

# III. Regional Negotiations

## A. Free Trade Area of the Americas

In 2002, the United States and the other 33 governments participating in the Free Trade Area of the Americas (FTAA) negotiations initiated market access negotiations, continued to make progress on the draft texts of the Agreement in negotiations, and launched a Hemispheric Cooperation Program to assist countries in negotiating, undertaking the FTAA obligations, and adjusting to regional integration. The FTAA will create the largest free trade area in the world, with over 800 million people. American workers, farmers, consumers and businesses will benefit from increased access to Latin American markets and greater variety of products available here.

The negotiations are guided by general principles and objectives approved by the leaders of the 34 democratically-elected FTAA countries. Among the most important principles are that the FTAA should improve upon World Trade Organization (WTO) rules and disciplines wherever possible and appropriate. Among the most important objectives are: progressive elimination of tariffs and non-tariff barriers, as well as other measures with equivalent effects, which restrict trade; elimination of agricultural export subsidies on trade in the hemisphere; liberalization of trade in services in order to achieve hemispheric free trade under conditions of certainty and transparency; adequate and effective protection of intellectual property rights, taking into account changes in technology; establishment of a fair and transparent legal framework for investment and related capital flows; that our trade liberalization and environment policies are mutually supportive, and observance and promotion of internationally-recognized core labor standards, as was agreed at the 2002 Trade Ministerial in Quito, Ecuador.

During the course of the year, the United States participated actively in meetings of each of the nine FTAA negotiating groups (market access, agriculture, intellectual property rights, services, investment, government procurement, competition policy, dispute settlement, and subsidies/anti-dumping/countervailing duties) and the four non-negotiating groups and committees (the Technical Committee on Institutional Issues (TCI), the Consultative Group on Smaller Economies (SME), the Joint Government - Private Sector Committee of Experts on Electronic Commerce (ECOM), and the Committee of Government Representatives on the Participation of Civil Society (SOC)). The work of the nine negotiating groups focused on eliminating to the greatest extent possible the brackets in the existing text, while the TCI focused on developing initial proposals for texts on the general and institutional provisions of the agreement for the Trade Ministers' review at their November 1, 2002, meeting in Quito, Ecuador.

At the Quito Ministerial meeting, the FTAA Trade Ministers received the second draft consolidated texts, provided guidance for the next phase of the FTAA negotiations, and reinforced the deadlines set by the Vice Ministers for the market access phase of the negotiations which commenced on May 15, 2002. Ministers confirmed that the exchange of initial market access offers in agricultural and industrial products, services, investment, and government procurement will occur between December 15, 2002 and February 15, 2003, that requests for improvements in initial offers will take place between February 15 and June 15, 2003, and that the process for exchanging improved offers will begin no later than July 15, 2003. This timetable was set to reinforce the commitment of the FTAA governments to conclude the negotiations

of the Agreement by January 2005, the deadline agreed by Heads of State and Government at the Quebec Summit.

In addition to assuming the co-chairmanship of the FTAA with Brazil, the United States worked with the other FTAA countries to ensure a slate of strong chairs was selected for each of the FTAA negotiating groups and committees. Beginning November 1, 2002, officials from the following countries assumed chairmanships of FTAA entities: Colombia (Market Access); Uruguay (Agriculture); Costa Rica (Government Procurement); Panama (Investment); Peru (Competition Policy); Dominican Republic (Intellectual Property Rights); Caricom (Services); Canada (Dispute Settlement); Argentina (Subsidies/Antidumping/Countervailing Duties); Chile (Technical Committee on Institutional Issues); Ecuador (Consultative Group on Smaller Economies); and Bolivia (Committee of Government Representatives on the Participation of Civil Society).

The United States won endorsement for the Hemispheric Cooperation Program, a comprehensive trade capacity-building program to help small and developing countries in the region to fully benefit from the FTAA. Ambassador Zoellick announced at Quito that President Bush would seek a 37 percent increase in U.S. trade capacity-building assistance for the region in FY 2003, to \$140 million.

Ambassador Zoellick, along with the other 33 FTAA Trade Ministers met with representatives of the Seventh Americas Business Forum (ABF) on October 31, 2002, and received detailed recommendations from workshops covering all areas of the negotiations. The 34 Ministers also met with representatives of hemispheric environmental groups, labor unions, parliamentarians and indigenous peoples to receive recommendations. USTR also participated in a civil society meeting held on the margins of the Quito Ministerial to discuss U.S. environmental assessments of trade agreements.

