception apparatus       144,873       147,781       116,607         4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8479.89       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8406.90       Parts for steam and other vapor turbines       17,837       55,452       106,526         8471.70       Automatic data processing storage units       8,183       11,974       98,088         8471.80       Other units of automated data processing machines       15,194       22,623       85,715         2709.00       Petroleum oils and oils obtained from bituminous minerals, crude       16,425       118,759       78,075         9880.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       5,117,144       5,950,840       7,616,110         All others       All others       6,684,099       6,582,639       6,292,386	8517.90	Parts of telephonic or telegraphic apparatus	120,077	103,484	120,144
4101.21       Raw hides and skins of bovine animals, nesi, fresh or wet-salted       91,569       102,109       115,804         8479.89       Machines and mechanical appliances having individual functions, nesi       136,439       136,439       135,459       110,082         8406.90       Parts for steam and other vapor turbines       17,837       55,452       106,526         8471.70       Automatic data processing storage units       8,183       11,974       98,088         8471.80       Other units of automated data processing machines       15,194       22,623       85,715         2709.00       Petroleum oils and oils obtained from bituminous minerals, crude       16,425       118,759       78,075         9880.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       5,117,144       5,950,840       7,616,110         All others       All others       6,684,099       6,582,639       6,292,386	5201.00	Cotton, not carded or combed	727,497	572,415	118,428
8479.89       Machines and mechanical appliances having individual functions, nesi       136,439       135,459       110,082         8406.90       Parts for steam and other vapor turbines       17,837       55,452       106,526         8471.70       Automatic data processing storage units       8,183       11,974       98,088         8471.80       Other units of automated data processing machines       15,194       22,623       85,715         2709.00       Petroleum oils and oils obtained from bituminous minerals, crude       16,425       118,759       78,075         9880.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       82,917       64,518       70,712         Total of items shown       5,117,144       5,950,840       7,616,110         All others       6,684,099       6,582,639       6,292,386	8525.20	Transmission apparatus incorporating reception apparatus	144,873	147,781	116,607
8406.90       Parts for steam and other vapor turbines       17,837       55,452       106,526         8471.70       Automatic data processing storage units       8,183       11,974       98,088         8471.80       Other units of automated data processing machines       15,194       22,623       85,715         2709.00       Petroleum oils and oils obtained from bituminous minerals, crude       16,425       118,759       78,075         9880.00       Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       82,917       64,518       70,712         Total of items shown       5,117,144       5,950,840       7,616,110       6,684,099       6,582,639       6,292,386	4101.21	Raw hides and skins of bovine animals, nesi, fresh or wet-salted	91,569	102,109	115,804
8471.70Automatic data processing storage units8,18311,97498,0888471.80Other units of automated data processing machines15,19422,62385,7152709.00Petroleum oils and oils obtained from bituminous minerals, crude16,425118,75978,0759880.00Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada73,11777,12675,6914703.21Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood82,91764,51870,712Total of items shown5,117,1445,950,8407,616,110All others6,684,0996,582,6396,292,386	8479.89	Machines and mechanical appliances having individual functions, nesi	136,439	135,459	110,082
8471.80Other units of automated data processing machines15,19422,62385,7152709.00Petroleum oils and oils obtained from bituminous minerals, crude16,425118,75978,0759880.00Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada73,11777,12675,6914703.21Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood82,91764,51870,712Total of items shown5,117,1445,950,8407,616,110All others6,684,0996,582,6396,292,386	8406.90	Parts for steam and other vapor turbines	17,837	55,452	106,526
8471.80Other units of automated data processing machines15,19422,62385,7152709.00Petroleum oils and oils obtained from bituminous minerals, crude16,425118,75978,0759880.00Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada73,11777,12675,6914703.21Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood82,91764,51870,712Total of items shown5,117,1445,950,8407,616,110All others6,684,0996,582,6396,292,386	8471.70	Automatic data processing storage units	8,183	11,974	98,088
9880.00Estimate of non-Canadian low value export shipments; compiled low value and not identified by kind shipments to Canada73,11777,12675,6914703.21Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood82,91764,51870,712Total of items shown5,117,1445,950,8407,616,110All others6,684,0996,582,6396,292,386	8471.80		15,194	22,623	85,715
4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       73,117       77,126       75,691         4703.21       Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood       82,917       64,518       70,712         Total of items shown       5,117,144       5,950,840       7,616,110         All others       6,684,099       6,582,639       6,292,386	2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	16,425	118,759	78,075
or bleached, coniferous wood       82,917       64,518       70,712         Total of items shown       5,117,144       5,950,840       7,616,110         All others       6,684,099       6,582,639       6,292,386	9880.00	identified by kind shipments to Canada	73,117	77,126	75,691
All others	4703.21	Chemical woodpulp, soda or sulfate, other than dissolving grades, semibleached or bleached, coniferous wood	82,917	64,518	70,712
		Total of items shown	5,117,144	5,950,840	7,616,110
Total of all commodities		All others	6,684,099	6,582,639	6,292,386
		Total of all commodities	11,801,243	12,533,479	13,908,496

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or indcluded." Source: Compiled from official statistics of the U.S. Department of Commerce.

## Table A-15Leading imports from China, by HTS numbers, 1996-98

(1,000 dollars)

HTS No.	Description	1996	1997	1998
6403.99	Footwear not covering the ankles, with outer soles of rubber or plastics or composition leather			
	and uppers of leather	2,122,236	2,338,496	2,866,502
8473.30	Parts and accessories for automated data processing machines and units	1,351,827	1,848,810	2,322,072
6402.99	Footwear with outer soles and uppers of rubber or plastics nesoi	1,472,666	1,570,037	2,012,559
9503.90	Other toys and models, nesi	1,436,373	1,831,389	1,992,714
9503.41	Stuffed toys, representing animals or non-human creatures, and parts and accessories	994,784	1,585,199	1,954,877
8471.60	Input or output units for automated data processing machines	674,960	1,092,629	1,659,404
6403.91	Footwear covering the ankles, with outer soles and uppers of rubber or plastics, excluding waterproof footwear	953,078	1,352,779	1,270,526
9502.10	Dolls representing only human beings and parts and accessories thereof, whether or not dressed	998,797	1,155,177	1,155,038
9505.10	Articles for Christmas festivities and parts and accessories thereof	755,140	821,458	1.063.997
8517.11	Line telephone sets with cordless handsets	490,597	622,226	1,016,390
8527.13	Other radiobroadcast apparatus combined with sound recording or reproducing apparatus	693,448	879,467	984,586
8471.70	Automatic data processing storage units	580,485	816,562	950,704
8504.40	Static converters	434,200	691,208	840,888
9503.49	Other toys, representing animals or non-human creatures, and parts and accessories	529,105	622,284	766,378
6110.90	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of textile			
	materials nesi	599,558	685,176	732,428
4202.92	Trunks, cases, bags and similar containers, with outer surface of plastic sheeting or of textile materials	565,907	741,464	714,288
8527.31	Radiobroadcast receivers nesi, combined with sound recording or reproducing apparatus	305,011	469,190	658,507
9504.90	Game machines except coin-operated; board games; mah-jog; dominoes; dice	441,154	592,807	652,112
4203.10	Articles of apparel of leather or composition leather	600,275	646,094	597,610
8519.99	Sound reproducing apparatus, other than cassett type, nesoi	350,217	405,143	555,852
9403.60	Wooden furniture, other than of a kind used in the bedroom	287,531	389,799	550,580
9503.70	Toys, put up in sets or outfits and parts and accessories, nesi	442,619	544,235	531,032
6404.19	Footwear, with outer soles of rubber or plastics and uppers of textile materials, excluding athletic wear	302,086	349,734	466,009
6702.90	Artificial flowers, foliage and fruit and parts thereof, and articles made up of artificial flowers, foliage or fruit, of materials other than plastics	410,477	464,450	459,797
4202.22	Handbags with outer surface of plastic sheeting or textile materials	386,913	420,570	452,434
		18,179,442	22,936,384	27,277,285
	All others	33,029,933	39,059,542	43,587,751
	Total of all commodities	51,209,376	61,995,926	70,815,036

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-16 U.S. merchandise with Taiwan, by SITC numbers (revision 3), 1996-98

SITC section No.	Description	1996	1997	1998
			U.S. exports	
0	Food and live animals	1,888,389	1,568,005	1,144,150
1	Beverages and tobacco	122,744	163,585	119,900
2	Crude materials, inedible, except fuels	1,602,357	1,561,341	1,011,732
3	Mineral fuels, lubricants and related materials	370,772	236,845	185,087
4	Animal and vegetable oils, fats and waxes	13,702	15,012	34,391
5	Chemicals and related products, nesi	2,307,854	2,424,310	1,940,092
6	Manufactured goods classified chiefly by material	1,067,385	1,028,466	843,500
7	Machinery and transport equipment	7,631,698	9,799,262	9,610,078
8	Miscellaneous manufactured articles	1,444,697	1,686,710	1,695,201
9	Commodities and transactions not classified elsewhere in the SITC	470,701	399,323	339,156
	Total	16,920,298	18,882,858	16,923,288
			U.S. imports	
0	Food and live animals	278,041	294,733	324,533
1	Beverages and tobacco	6,305	6,279	7,389
2	Crude materials, inedible, except fuels	105,751	127,392	127,095
3	Mineral fuels, lubricants and related materials	1,128	66	67
4	Animal and vegetable oils, fats and waxes	3,399	3,203	4,055
5	Chemicals and related products, nesi	402,112	425,052	461,379
6	Manufactured goods classified chiefly by material	3,756,175	4,095,465	4,229,667
7	Machinery and transport equipment	18,032,603	20,447,233	20,496,835
8	Miscellaneous manufactured articles	6,736,369	6,518,447	6,594,297
9	Commodities and transactions not classified elsewhere in the SITC	475,152	556,416	739,456
	Total	29,797,035	32,474,286	32,984,774

(1,000 dollars)

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

# Table A-17Leading exports to Taiwan, by Schedule B numbers, 1996-98

(1,000 dollars)

<i>Schedule B</i> No.	Description	1996	1997	1998
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	662,099	766,506	1,647,943
8542.13	Metal oxide semiconductors	769,423	1,174,156	1,138,436
8479.89	Machines and mechanical appliances having individual functions, nesi	470,327	711,246	616,029
8542.30	Other monolithic integrated circuits	363,400	445,324	544,572
8802.30	Airplanes and aircraft, of an unladen weight over 2,000 kg but not over 15,000 kg	0	735,550	470,422
8803.30	Parts of airplanes or helicopters, nesi	394,120	492,454	465,908
8473.30	Parts and accessories for automated data processing machines and units	248,316	391,344	384,514
1005.90	Corn (maize), other than seed	962,061	692,643	377,466
1201.00	Soybeans, whether or not broken	776,798	649,244	276,339
8456.91	Machine tools nesi for dry etching patterns on semiconductor materials	228,526	376,312	234,770
9880.00	Estimate of non-Canadian low value export shipments; compiled low value and not			
	identified by kind shipments to Canada	213,897	222,981	198,815
8525.20	Transmission apparatus incorporating reception apparatus	48,273	80,697	172,354
9306.90	Bombs, grenades, torpedoes, mines, missiles, etc, and parts	214,913	144,622	158,222
1001.90	Wheat and meslin, excluding durum wheat	214,490	160,714	150,219
4101.21	Raw hides and skins of bovine animals, nesi, fresh or wet-salted	173,731	191,691	143,990
8479.90	Parts of machines and mechanical appliances having individual functions, nesi	118,737	194,677	142,216
0740.00	Tanks and other armored fighting vehicles, motorized, whether or not fitted with	00.047	70.004	4 40 500
8710.00	weapons, and parts of such vehicles	68,217	76,084	140,536
8542.14	Circuits obtained by bipolar technology	263,679	204,733	124,644
5201.00	Cotton, not carded or combed	77,509	111,272	122,522
9030.82	Other instruments and apparatus for measuring or checking semiconductor wafers or devices	33,609	66,656	116,876
9031.4	Optical instruments for inspecting semiconductor wafers or devices or photomasks or	33,009	00,050	110,070
9031.4	reticles used in manufacturing these items	64,193	103,610	116,039
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston	- ,,	,	,
01 00120	engine, cylinder capacity over 3,000 cc	482,805	301,229	106,431
8517.90	Parts of telephonic or telegraphic apparatus	64,047	86,648	94,648
8466.93	Parts and accessories for machine tools, for laser operation, metalworking machining			
	centers, lathes and drilling machines, etc., nesoi	55,438	102,642	88,245
8471.49	Other digital automated data processing machines, entered in the form of systems	176,131	147,773	85,301
	Total of items shown	7,144,739	8,630,807	8,117,453
	All others	9,775,559	10,252,051	8,805,834
	Total of all commodities	16,920,298	18,882,858	16,923,288

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified." Source: Compiled from official statistics of the U.S. Department of Commerce.

## Table A-18Leading imports from Taiwan, by HTS numbers, 1996-98

(1.000 dollars)

HTS No.	Description	1996	1997	1998
8473.30	Parts and accessories for automated data processing machines and units	3,832,695	4,434,286	4,655,134
8471.60	Input or output units for automated data processing machines	2,150,889	2,623,974	2,089,025
8542.13	Metal oxide semiconductors	2,031,877	2,008,173	1,804,892
8471.30	Portable digital automated data processing machines not exceeding 10 kg, with	004 750	4 00 4 000	
	at least	984,759	1,304,980	1,466,199
8542.30	Other monolithic integrated circuits	565,027	800,817	872,018
8525.10	Transmission apparatus for radio or television	351,014	495,956	606,017
8534.00	Printed circuits	506,159	585,612	540,820
8471.80	Other units of automated data processing machines	347,292	424,876	474,799
8471.70	Automatic data processing storage units	229,545	465,554	440,047
8504.40	Static converters	373,709	460,506	402,678
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals	243,168	309,192	393,957
6110.30	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or	298,539	341,919	376,362
8517.50	Other apparatus for carrier-current line systems or for digital line systems	228,471	230,318	363,753
8712.00	Bicycles and other cycles (including delivery tricycles), not motorized	320,944	291,414	357,406
9999.95	Estimated "low valued" shipments	211,169	232,740	323,243
7318.15	Threaded screws and bolts, of iron or steel, nesi, whether or not with their nuts or	287,754	301,579	315,399
8481.80	Taps, cocks, valves and similar appliances, nesi	226,360	227,698	245,928
7318.14	Self-tapping screws of iron or steel	201,473	208,016	240,247
8414.51	Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of	242,661	237,398	235,809
9506.91	Gymnasium, playground or other exercise articles and equipment; parts and	399,401	282,498	223,989
9403.60	Wooden furniture, other than of a kind used in the bedroom	227,416	214,833	216,417
9403.20	Metal furniture, other than of a kind used in offices	208,055	193,955	200,066
8465.91	Sawing machines for working wood, cork, bone, hard rubber, hard plastics, etc	144,953	181,091	191,561
8708.29	Parts and accessories of bodies (including cabs) for motor vehicles, nesi	161,743	183,243	183,297
7318.16	Nuts, threaded, of iron or steel	167,812	163,780	179,002
	Total of items shown	14,942,885	17,204,409	17,395,069
	All others	14,854,151	15,269,877	15,586,706
	Total of all commodities	29,797,035	32,474,286	32.984.774

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-19U.S. merchandise trade with Korea, by SITC numbers (revision 3), 1996-98

(1,000 dollars)	)
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SITC section				
No.	Description	1996	1997	1998
			U.S. exports	
0	Food and live animals	2,490,823	1,597,285	1,284,656
1	Beverages and tobacco	197,183	236,278	65,883
2	Crude materials, inedible, except fuels	2,645,975	2,514,443	1,564,925
3	Mineral fuels, lubricants and related materials	736,105	664,539	323,893
4	Animal and vegetable oils, fats and waxes	59,588	69,894	83,096
5	Chemicals and related products, nesi	2,576,711	2,481,135	1,641,131
6	Manufactured goods classified chiefly by material	1,454,480	1,352,588	762,248
7	Machinery and transport equipment	12,316,061	12,693,838	8,570,750
8	Miscellaneous manufactured articles	2,245,938	2,214,149	1,348,590
9	Commodities and transactions not classified elsewhere in the SITC	710,541	463,292	333,652
	- Total	25,433,405	24,287,441	15,978,825
			U.S. imports	
0	Food and live animals	143,845	154,844	127,009
1	Beverages and tobacco	16,527	13,134	12,128
2	Crude materials, inedible, except fuels	143,846	151,622	176,961
3	Mineral fuels, lubricants and related materials	93,944	69,147	108,107
4	Animal and vegetable oils, fats and waxes	1,397	1,608	1,151
5	Chemicals and related products, nesi	494,916	563,952	694,736
6	Manufactured goods classified chiefly by material	2,200,218	2,486,930	3,413,210
7	Machinery and transport equipment	15,437,528	15,567,136	14,860,617
8	Miscellaneous manufactured articles	3,555,100	3,484,240	3,830,216
9	Commodities and transactions not classified elsewhere in the SITC	444,275	446,397	476,786
	- Total	22,531,596	22,939,009	23,700,920

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-20Leading exports to Korea, by Schedule B numbers, 1996-98

(1,000 dollars)

Schedule B				
No.	Description	1996	1997	1998
8542.13	Metal oxide semiconductors	923,321	1,853,313	2,446,879
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg	1,393,126	1,375,270	669,040
8803.30	Parts of airplanes or helicopters, nesi	643,830	722,910	663,360
1005.90	Corn (maize), other than seed	1,259,806	450,431	464,853
1201.00	Soybeans, whether or not broken	438,684	372,331	304,672
5201.00	Cotton, not carded or combed	256,601	223,540	266,356
4101.21	Raw hides and skins of bovine animals, nesi, fresh or wet-salted	457,249	460,665	252,274
8479.89	Machines and mechanical appliances having individual functions, nesi	873,948	527,299	252,130
8542.30	Other monolithic integrated circuits	154,148	162,894	235,352
8473.30	Parts and accessories for automated data processing machines and units	365,600	478,362	227,699
1001.90	Wheat and meslin, excluding durum wheat	328,082	222,028	212,079
8411.91	Parts for turbojets or turbopropellers	81,942	199,588	181,785
8708.99	Parts and accessories for motor vehicles, nesi	225,418	315,609	180,525
8542.14	Circuits obtained by bipolar technology	419,652	288,178	154,798
9880.00	Estimate of non-Canadian low value export shipments; compiled low value and not identified			
	by kind shipments to Canada	244,075	235,401	152,109
8479.90	Parts of machines and mechanical appliances having individual functions, nesi	385,349	340,088	141,776
8525.20	Transmission apparatus incorporating reception apparatus	529,926	316,014	139,336
8431.43	Parts for boring or sinking machinery, nesi	10,278	63,870	138,385
9306.90	Bombs, grenades, torpedoes, mines, missiles, etc, and parts	21,028	20,673	137,505
8529.90	Parts, except antennas, for transmission, radar, radio, television, etc, nesi	147,848	206,786	137,018
7204.49	Ferrous waste and scrap, nesi	281,587	334,079	122,638
8802.12	Helicopters of an unladen weight exceeding 2,000 kilograms	14,799	11,672	117,491
3100.00	Fertilizers	102,501	97,949	117,440
8471.49	Other digital automated data processing machines, entered in the form of systems	305,280	253,797	115,303
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	173,180	237,503	114,713
	Total of items shown	10,037,260	9,770,251	7,945,515
	Total others	15,396,145	14,517,190	8,033,309
	Total of all commodities	25,433,405	24,287,441	15,978,825

Note.-Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified."

Source: Compiled from official statistics of the U.S. Department of Commerce.

## Table A-21Leading imports from Korea, by HTS numbers, 1996-98

(1,000 dollars)

HTS No.	Description	1996	1997	1998
8542.13	Metal oxide semiconductors	5,479,323	5,258,762	4,669,965
8473.30	Parts and accessories for automated data processing machines and units	1,940,961	1,915,474	1,579,542
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine,	, ,	, ,	, ,
	cylinder capacity over 1,500 but not over 3,000 cc	1,259,739	1,453,573	1,568,582
8471.60	Input or output units for automated data processing machines	1,487,729	1,399,141	837,668
8525.20	Transmission apparatus incorporating reception apparatus	176,416	306,659	672,966
8471.70	Automatic data processing storage units	231,475	622,029	646,894
8516.50	Microwave ovens of a kind used for domestic purposes	385,822	359,567	447,945
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported			
	or returned	360,447	343,335	379,277
6110.30	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of	182.541	240.006	250 176
0540.00	man-made fibers	- , -	240,096	359,176
8542.30	Other monolithic integrated circuits	401,436	419,072	334,017
6201.93	Men's or boys' anoraks, windbreakers, and similar articles, of man-made fibers	180,870	197,499	193,492
8429.52	Self-propelled mechanical shovels and excavators, with a 360-degree revolving superstructure	115,381	133,966	177,343
8521.10	Magnetic tape-type video recording or reproducing apparatus	272,659	96,103	152,132
8529.90	Parts, except antennas, for transmission, radar, radio, television, etc., nesi	41,534	37,974	146,331
4011.10	New pneumatic tires, of rubber, of a kind used on motor cars, including sation wagons and racing cars	92,273	94,879	146,302
8803.30	Parts of airplanes or helicopters, nesi	57,184	90,055	139,639
8471.49	Other digital automated data processing machines, entered in the form of systems	163,700	62,133	137,435
8534.00	Printed circuits	119,600	133,519	133,313
8703.22	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine over	506 007	446.449	100 514
7044.00	1,000 but not over 1,500 cc	586,827	440,449	122,514
7214.20	Concrete reinforcing bars and rods, of iron or nonalloy steel, not further worked than forged or hot-rolled, -dawn, or -extruded	1,981	4.741	120,255
7117.19	Imitation jewelry nesi, of base metal, whether or not plated with precious metal	97,388	96,309	117,674
6205.30	Men's or boys' shirts, of manmade fibers, not knitted or crocheted	110,212	95,505	116,886
4801.00	Newsprint, in rolls or sheets	1,489	29,633	116.880
8523.13	Prepared unused magnetic tapes for sound recording, of a width exceeding 6.5mm	146,984	145,541	116,385
4011.20	New pneumatic tires, of rubber, of a kind used on buses or trucks	,	82,141	109,719
1011.20	Total of items shown		14,064,158	13,542,329
			, ,	
	All others	-,,	8,874,851	10,158,591
	Total of all commodities	22,531,596	22,939,009	23,700,920

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.

#### Table A-22

Preliminary and final phase antidumping cases active in 1998, filed under authority of title VII of the Tariff Act of 1930, by final outcomes and by USITC investigation number

USITC		Country	Date original		ninary phase nination		al phase ermination	Date of
Investigation No.	Product	Country of origin	petition filed	Comm	nission ITA <sup>1</sup>	ITA	Commission	final action <sup>2</sup>
					Affirmative			
731-TA-762	Static random access memory							
704 TA 700	semiconductors			A	A	A	A	Apr. 8, 1998
731-TA-768	Fresh atlantic salmon	Chile		A	A	A	A	July 22, 1998
731-TA-770	Stainless steel wire rod	Italy		A	A	A	A	Sept. 8, 1998
731-TA-771	Stainless steel wire rod	Japan		A	A	A	A	Sept. 8, 1998
731-TA-772	Stainless steel wire rod	Korea		A	A	A	A	Sept. 8, 1998
731-TA-773	Stainless steel wire rod	Spain		A	A	Α	A	Sept, 8, 1998
731-TA-774	Stainless steel wire rod	Sweden		A	A	Α	A	Sept. 8, 1998
731-TA-775	Stainless steel wire rod	Taiwan	July 30, 1997	A	A	Α	A	Sept. 8, 1998
731-TA-776	Certain preserved mushrooms	Chile	Jan. 6, 1998	А	А	Α	A	Nov. 25, 1998
					Negative			
731-TA-761	Static random access memory							
	semiconductors	Korea	Feb. 25. 1997	А	А	А	Ν	Apr. 8, 1998
′31-TA-763	Carbon steel wire rod	Canada		А	А	А	Ν	Mar. 17, 199
'31-TA-764	Carbon steel wire rod	Germany		A	A	A	N	Mar. 17, 199
31-TA-765	Carbon steel wire rod	Trinidad & Tobago		A	A	A	N	Mar. 17, 199
731-TA-766	Carbon steel wire rod	Venezuela		A	Â	Â	Ň	Mar. 17, 1998
731-TA-769	Stainless steel wire rod	Germany		A	A	A	N	Sept. 8, 1998
731-TA-780	Butter cookies	Denmark		Ň	( <sup>3</sup> )	(3)	$\binom{3}{3}$	Mar. 23, 1998
			,		In Progress	( )	( )	,
731-TA-777	Certain preserved mushrooms	China	lan 6 1008	A	A	Α	(4)	(4)
731-TA-778							(4)	$\binom{4}{(4)}$
	Certain preserved mushrooms	India		A	A	A	( <sup>-</sup> )	(1)
'31-TA-779	Certain preserved mushrooms	Indonesia		A	A	A		$\begin{pmatrix} \neg \\ A \end{pmatrix}$
'31-TA-781	Stainless steel round wire	Canada		A	A	(4)	(4)	(4)
′31-TA-782	Stainless steel round wire	India		А	А	(4)	( <sup>4</sup> )	(4)
731-TA-783	Stainless steel round wire	Japan		A	A	(4)	$\binom{4}{4}$	$\binom{4}{4}$
'31-TA-784	Stainless steel round wire	Korea	Mar. 27, 1998	A	A	(4)	(4)	(4)
'31-TA-785	Stainless steel round wire	Spain	Mar. 27, 1998	A	А	(4)	(4)	(4)
'31-TA-786	Stainless steel round wire	Taiwan	Mar. 27, 1998	A	А	(4)	(4)	(4)
'31-TA-787	Extruded rubber thread	Indonesia		А	А	(4)	(4)	(4)
31-TA-788	Certain stainless steel plate	Belgium		А	А	(4)	(4)	(4)
31-TA-789	Certain stainless steel plate	Canada		A	A	$ \begin{array}{c} A \\ (4)$	$\begin{pmatrix} 4 \\ (4) $	$ \begin{pmatrix} 4 \\ 4 \\ 4 \\ 4 \\ 4 \\ 4 \\ 4 \\ 4 \\ 4 \\ 4 \\$
31-TA-790	Certain stainless steel plate	Italy		A	A	(4)	(4)	(4)
31-TA-791	Certain stainless steel plate			A	A	<u>}</u> 4	(4)	(4)
31-TA-792	Certain stainless steel plate			Â	Â	<i>\</i> 4{	<u>}</u> 4	$\langle 4 \rangle$
31-TA-792	Certain stainless steel plate			Â	Â	$\frac{1}{4}$	4	$\binom{4}{(4)}$
31-TA-793 731-TA-794	Certain emulsion styrene-		Mai. 31, 1330	~	A	()	()	()
01 1/(104	butadiene rubber	Brazil	Apr. 1, 1998	А	А	(4)	(4)	(4)
	at end of table.					()	\ /	( )

(Affirmative (A): Negative (N))

#### Table A-22—Continued

Preliminary and final phase antidumping cases active in 1998, filed under authority of title VII of the Tariff Act of 1930, by final outcomes and by USITC investigation number

USITC Investigation		Country	Date original	Preliminary phase determination		Final phase determination		Date of
No.	Product	of origin	petition filed	Comm	nission ITA <sup>1</sup>	ITA <sup>1</sup>	Commission	final action <sup>2</sup>
					In Progress			
731-TA-795	Certain emulsion styrene-							
	butadiene rubber	Korea	Apr. 1, 1998	A	A	(4)	(4)	(4)
731-TA-796	Certain emulsion styrene-					(4)	(4)	
	butadiene rubber	Mexico		A	A	(4)	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-797	Certain stainless steel sheet & strip.	France		A	A	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-798	Certain stainless steel sheet & strip.	Germany		A	A	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-799	Certain stainless steel sheet & strip.	Italy		A	A	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-800	Certain stainless steel sheet & strip.	Japan		A	A	(4)	$\binom{4}{4}$	(4)
731-TA-801	Certain stainless steel sheet & strip.	Korea		A	A	(4)	$\begin{pmatrix} 4 \\ 4 \end{pmatrix}$	$\binom{4}{4}$
731-TA-802	Certain stainless steel sheet & strip.	Mexico		A	A	(4)	$\begin{pmatrix} 4 \\ 4 \end{pmatrix}$	$\binom{4}{4}$
731-TA-803	Certain stainless steel sheet & strip.	Taiwan		A	A	(4)	$\binom{4}{4}$	(4)
731-TA-804	Certain stainless steel sheet & strip.	United Kingdom .		A	A	(4)	$\binom{4}{4}$	(4)
731-TA-805	Elastic rubber tape	India	Aug. 18, 1998	A	$\binom{4}{4}$	(4)	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-806	Certain hot-rolled steel products	Brazil		A	$\binom{4}{4}$	(4)	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-807	Certain hot-rolled steel products	Japan		A	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-808	Certain hot-rolled steel products	Russia		A	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-811	DRAMS of one megabit and above .	Taiwan		Ą	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-812	Live cattle	Canada		$\binom{4}{(4)}$	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
731-TA-813	Live cattle	Mexico	Nov. 12, 1998	(4)	(4)	(4)	(4)	(4)

<sup>1</sup> U.S. Department of Commerce, International Trade Administration (ITA). <sup>2</sup> For cases in which the final action was taken by the ITA, the date shown is the *Federal Register* notice date of that action. For cases in which the final action was taken by the USITC, the date of the USITC notification of Commerce is shown.

<sup>3</sup> Not applicable.
 <sup>4</sup> Pending.

Note 1.-Inv. No. 731-TA-767 (Ultra high temperature milk from Chile) was withdrawn.

Note 2.—Invs. Nos. 731-TA-809 & 810 (live cattle from Canada & Mexico) were withdrawn and then refiled as Invs. Nos. 731-TA-812 & 813.

Source: Compiled by the staff of the U.S. International Trade Commission.

Table A-23	
Antidumping orders and findings in effect as of Dec. 31, 199	98

Country and commodity	Effective date of original action
Argentina:	
Oil country tubular goods	Aug. 11, 1995
Seamless line and pressure pipe	Aug. 3, 1995
Silicon metal	Sept. 26, 1991
Rectangular tubingBarbed wire and barbless wire strand	May 26, 1989
	Nov. 13, 1985
Carbon steel wire rod	Nov. 23, 1984
Armenia: Solid urea	July 14, 1987
Australia:	Aug 10 1002
Corrosion-resistant carbon steel flat products	Aug. 19, 1993 Mar. 23, 1973
Canned Bartlett pears <sup>1</sup> Austria: Railway track maintenance equipment <sup>1</sup>	Feb. 17, 1978
Azerbaijan: Solid urea	July 14, 1987
Azerbaijan: Solid urea	Mar. 20, 1992
Belarus-Baltic: Solid urea	July 14, 1987
Belgium:	
Cut-to-length carbon steel plate	Aug. 19, 1993
Industrial phosphoric acid	Aug. 20, 1987
Sugar	June 13, 1979
Brazil:	-,
Seamless line and pressure pipe	Aug. 3, 1995
Stainless steel bar	Feb. 21, 1995
Silicomanganese	Dec. 22, 1994
Ferrosilicon	Mar. 14, 1994
Stainless steel wire rod	Jan. 28, 1994
Cut-to-length carbon steel plate	Aug. 19, 1993
Hot-rolled lead and bismuth carbon steel products	Mar. 22, 1993
Circular welded non-alloy steel pipe	Nov. 2, 1992
Silicon metal	July 31, 1991
Industrial nitrocellulose	July 10, 1990
Frozen concentrated orange juice	May 5, 1987
Brass sheet and strip	Jan. 12, 1987 Dec. 17, 1986
Malleable cast iron pipe fittings	May 21, 1986
Iron construction castings	May 9, 1986
Canada:	Way 5, 1500
Corrosion-resistant carbon steel flat products	Aug. 19, 1993
Cut-to-length carbon steel plate	Aug. 19, 1993
Pure and alloy magnesium	Aug. 31, 1992
New steel rails	Sept. 15, 1989
Color picture tubes	Jan. 7, 1988
Brass sheet and strip	Jan. 12, 1987
Oil country tubular goods	June 16, 1986
Iron construction castings	Mar. 5, 1986
Red raspberries	June 24, 1985
Sugar and syrup	Apr. 9, 1980
Racing plates (aluminum horseshoes) <sup>1</sup>	Feb. 27, 1974
Elemental sulfur	Dec. 17, 1973
Steel jacks <sup>1</sup>	Sept. 13, 1966
Chile:	Dec 0 4000
Certain preserved mushrooms	Dec. 2, 1998
Fresh Atlantic salmon	July 30, 1998.
Fresh cut flowers	Mar. 20, 1987
Collated roofing nails	Nov. 19, 1997
Crawfish tail meat	Sept. 15, 1997
Persulfates	July 7, 1997
Brake rotors	Apr. 17, 1997
Melamine institutional dinnerware	Feb. 25, 1997
Polyvinyl alcohol	May 14, 1996
Manganese metal	Feb. 6, 1996
Furfuryl alcohol	June 21, 1995
See feetnate at and of table	,

ountry and commodity	Effective date original action
hina— <i>Continued:</i>	
Pure magnesium	May 12, 1995
Glycine	Mar. 29, 1995
Coumarin.	Feb. 9, 1995
Cased pencils	Dec. 28, 1994
Silicomanganese	Dec. 22, 1994
Paper clips	Nov. 25, 1994
Fresh garlic	Nov. 16, 1994
Sebacic acid	July 14, 1994
Helical spring lock washers	Oct. 19, 1993
Compact ductile iron waterworks fittings	Sept. 7, 1993
Ferrosilicon	Mar. 11, 1993
Sulfanilic acid	Aug. 19, 1992
Carbon steel butt-weld pipe fittings	July 6, 1992
Tungsten ore concentrates	Nov. 21, 1991
Chrome-plated lug nuts	Sept. 20, 1991
Sparklers	June 18, 1991
Silicon metal	June 10, 1991
Sulfur chemicals (sodium thiosulfate)	Feb. 19, 1991
Heavy forged hand tools	Feb. 19, 1991
Industrial nitrocellulose	July 10, 1990
Tapered roller bearings	June 15, 1987
Porcelain-on-steel cookware	Dec. 2, 1986
Petroleum wax candles	Aug. 28, 1986
	May 0, 1096
Iron construction castings	May 9, 1986 Feb. 14, 1986
	Oct. 17, 1984
Barium chloride	Mor 22 1094
	Mar. 22, 1984
Potassium permanganate	Jan. 31, 1984
Cotton shop towels	Oct. 4, 1983
Greig polyester cotton print cloth	Sept. 16, 1983
olombia: Fresh cut flowers	Mar. 18, 1987
cuador: Fresh cut flowers	Mar. 18, 1987
stonia: Solid urea	July 14, 1987
inland:	Aug 10 1002
Cut-to-length carbon steel plate Rayon staple fiber <sup>1</sup>	Aug. 19, 1993
	Mar. 21, 1979
rance:	lune 10, 1001
Calcium aluminate flux	June 13, 1994
Stainless steel wire rod	Jan. 28, 1994
Corrosion-resistant carbon steel flat products	Aug. 19, 1993
Hot-rolled lead and bismuth carbon steel products	Mar. 22, 1993
	May 15, 1989
Antifriction bearings	
Antifriction bearingsBrass sheet and strip	Mar. 6, 1987
Antifriction bearings Brass sheet and strip Industrial nitrocellulose	Aug. 10, 1983
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol	Aug. 10, 1983 Apr. 9, 1982
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup>	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe Cold-rolled carbon steel flat products	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993
Antifriction bearings . Brass sheet and strip . Industrial nitrocellulose . Sorbitol . Anhydrous sodium metasilicate . Sugar . Large power transformers <sup>1</sup> . eorgia: Solid urea	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993 Aug. 19, 1993
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Cut-to-length carbon steel plate	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993 Aug. 19, 1993 Aug. 19, 1993
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993 Aug. 19, 1993 Mar. 22, 1993
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products Sulfur chemicals (sodium thiosulfate)	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993 Aug. 19, 1993 Aug. 19, 1993
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products Sulfur chemicals (sodium thiosulfate)	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993 Aug. 19, 1993 Mar. 22, 1993 Feb. 19, 1991
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993 Aug. 19, 1993 Aug. 19, 1993 Mar. 22, 1993 Feb. 19, 1991 July 10, 1990 June 14, 1989
Antifriction bearings Brass sheet and strip Industrial nitrocellulose Sorbitol Anhydrous sodium metasilicate Sugar Large power transformers <sup>1</sup> eorgia: Solid urea ermany: Large newspaper printing presses and components Seamless line and pressure pipe Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products Sulfur chemicals (sodium thiosulfate) Industrial nitrocellulose	Aug. 10, 1983 Apr. 9, 1982 Jan. 7, 1981 June 13, 1979 June 14, 1972 July 14, 1987 Sept. 4, 1996 Aug. 3, 1995 Aug. 19, 1993 Aug. 19, 1993 Mar. 22, 1993 Feb. 19, 1991

# Table A-23—ContinuedAntidumping orders and findings in effect as of Dec. 31, 1998

### Table A-23—ContinuedAntidumping orders and findings in effect as of Dec. 31, 1998

ountry and commodity	Effective date original action
ermany—Continued:	
Barium carbonate, precipitated <sup>1</sup>	June 25, 1981
Sugar	June 13, 1979
Sugar Animal glue and inedible gelatin <sup>1</sup>	Dec. 22, 1977
reece: Electrolytic manganese dioxide	Apr. 17, 1989
ungary: Tapered roller bearings	June 19, 1987
dia:	Julie 19, 1907
Stainless steel bar.	Feb. 21, 1995
Stainless steel flanges	Feb. 9, 1994
Stainless steel wire rod	Dec. 1, 1993
Sulfanilic acid	Mar. 2, 1993
Welded carbon steel pipe and tube	May 12, 1986
donesia:	
Melamine institutional dinnerware	Feb. 25, 1997
an: Raw pistachios	July 17, 1986
rael:	<b>,</b>
Industrial phosphoric acid	Aug. 19, 1987
Oil country tubular goods	Mar. 6, 1987
ly:	
Stainless steel wire rod	Sept. 15, 1998
Certain pasta	July 24, 1996
Oil country tubular goods.	Aug. 11, 1995
Seamless line and pressure pipe	Aug. 3, 1995
Grain-oriented electric steel	Aug. 12, 1994
Industrial belts	June 14, 1989
Antifriction bearings	May 15, 1989
Granular polytetrafluoroethylene resin	Aug. 30, 1988
Brass sheet and strip	Mar. 6, 1987
Brass fire protection equipment	Mar. 1, 1985
Pressure sensitive tape	Oct. 21, 1977
Large power transformers <sup>1</sup>	June 14, 1972
pan:	June 14, 1972
Stainless steel wire rod	Sept. 15, 1998
	Oct. 24, 1997
Vector supercomputers	
Gas tubro-compressor systems	June 16, 1997
Large newspaper printing presses and components	Sept. 4, 1996
Clad steel plate	July 2, 1996
Polyvinyl alcohol	May 14, 1996
Oil country tubular goods.	Aug. 11, 1995
Stainless steel bar.	Feb. 21, 1995
Grain-oriented electric steel	June 10, 1994
Defrost timers	Mar. 2, 1994
Corrosion-resistant carbon steel flat products	Aug. 19, 1993
Electric cutting tools	July 12, 1993
EL flat panel displays	Sept. 4, 1991
Gray portland cement and cement clinker	May 10, 1991
Benzyl paraben	Feb. 13, 1991
Laser light-scattering instruments	Nov. 19, 1990
Industrial nitrocellulose	July 10, 1990
Mechanical transfer presses	Feb. 16, 1990
Drafting machines and parts thereof	Dec. 29, 1989
Telephone systems	Dec. 11, 1989
Industrial belts	June 14, 1989
Antifriction bearings	May 15, 1989
Electrolytic manganese dioxide	April 17,1989
Microdisks	Apr. 3, 1989
Granular polytetrafluoroethylene resin	Aug. 24, 1988
Granular polytetrafluoroethylene resin	
Brass sheet and strip	Aug. 12, 1988
	June 16, 1988
Nitrile rubber	
Nitrile rubber	June 7, 1988
Nitrile rubber	Mar. 25 1988
Nitrile rubber	

Table A-23—Continued	
Antidumping orders and findings in effect as of Dec. 31, 1998	

Country and commodity	Effective date of original action
Japan—Continued:	
Malleable cast-iron pipe fittings	July 6, 1987
Carbon steel butt-weld pipe fittings	Feb. 10, 1987
Cellular mobile telephones and subassemblies	Dec. 19, 1985
Calcium hypochlorite	Apr. 18, 1985
High powered microwave amplifiers '	July 20, 1982 Dec. 8, 1978
Steel wire strand Impression fabric of man-made fibers <sup>1</sup>	May 25, 1978
Melamine in crystal form	Feb. 2, 1977
Acrylic sheet <sup>1</sup>	Aug. 30, 1976
Tapered roller bearings 4 inches and under	Aug. 8, 1976
Polychloroprene rubber	Dec. 6, 1973
Steel wire rope	Oct.15, 1973
Synthetic methionine	July 10, 1973
Roller chain other than bicycle	Apr. 12, 1973
Bicycle speedometers <sup>1</sup> Large power transformers <sup>1</sup> Fishnetting of manmade fiber <sup>1</sup>	Nov. 22, 1972
Large power transformers	June 14, 1972
Fishnetting of manmade fiber '	June 9, 1972
Television receivers <sup>1</sup>	Mar. 10, 1971
Kazakstan: Ferrosilicon	Apr 7 1002
Solid urea	Apr. 7, 1993 July 14, 1987
Kenya: Fresh cut flowers	Apr. 23, 1987
Korea:	7,01. 20, 1007
Stainless steel wire rod	Sept. 15, 1998
Oil country tubular goods	Aug. 11, 1995
Cold-rolled carbon steel flat products	Aug. 19, 1993
Corrosion-resistant carbon steel flat products	Aug. 19, 1993
DRAMS	May 10, 1993
Carbon steel wire rope	Mar. 26, 1993
Stainless steel butt-weld pipe fittings	Feb. 23, 1993
Welded stainless steel pipe	Dec. 30, 1992
Circular welded non-alloy steel pipe	Nov. 2, 1992
PET filmIndustrial nitrocellulose	June 5, 1991 July 10, 1990
Telephone systems and subassemblies	Feb. 7, 1990
Color picture tubes	Jan. 7 , 1988
Top-of-the-stove stainless steel cookware	Jan. 20, 1987
Brass sheet and strip	Jan. 12, 1987
Malleable cast iron pipe fittings	May 23, 1986
Malleable cast iron pipe fittings Color television receivers <sup>1</sup>	Apr. 30, 1984
Kyrgyzstan: Solid urea	July 14, 1987
Latvia-Baltic: Solid urea	July 14, 1987
Lithuania: Solid urea	July 14, 1987
Malaysia: Extruded rubber thread	Oct. 7, 1992
Mexico:	Aug 11 1005
Oil country tubular goods	Aug. 11, 1995 Aug. 19, 1993
Carbon steel wire rope	Mar. 25, 1993
Circular welded non-alloy steel pipe	Nov. 2, 1992
Gray portland cement and cement clinker	Aug. 30, 1990
Fresh cut flowers	Apr. 23, 1987
Porcelain-on-steel cooking ware	Dec. 2, 1986
Moldova: Solid urea	July 14, 1987
Netherlands:	•
Aramid fiber	June 24, 1994
Cold-rolled carbon steel flat products	Aug. 19, 1993
Brass sheet and strip	Aug. 12, 1988
New Zealand:	hun 0 1000
Fresh kiwifruit	June 2, 1992
Brazing copper wire and rod	Dec. 4, 1985
Norway: Fresh and chilled Atlantic salmon Poland: Cut-to-length carbon steel plate	Apr. 12, 1991 Aug. 19, 1993
า เกลาน. บนเ-เบ-เยาเยนา บลามบา จเฮยา plate	Aug. 19, 1990

Table A-23—Continued	
Antidumping orders and findings in effect as of Dec. 31, 1998	

Country and commodity	Effective date of original action
Romania:	
Cut-to-length carbon steel plate	Aug. 19, 1993
Antifriction bearings	May 15, 1989
Solid urea	July 14, 1987
Tapered roller bearings	June 19, 1987
Russia:	
Ferrovanadium and nitrided vanadium	July 10, 1995
	May 12, 1995
Ferrosilicon	June 24, 1993
Solid ureaSingapore:	July 14, 1987
Industrial belts	June 14, 1989
Antifriction bearings	May 15, 1989
Color picture tubes	Jan. 7, 1988
Small diameter standard and rectangular pipe and tube	Nov. 13, 1986
South Africa:	,
Furfuryl alcohol	June 21, 1995
Brazing copper wire and rod	Jan. 29, 1986
Spain:	
Stainless steel wire rod	Sept. 15, 1998
Stainless steel bar	Mar. 2, 1995
Cut-to-length carbon steel plate	Aug. 19, 1993
Potassium permanganate	Jan. 19, 1984
Sweden:	0
Stainless steel wire rod	Sept. 15, 1998
Cut-to-length carbon steel plate	Aug. 19, 1993
Antifriction bearings Seamless stainless steel hollow products	May 15, 1989 Dec. 3, 1987
Brass sheet and strip	Mar. 6, 1987
Stainless steel plate	June 8, 1973
Taiwan:	bulle 0, 1070
Stainless steel wire rod	Sept. 15, 1998
Static random access memory semiconductors	Apr. 16, 1998
Collated roofing nails	Nov. 19, 1997
Melamine institutional dinnerware	Feb. 25, 1997
Polyvinyl alcohol	May 14, 1996
Forged stainless steel flanges	Feb. 9, 1994
Helical spring lockwashers	June 28, 1993
Stainless steel butt-weld pipe fittings	June 16, 1993
Welded stainless steel pipe	Dec. 30, 1992
Circular welded non-alloy pipe	Nov. 2, 1992
Chrome plated lug nuts	Sept. 20, 1991 Dec. 11, 1989
Light-walled rectangular welded carbon steel pipe and tube	Mar. 27, 1989
Top-of-the-stove stainless steel cookware	Jan. 20, 1987
Carbon steel butt-weld pipe fittings	Dec. 17, 1986
Porcelain-on-steel cookware	Dec. 2, 1986
Oil country tubular goods	June 18, 1986
Malleable cast iron pipe fittings	May 23, 1986
Circular pipe and tube	May 7, 1984
Color television receivers <sup>1</sup>	Apr. 30, 1984
Carbon steel plate	June 13, 1979
Tajikistan: Solid urea	July 14, 1987
Thailand:	
	July 25, 1995
Canned pineapple	July 18, 1995
Carbon steel butt-weld pipe fittings	July 6, 1992
Malleable cast iron pipe fittings	Aug. 20, 1987
Welded carbon pipe and tube	Mar. 11, 1986
Steel concrete reinforcing bar	Apr. 17, 1997
Certain pasta	July 24, 1996
Aspirin	Aug. 25, 1987
Welded carbon pipe and tube	May 15, 1986

Table A-23—Continued	
Antidumping orders and findings in effect as of Dec. 31, 1998	

Country and commodity	Effective date of original action
Turkmenistan: Solid urea	July 14, 1987
Ukraine:	<b>,</b> ,
Pure magnesium	May 12, 1995
Uranium	Aug. 30, 1993
Ferrosilicon	Apr. 7, 1993
Solid urea	July 14, 1987
United Kingdom:	•
Cut-to-length carbon steel plate	Aug. 19, 1993
Hot-rolled lead/bismuth carbon steel product	Mar. 22, 1993
Sulfur chemicals (sodium thiosulfate)	Feb. 19, 1991
Industrial nitrocellulose	July 10, 1990
Antifriction bearings	May 15, 1989
Jzbekistan: Solid urea	July 14, 1987
Venezuela:	
Ferrosilicon	June 24, 1993
Circular welded non-alloy steel pipe	Nov. 2, 1992
Yugoslavia:	
Industrial nitrocellulose	Oct.16, 1990
Canada: Potassium chloride China:	Jan. 19, 1988
Cut-to-length carbon steel plate	Oct. 24, 1997
Honey	Aug. 16, 1995
Japan:	lan 7 4007
Sodium azide	Jan. 7, 1997
Color negative photo paper and chemical components	Aug. 12, 1994
Small electric motors <sup>1</sup>	Nov. 6, 1980 Oct. 16, 1992
Kazakstan: Uranium	Oct. 16, 1992 Oct. 16, 1992
Kyrgyzstan: Uranium	Nov. 1, 1992
Netherlands:	100. 1, 1990
Color negative photo paper and chemical components	Aug. 12, 1994
Russia:	Aug. 12, 1994
Cut-to-length carbon steel plate	Oct. 24, 1997
Uranium	Oct. 16, 1992
South Africa: Cut-to-length carbon steel plate	Oct. 24, 1997
Ukraine:	000.21,1007
Cut-to-length carbon steel plate	Oct. 24, 1997
Silicomanganese	Oct. 31, 1994
Jzbekistan: Uranium	Oct. 16, 1992
Venezuela: Gray portland cement and cement clinker	Feb. 27, 1992

1 Antidumping duty order/finding to be revoked by Commerce as of January 1, 2000.

Source: Compiled by staff of the U.S. International Trade Commission from data maintained by the U.S. Department of Commerce (International Trade Administration).

#### Table A-24

Preliminary and final phase countervailing duty cases active in 1998, filed under authority of title VII of the Tariff Act of 1930, by final outcomes and by USITC investigation number

	, ,	(Affirm	ative (A); Negativ	/e (N))				
USITC	Product	Country of origin	Date original petition filed	Preliminary phase determination		Final phase determination		Date of
Investigation No.				Comm	ission ITA <sup>1</sup>	ITA <sup>1</sup>	Commission	final action <sup>2</sup>
					Affirmative			
701-TA-373	Stainless steel wire rod	Italy	July 30, 1997	А	А	А	А	Sept. 8, 1998
					Negative			
701-TA-374	Butter cookies	Denmark	Feb. 6, 1998	Ν	( <sup>3</sup> )	(3)	( <sup>3</sup> )	Mar. 23, 1998
					In Progress			
701-TA-375	Extruded rubber thread	Indonesia	Mar. 31, 1998	А	N	(4)	(4)	(4)
701-TA-376	Certain stainless steel plate			А	A	$\begin{pmatrix} 4 \\ (4) \\ (4) \\ (4) \\ (4) \\ (4) \end{pmatrix}$	$\binom{4}{4}$	$\binom{4}{4}$
701-TA-377	Certain stainless steel plate	Italy		A	A	$\binom{4}{4}$	$\binom{4}{4}$	$\binom{4}{4}$
701-TA-378	Certain stainless steel plate	Korea		A	N	(4)	$\binom{4}{4}$	$\binom{4}{4}$
701-TA-379 701-TA-380	Certain stainless steel plate Certain stainless steel sheet &	South Africa	Mar. 31, 1998	A	A	(4)	(4)	(4)
	strip	France	June 10, 1998	А	А	(4)	(4)	(4)
701-TA-381	Certain stainless steel sheet &	Itoly	lupo 10, 1009	А	А	(4)	(4)	(4)
701-TA-382	strip Certain stainless steel sheet &	Italy	June 10, 1990	A	A	(')	(')	(')
01 11 002	strip	Korea	June 10, 1998	А	А	$(^{4})$	<sup>(4)</sup>	(4)
701-TA-383	Elastic rubber	India		A	N	$\begin{pmatrix} 4 \\ 4 \\ 4 \end{pmatrix}$	(4) (4) (4) (4)	(4)
701-TA-384	Certain hot-rolled steel products	Brazil	Sept. 30, 1998	A	(4)	(4)	(4)	(4)
701-TA-386	Live cattle	Canada		(4)	(4)	(4)	( <sup>4</sup> )	( <sup>4</sup> )

<sup>1</sup> U.S. Department of Commerce, International Trade Administration (ITA). <sup>2</sup> For cases in which the final action was taken by the ITA, the date shown is the *Federal Register* notice date of that action. For cases in which the final action was taken by the USITC, the date of the USITC notification of Commerce is shown. <sup>3</sup> Not applicable. <sup>4</sup> Pending.

Note.-Inv. No. 701-TA-385 (live cattle from Canada) was withdrawn and then refiled as Inv. No. 701-TA-386. Source: Compiled by the staff of the U.S. International Trade Commission.

### Table A-25Countervailing-duty orders and findings in effect as of Dec. 31, 1998

Country and commodity	Effective date of original action
Belgium: Cut-to-length carbon steel plateBrazil:	Aug. 17, 1993
Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products Brass sheet and strip Iron construction castings Agricultural tillage tools Cotton yarn <sup>1</sup> Castor oil products	Aug. 17, 1993 Mar. 22, 1993 Jan. 8, 1987 May 15, 1986 Oct. 22, 1985 Mar. 15, 1977 Mar. 16, 1976
Canada:	
Pure and alloy magnesium New steel rails Live swine and fresh chilled & frozen pork Chile: Fresh cut flowers European Union: <sup>2</sup> Sugar	Aug. 31, 1992 Sept. 22, 1989 Aug. 15, 1985 Mar. 19, 1987 July 31, 1978
France: Corrosion-resistant carbon steel flat products Hot-rolled lead and bismuth carbon steel products Brass sheet and strip	Aug. 17, 1993 Mar. 22, 1993 Mar. 6, 1987
Germany: Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products India:	Aug. 17, 1993 Aug. 17, 1993 Aug. 17, 1993 Mar. 22, 1993
Sulfanilic acid Certain iron-metal castings	Mar. 2, 1993 Oct. 16, 1980
Iran: Roasted pistachios Raw pistachios	Oct. 7, 1986 Mar. 11, 1986
Israel: Industrial phosphoric acid Oil country tubular goods	Aug. 19, 1987 Mar. 6, 1987
Italy: Stainless steel wire rod Certain pasta Oil country tubular goods Seamless line and pressure pipe Grain-oriented electric steel	Sept. 15, 1998 July 24, 1996 Aug. 10, 1995 Aug. 8, 1995 June 7, 1994
Korea: Cold-rolled carbon steel flat products Corrosion-resistant carbon steel flat products Top-of-the-stove stainless steel cookware	Aug. 17, 1993 Aug. 17, 1993 Jan. 20, 1987
Malaysia: Extruded rubber thread	Aug. 25, 1992
Mexico: Cut-to-length carbon steel plate Porcelain-on-steel cookware Netherlands: Fresh cut flowers Norway: Fresh and chilled Atlantic salmon Pakistan: Cotton shop towels Peru: Fresh cut flowers	Aug. 17, 1993 Dec. 12, 1986 Mar. 12, 1987 Apr. 12, 1991 Mar. 9, 1984 Apr. 23, 1987
Spain: Cut-to-length carbon steel plate Stainless steel wire rod	Aug.17, 1993 Jan. 3, 1983
Sweden: Cut-to-length carbon steel plate Cold-rolled carbon steel flat products Rayon staple fiber <sup>1</sup> Taiwan: Top-of-the-stove stainless steel cookware	Aug. 17, 1993 Oct.11, 1985 May 15, 1979 Jan. 20, 1987
Turkey: Certain pasta Welded carbon steel pipe and tube	July 24, 1996 Mar.7, 1986

#### Table A-25—Continued Countervailing-duty orders and findings in effect as of Dec. 31, 1998

Country and commodity	Effective date of original action
United Kingdom: Cut-to-length carbon steel plate Hot-rolled lead and bismuth carbon steel products Venezuela: Ferrosilicon	Mar. 22, 1993
Suspension agreements in effect:         Argentina: Carbon wire rod         Brazil: Frozen concentrated orange juice         Colombia: Textiles and textile products         Peru: Cotton shop towels         Singapore: Refrigerator compressors         Thailand: Textiles and textile products         Venezuela: Gray portland cement and cement clinker	Mar. 2, 1983 Mar. 12, 1985 Sept. 12, 1984 Nov. 7, 1983

 Countervailing duty order/finding to be revoked by Commerce as of January 1, 2000.
 Includes Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.

Source: Compiled by staff of the U.S. International Trade Commission from data maintained by the U.S. Department of Commerce (International Trade Administration).

Table A-26 Section 337 investigations completed by the U.S. International Trade Commission during 1998 and those pending on Dec. 31, 1998

those pending	g on Dec. 31, 1998		
Status of Investigation	Article	Country <sup>1</sup>	Commission determination
Completed:			
337-TA-370	Certain Salinomycin Biomass and Preparations Containing Same	Germany	Ancillary sanctions proceeding terminated based on a settlement agreement.
337-TA-383	Certain Hardware Logic Emulation Systems and Components Thereof	France	Ancillary sanctions proceeding terminated based on a stipulation.
337-TA-393	Certain Ion Trap Mass Spectrometers and Components Thereof	Germany	Terminated based on a finding of no violation.
337-TA-395	Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller Semiconductor Devices and Products Containing Same	Taiwan, Japan	Terminated based on a finding of no violation.
337-TA-396	Certain Removable Electronic Cards and Electronic Card Reader Devices and Products Containing Same	France	Terminated based on a finding of no violation.
337-TA-397	Certain Dense Wavelength Division Multiplexing Systems and Components Thereof	Italy	Terminated based on a consent order; consent order rescinded based on a settlement agreement.
337-TA-399	Certain Fluid-Filled Ornamental Lamps	Taiwan	Terminated based on consent orders, a settlement agreement, and withdrawal of the complaint.
337-TA-400	Certain Telephonic Digital Added Main Line Systems, Components Thereof, and Products Containing Same	Israel	Terminated based on a settlement agreement.
337-TA-401	Certain CD-ROM Controllers and Products Containing Same	Taiwan, Singapore, Malaysia	Terminated based on a settlement agreement.
337-TA-402	Certain Integrated Circuits and Products Containing Same	Korea	Terminated based on a settlement agreement.
337-TA-404	Certain SDRAMs, DRAMs, ASICs, RAM-and-Logic Chips, Microprocessors, Microcontrollers, Processes for Manufacturing Same and Products Containing Same	Japan	Terminated based on a settlement agreement.
337-TA-405	Certain Automotive Scissors Jacks	Canada	Terminated based on a settlement agreement.
337-TA-407	Certain Remodulating Channel Selectors and Systems Containing Same	Italy	Terminated based on a settlement agreement.
See footnote at	-		

#### Table A-26—*Continued* Section 337 investigations completed by the U.S. International Trade Commission during 1998 and those pending on Dec. 31, 1998

Status of Investigation	Article	Country <sup>1</sup>	Commission determination
Completed:C	Continued		
337-TA-408	Certain Recombinantly Produced Hepatitis B Vaccines and Products Containing Same	Belgium	Terminated based on a settlement agreement.
337-TA-410	Coated Optical Waveguide Fibers and Products Containing Same	Netherlands, People's Republic of China	Terminated based on a consent order.
Pending:			
337-TA-380	Certain Agricultural Tractors Under 50 Power Take-Off Horsepower	Japan	Formal enforcement proceeding pending before the ALJ.
337-TA-403	Certain Acesulfame Potassium and Blends and Products Containing Same	People's Republic of China	Pending before the Commission.
337-TA-406	Certain Lens-Fitted Film Packages	People's Republic of	Pending before the ALJ.
337-TA-409	Certain CD-ROM Controllers and Products Containing Same - II	Taiwan	Pending before the ALJ.
337-TA-411	Certain Organic Photoconductor Drums and Products Containing the Same	Japan, Germany, Hong Kong, Thailand, Taiwan	Pending before the Commission.
337-TA-412	Certain Video Graphics Display Controllers and Products Containing Same	Canada	Pending before the ALJ.
337-TA-413	Certain Rare-Earth Magnets and Magnetic Materials and Articles Containing the Same	Taiwan	Pending before the ALJ.
337-TA-414	Certain Semiconductor Memory Devices and Products Containing Same	Taiwan	Pending before the ALJ.
337-TA-415	Certain Mechanical Lumbar Supports and Products Containing Same	Canada, Germany, Austria	Pending before the ALJ.
337-TA-416	Certain Compact Multipurpose Tools	People's Republic of China, Taiwan	Pending before the ALJ.

<sup>1</sup> This column lists the countries of the foreign respondents named in the investigation.

Source: U.S. International Trade Commission, Office of Unfair Import Investigations.

Investigation No.	Article		Date patent expires <sup>2</sup>
337-TA-55	Certain Novelty Glasses	Hong Kong	Nonpatent
337-TA-69	Certain Airtight Cast-Iron Stoves	Taiwan, Korea	Nonpatent
337-TA-87	Certain Coin-Operated Audio-Visual Games and Components Thereof	Japan, Taiwan	Nonpatent
337-TA-105	Certain Coin-Operated Audio-Visual Games and Components Thereof	Japan, Taiwan	Nonpatent
337-TA-112	Certain Cube Puzzles	Taiwan, Japan, Canada	Nonpatent
337-TA-114	Certain Miniature Plug-In Blade Fuses	Taiwan	Nonpatent
337-TA-118	Certain Sneakers With Fabric Uppers and Rubber Soles	Korea	Nonpatent
337-TA-137	Certain Heavy-Duty Staple Gun Tackers	Taiwan, Hong Kong,	Nonpatent Korea
337-TA-152	Certain Plastic Food Storage Containers	Hong Kong, Taiwan	Nonpatent
37-TA-167	Certain Single Handle Faucets	Taiwan	Nonpatent
37-TA-170	Certain Bag Closure Clips	Israel	Aug. 25, 2000 <sup>3</sup> May 26, 2001 <sup>3</sup>
37-TA-174	Certain Woodworking Machines	South Africa, Taiwan	Sept. 17, 2001 <sup>3</sup>
37-TA-195	Certain Cloisonne Jewelry	Taiwan	Nonpatent
37-TA-197	Certain Compound Action Metal Cutting Snips and Components Thereof	Taiwan	Nonpatent
337-TA-228	Certain Fans With Brushless DC Motors	Japan	Sept. 30, 2002 <sup>3</sup>
337-TA-229	Certain Nut Jewelry and Parts Thereof	Philippines, Taiwan	Nonpatent
337-TA-231	Certain Soft Sculpture Dolls, Popularly Known as "Cabbage Patch Kids," Related Literature, and Packaging Therefor	No foreign respondents	Nonpatent
337-TA-240	Certain Laser Inscribed Diamonds and the Method of Inscription Thereof	Israel	Dec. 23, 2000 <sup>3</sup>
337-TA-242	Certain Dynamic Random Access Memories, Components Thereof, and Products Containing Same		Aug. 6, 2002 Sept. 24, 2002
337-TA-254	Certain Small Aluminum Flashlights and Components Thereof	Hong Kong, Taiwan	June 6, 2004 <sup>3</sup>
337-TA-266	Certain Reclosable Plastic Bags and Tubing	Singapore, Taiwan,	Nonpatent Korea, Thailand, Hong Kong
37-TA-276	Certain Erasable Programmable Read Only Memories, Components Thereof, Products Containing Such Memories and Processes for Making Such Memories	Korea	Feb. 13, 1999 <sup>3</sup> Dec. 23, 2000 <sup>3</sup> June 17, 2002 <sup>3</sup> June 7, 2005 <sup>3</sup>
337-TA-279	Certain Plastic Light Duty Screw Anchors	Taiwan	Nonpatent

Investigation No.	Article	Country <sup>1</sup>	Date patent expires <sup>2</sup>
337-TA-285	Certain Chemiluminescent Compositions and Components Thereof and Methods of Using, a Products Incorporating, the Same	France and	Nonpatent Feb. 2, 1999
337-TA-287	Certain Strip Lights	Taiwan	Nonpatent Apr. 7, 2000 <sup>3</sup>
337-TA-293	Certain Crystalline Cefadroxil Monohydrate	Italy, Spain, Switzerland	Mar. 12, 2002
337-TA-295	Certain Novelty Teleidoscopes.	Hong Kong	Nonpatent
337-TA-308	Certain Key Blanks For Keys of High Security Cylinder Locks.	Korea	Jan. 13, 2004 June 19, 2005 <sup>3</sup>
337-TA-314	Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof	Taiwan	Sept. 22, 2001 Jan. 31, 2003 Dec. 6, 2003 <sup>3</sup> Jan. 27, 2004 Sept. 22, 2006 <sup>3</sup>
337-TA-319	Certain Automotive Fuel Caps and Radiator Caps and Related Packaging and Promotional Materials	Taiwan	Nonpatent June 22, 2006 <sup>3</sup> July 22, 2006 <sup>3</sup>
337-TA-320	Certain Rotary Printing Apparatus Using Heated Ink Composition, Components Thereof, and Systems Containing Said Apparatus and Components	France, Spain	Apr. 30, 2004 <sup>3</sup>
337-TA-321	Certain Soft Drinks and Their Containers	Colombia	Nonpatent
337-TA-324	Certain Acid-Washed Denim Garments and Accessories	Hong Kong, Taiwan, Brazil, Chile	Oct. 22, 2006 <sup>3</sup>
337-TA-333	Certain Woodworking Accessories	Taiwan	Mar. 2, 2008 <sup>3</sup>
337-TA-334	Certain Condensers, Parts Thereof and Products Containing Same, Including Air Conditioners for Automobiles	Japan	Mar. 12, 2008
337-TA-337	Certain Integrated Circuit Telecommunication Chips and Products Containing Same, Including Dialing Apparatus	Taiwan	May 18, 2001
337-TA-344	Certain Cutting Tools For Flexible Plastic Conduit and Components Thereof	Taiwan	Aug. 1, 2000 <sup>3</sup>
337-TA-354 337-TA-360	Certain Tape Dispensers Certain Devices For Connecting Computers Via Telephone Lines	Hong Kong, Taiwan Taiwan	Apr. 7, 2001 Feb. 13, 2007
337-TA-365	Certain Audible Alarm Devices For Divers	Taiwan	Aug. 21, 2007 <sup>3</sup> Oct. 12, 2008 <sup>3</sup>
337-TA-372	Certain Neodymium-Iron-Boron Magnets, Magnet Alloys, and Articles Containing Same	People's Republic of China, Hong Kong, Taiwan	May 20, 2005 <sup>3</sup>
337-TA-374	Certain Electrical Connectors and Products Containing Same	Taiwan	Jan. 22, 2008

### Table A-27—ContinuedOutstanding sec. 337 exclusion orders as of Dec. 31, 1998

Investigation No.	Article	Country <sup>1</sup>	Date patent expires <sup>2</sup>
337-TA-376	Certain Variable Speed Wind Turbines and Components Thereof	Germany	Feb. 1, 2011 <sup>3</sup>
337-TA-378	Certain Asian-Style Kamaboko Fish Cakes	Japan	Nonpatent
337-TA-380	Certain Agricultural Tractors Under 50 Power Take-Off Horsepower	Japan	Nonpatent
337-TA-383	Certain Hardware Logic Emulation Systems and Components Thereof	France	Oct. 5, 2008 Oct. 5, 2008 Oct. 5, 2008 Apr. 28, 2009 Apr. 28, 2009
337-TA-391	Certain Toothbrushes and the Packaging Thereof	People's Republic of China, Taiwan	Aug. 4, 2006

<sup>1</sup> This column lists the countries of the foreign respondents named in the investigation.
 <sup>2</sup> Multiple dates indicate the expiration dates of separate patents within the investigation.
 <sup>3</sup> Patent term extended pursuant to 35 U.S.C. 154(c).

Source: U.S. International Trade Commission, Office of Unfair Import Investigations.

#### Table A-28 U.S. imports for consumption of leading GSP duty-free imports, 1998 (1,000 dollars)

HTS	Denk		Total U.S.	Imports of G	SP
Rank	Rank subheading	Description	imports for - Consumption	GSP-eligible	GSP duty-free
1	2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	16,078,826	2,068,072	1,600,124
2	8471.60.35	Display units for ADP machines with color cathode-ray tube not entered with the rest of a system	6,572,217	863,259	438,188
3	8521.10.60	Color, cartridge or cassette magnetic tape-type video recording and reproducing apparatus, nesi	2,373,417	526,093	282,402
4	7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesoi	2,600,822	965,059	258,181
5	8527.21.10	Radio-tape player combinations not operable without external power source, for motor vehicles	1.693.831	253.203	216.847
6	9403.60.80	Furniture (o/than seats & o/than of 9402) of wooden (o/than bentwood) nesoi	2,307,451	417,685	197,000
7	8414.30.40	Compressors of a kind used in refrigerating equipment (including air conditioning) not exceeding 1/4 horsepower	260,810	200,896	189,996
8	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	658,544	567.600	188,870
9	8517.11.00	Line telephone sets with cordless handsets	2,106,552	359,407	178,385
10	7202.41.00	Ferrochromium containing by weight more than 4 percent of carbon	181,585	175,734	175,712
11	8708.99.67	Pts. & access. of motor vehicles of 8701, nesoi, and 8702-8705, pts. for	,		
		power trains nesoi	1,669,931	177,994	174,787
12	7113.19.29	Gold necklaces and neck chains (o/than of rope or mixed links)	891,822	236,380	166,692
13	8708.70.45	Pts. & access. of mtr. vehic. of 8701, nesoi, and of 8702-8705, road wheels	696,714	138,318	136,114
14	4104.39.40	Upholstery leather, of bovine and equine leather, nesi, without hair on, parchment-dressed or prepared after tanning	258,004	191,337	118,061
15	9403.50.90	Furniture (o/than seats) of wood (o/than bentwood), of a kind used in the bedroom & not designed for motor vehicle use	885,089	139,627	117,323
16	8544.30.00	Insulated ignition wiring sets and other wiring sets of a kind used in	4 407 044	400.404	44.4.400
47	0000 40 44	vehicles, aircraft or ships	4,407,641	409,464	114,406
17	2909.19.14	Methyl tertiay-butyl ether. (MTBE)	840,711	117,172	114,118
18	4409.10.40	Standard wood moldings of pine (Pinus spp.), continuously shaped along any of its edges or faces	297,780	165.415	106,808
19	7323.93.00	Stainless steel, table, kitchen or o/household arts. amd parts thereof	407,563	109,387	104,914
20	7615.19.30	Aluminum, cooking and kitchen ware (o/than cast), enameled or glazed or containing nonstick interior finishes	240,639	96,004	92,701
		Total, above items	45,429,949	8,178,105	4,971,629
		Total, all GSP items	531,953,792	29,303,243	16,335,830

Note.-Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce

#### Table A-29

U.S. imports for consumption and imports eligible for GSP treatment, by import categories under the Harmonized Tariff Schedule (*HTS*), 1998

	(Million dollars)				
		Total U.S.	Imports of GSP articles		
HTS section	Total Description	imports for Consumption	GSP-eligible	GSP duty-free	
	Live animals; animal products	12,221	201	96	
11	Vegetable products	13,660	834	197	
	Animal and vegtable fats, oils, and waxes	1,510	36	35	
IV	Prepared foodstuffs; beverages, spirits; tobacco	18,113	1,851	807	
V	Mineral products	57,176	2,454	1,716	
VI	Chemical products	50,939	1,448	841	
VII	Plastics and rubber	24,039	1,455	849	
VIII	Raw hides and skins, leather, furskins; saddlery; handbags	7,162	627	391	
IX	Wood; charcoal; cork ; straw and other plaiting materials	13,676	1,140	664	
Х	Wood pulp; paper and paperboard	18,306	250	211	
XI	Textiles and textile articles	63,081	296	202	
XII	Footwear, headgear, umbrellas; artificial flowers	16,037	385	133	
XIII	Stone, plaster, cement, asbestos, ceramic and glass articles	9,427	642	570	
XIV	Pearls, precious or semi-precious stones; imitation jewellery	22,408	1,914	737	
XV	Base metals and articles of base metal	50,789	2,432	1,774	
XVI	Machinery and appliances; electrical equipment	275,724	8,478	4,685	
XVII	Vehicles, aircraft, vessels, transport equipment	142,375	1,775	834	
XVIII	Optical, photographic, medical, and musical instruments; clocks	32,262	1,377	396	
XIX	Arms and ammunition; parts and accessories thereof	649	42	33	
XX	Miscellaneous manufactured articles	36,963	1,665	1,166	
XXI	Works of art, collectors' pieces and antiques	3,963	0	0	
XXII	Special classification provisions	34,859	0	0	
	Total, above items	905,339	29,303	16,336	

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

#### Table A-30 U.S. imports for consumption of leading imports under CBERA, 1996-98

(1,000 dollars)

HTS	Commodity	1996	1997	1998
2402.10.80	Cigars, cheroots and cigarillos, each valued 23 cents or over	154,951	330,704	307,542
9018.90.80	Medical, surgical, or dental instruments and appliances	80,475	98,891	222,250
1701.11.10	Raw sugar not containing added flavoring or color	240,394	280,714	213,234
6406.10.65	Footwear uppers, other than formed, of leather	194,789	200,376	196,061
7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps	134,610	139,028	170,422
8517.90.24	Parts of electrical telephonic switching or terminal apparatus, incorporating printed circuit	240	48,759	108,175
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	43,017	72,621	68,510
7213.91.30	Bars and rods, hot-rolled, not tempered or treated, of iron or nonalloy steel	60,491	62,478	59,430
2905.11.20	Methanol (Methyl alcohol), nesi	67,144	90,596	57,779
8536.20.00	Automatic circuit breakers, for a voltage not exceeding 1,000 volts	33,975	44,358	57,202
0807.19.20	Cantaloupes, fresh, not entered Aug 1-Sept 15	62,912	65,044	55,710
0302.69.40	Fresh or chilled fish, including sable, ocean perch, snapper, grouper, and monkfish	45,739	52,807	52,489
1701.11.20	Other sugar to be used for the production (other than distillation) of polyhydric alcohols	76,022	72,476	47,981
2009.11.00	Frozen concentrated orange juice	31,571	38,925	39,742
8516.31.00	Electrothermic hair dryers	36,830	39,346	39,296
8538.90.80	Terminals, electrical splices and couplings	41,320	42,304	36,597
2207.10.60	Undenatured ethyl alcohol for nonbeverage purposes	59,905	28,058	33,659
4016.93.50	Nonautomotive gaskets, washers, and seals of vulcanized rubber	25,862	28,928	31,145
8536.50.90	Switches nesoi, for switching or making connections to or in electrical circuits, for a voltage not exceeding 1,000 volts	(1)	15,750	30,355
0807.19.70	Other melons if not entered Jun 1-Nov	21,621	27,105	30,189
2921.43.15	Alpha,alpha,alpha-trifluoro-2,6-dinitro-N,N-dipropyl-p-toluidine (Trifluralin)	8,147	13,292	26,518
6210.10.50	Other nonwoven disposable apparel designed for use in hospitals	21,001	31,052	25,203
8536.49.00	Relays for switching, protecting or making connections to or in electrical circuits, for a voltage exceeding 60 but not exceeding 1,000 volts	4,446	15,461	24,141
0714.90.10	Fresh or chilled dasheens, whether or not sliced or in the form of pellets	18,372	20,599	22,542
2401.20.85	Tobacco, partly or wholly stemmed/stripped, threshed or similarly processed, not from cigar leaf	12,774	21,111	22,402
	Total of items shown	1,476,610	1,880,783	1,978,576
	All others	1,314,445	1,327,060	1,245,988
	- Total all commodities:	2,791,055	3,207,842	3,224,564

<sup>1</sup> Prior to 1996, imports reported under *HTS* 0807.10.20. Source: Compiled from official statistics of the U.S. Department of Commerce.

Table A-31 U.S. imports for consumption under CBERA provisions, by country, 1994-98

(1,000 dollars)

Rank	Source	1994	1995	1996	1997	1998
1	Dominican Republic	751,028	845,356	932,413	1,136,523	1,294,533
2	Costa Rica	478,109	527,716	657,127	746,354	756,579
3	Guatemala	171,381	168,467	279,768	270,268	268,869
4	Honduras	139,838	156,840	207,289	263,814	236,073
5	Trinidad and Tobago	142,901	144,248	184,895	226,244	186,219
6	Jamaica	69,316	87,330	95,965	74,515	102,178
7	Panama	35,141	39,357	51,352	81,064	77,453
8	Nicaragua	80,554	78,543	116,007	135,340	72,694
9	El Salvador	41,126	68,550	91,254	81,799	50,206
10	Bahamas	45,062	22,855	20,765	25,132	34,914
11	Haiti	15,770	26,522	30,223	31,194	28,167
12	St Kitts-Nevis	17,220	18,776	19,241	24,636	25,428
13	Guyana	13,100	17,409	32,285	28,512	24,617
14	Barbados	21,313	23,043	23,089	24,983	20,392
15	Belize	13,112	16,676	24,760	34,710	19,706
16	Grenada	768	724	1,007	4,071	8,242
17	St. Lucia	6,077	6,503	7,129	5,263	7,802
18	St Vincent and the Grenadines	1,299	2,527	3,580	2,373	3,532
19	Netherlands Antilles	3,214	4,468	4,357	3,862	2,775
20	Dominica	2,112	2,201	2,204	1,557	1,858
21	Aruba	12	114	138	166	1,779
22	British Virgin Islands	11	12	631	262	333
23	Antigua	809	1,683	1,615	522	214
24	Montserrat	886	1,488	3,962	4,679	0
	Total	2,050,158	2,261,407	2,791,055	3,207,842	3,224,564

Note.—Because of rounding, figures may not add to the totals shown. Source: Compiled from official statistics of the U.S. Department of Commerce.

### Table A-32U.S. imports for consumption under ATPA provisions, by country, 1996-98

(1,000 dollars)

Rank	Country	1996	1997	1998
1	Colombia	560,546	605,472	709,889
2	Peru	385,298	460,992	632,676
3	Ecuador	218,419	217,437	233,002
4	Bolivia	105,791	68,955	69,630
	-	1,270,054	1,352,855	1,645,196

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce

#### Table A-33 U.S. imports for consumption of leading imports under ATPA, 1996-98

(1,000 dollars)

HTS No.	Commodity	1996	1997	1998
7403.11.00	Cathodes and sections of cathodes, of refined copper	91,749	158,790	200,984
0603.10.60	Roses, fresh cut	156,039	184,116	195,740
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids	161,918	147,786	147,339
7108.13.70	Other semimanufactured forms of nonmonetary gold	10,875	41,299	115,021
0603.10.80	Cut flowers and flower buds suitable for bouquets, nesi	81,386	75,825	70,812
7113.19.10	Rope and chain for jewelry, of precious metal except silver	100,841	68,014	66,107
7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps	57,383	55,254	64,244
7115.90.30	Gold (including metal clad with gold) articles, other than jewelry or goldsmiths' wares	(1)	11,855	57,589
9111.90.40	Parts of watch cases, of precious metal or of metal clad with precious metal	0	0	48,383
2843.30.00	Gold compounds	0	70,366	48,139
1604.14.40	Tuna and skipjack, not in airtight containers	57,933	47,261	46,114
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	0	2,923	39,560
0603.10.30	Miniature (spray) carnations, fresh cut	36,035	36,801	37,647
3921.12.11	Nonadhesive plates, sheets, film, foil, strip	33,598	30,957	31,120
1701.11.10	Raw sugar not containing added flavoring or coloring	54,635	20,884	28,269
7113.19.29	Gold necklaces and neck chains, other than rope or mixed link	11,676	19,117	24,648
7901.11.00	Zinc (o/than alloy), unwrought, containing o/99.99% by weight of zinc	21,894	4,858	24,242
0709.20.90	Asparagus, fresh or chilled, not reduced in size, not entered Sept 15-Nov 15	15,285	19,804	23,201
0302.69.40	Fresh or chilled fish, including sable, ocean perch, snapper, grouper, and monkfish	14,471	18,307	22,192
7905.00.00	Zinc plates, sheets, strip and foil	15,112	17,894	16,769
4421.90.98	Articles of wood, including pencil slats and others	10,166	11,752	14,152
4202.91.00	Leather golf bags, travel bags, sports bags, and cases	11,249	11,747	13,261
9602.00.10	Worked unhardened gelatin and articles thereof, excluding that covered in HTS 3503	679	7,730	11,072
2933.71.00	6-Hexanelactam (epsilon-Caprolactam)	2,600	4,634	11,011
7113.19.25	Gold mixed link necklaces and neck chains	0	846	8,210
	Total of items shown	945,524	1,068,821	1,365,825
	All others	324,529	284,034	279,371
	Total of all commodities	1,270,054	1,352,855	1,645,196

<sup>1</sup> Prior to November 1997, imports reported under *HTS* 7115.90.10 part. Note.—Because of rounding, figures may not add to totals show. The abbreviation, nesi, stands for "not elsewhere specified or included." Source: Compiled from official statistics of the U.S. Department of Commerce.