In an effort to further improve the transparency of the FTAA process and to build broader public understanding of and support for the FTAA, at the November 2002 Ministerial, the Ministers made the decision again to make public the second draft consolidated texts of the FTAA agreement. The text is available on the USTR website ([www.ustr.gov](http://www.ustr.gov)) and the official FTAA website ([www.ftaa-alca.org](http://www.ftaa-alca.org)). The Ministers also instructed each of the nine FTAA negotiating groups to continue to work to reach consensus on the draft chapters and to eliminate brackets to the maximum extent possible.

In a complementary effort to provide the public with an opportunity for input on the FTAA process, the FTAA Committee of Government Representatives on the Participation of Civil Society issued an Open and On-Going Invitation for comment on all aspects of the FTAA negotiations. Information on the Open and On-Going Invitation can be found on both the USTR and FTAA websites. On three previous occasions, the Civil Society Committee has invited the public to comment on the FTAA negotiations. As has happened in the past, the FTAA Civil Society Committee will oversee the timely delivery of all submissions to the negotiators so that they may review and benefit from the comments of civil society.

The FTAA countries have also pledged to use national mechanisms to disseminate the invitation further. In December 2002, USTR issued a Federal Register Notice (FRN) to solicit comments on the second FTAA draft text and other components of the negotiations, and a separate FRN (also in December 2002) to advertise the issuance of the Civil Society Committee's Open and On-Going Invitation. USTR also issued a press release and notices to trade advisory committees alerting the public to the Open Invitation. USTR regularly briefed members of the statutory Advisory Committees and others in several public meetings.

FTAA Trade Ministers agreed that their next meeting will be hosted by the United States, in Miami, Florida during the fourth quarter of 2003, with another meeting set for Brazil in 2004.

The United States, along with the Governments of Mexico and Canada, coordinated the first regional seminar on the FTAA in the hemisphere, entitled “FTAA: Opportunities and Challenges for North America,” hosted in Merida, Mexico, on July 18, 2002. The objective of the North America Regional Seminar was to foster a constructive dialogue with civil society, which was represented by over one hundred people from throughout North America. High-level government officials involved in the FTAA negotiations also participated. Topics discussed in the three panels featured in the North America seminar included: market access and agriculture; services and investment; and transparency and civil society participation in the FTAA process. Each panel included presentations by a representative of civil society and a government official from each of the three countries.

U.S. Government officials also met with civil society representatives on the margins of the FTAA Vice Ministerial-level meeting in August to discuss the status of the negotiations, hear the interests and concerns expressed by civil society and to encourage further civil society participation in the FTAA process.

## **B. North American Free Trade Agreement**

### **Overview**

On January 1, 1994, the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico entered into force. NAFTA created the world’s largest free trade area, which now links 414 million people producing more than \$11 trillion worth of goods and services. The dismantling of trade barriers and the opening of markets has led to economic growth and rising prosperity in all three countries. NAFTA also includes the first significant labor and environmental cooperation agreements that the United States has negotiated as part of a trade agreement. The NAFTA has dramatically improved our trade and economic relations with our neighbors. The net result of these efforts is more economic opportunity and growth, greater fairness in our trade relations, and a coordinated effort to better protect worker rights and the environment in North America. NAFTA also included significant labor and environment side agreements to augment the trade agreement.

The magnitude of our trade relations in North America is impressive: U.S. two-way trade with Canada and Mexico exceeds U.S. trade with the European Union and Japan combined. U.S. goods exports to NAFTA partners nearly doubled between 1993 and 2001, from \$142 billion to \$265 billion, significantly higher than export growth of 44 percent for the rest of the world over the same period.

NAFTA’s record is clear. By lowering trade barriers, the agreement has expanded trade in all three countries. This has led to increased employment, more choices for consumers at competitive prices, and rising prosperity. From 1993 (the year preceding the start of NAFTA implementation) to 2001, trade among the NAFTA nations climbed 109 percent, from \$297 billion to \$622 billion. Each day the NAFTA parties conduct nearly \$1.7 billion in trilateral trade. Thanks to NAFTA, North America is one of the most competitive, prosperous and economically integrated regions in the world.

### **Elements of NAFTA**

#### **1. Operation of the Agreement**

The NAFTA’s central oversight body is the NAFTA Free Trade Commission, chaired jointly by the U.S. Trade Representative, the Canadian Minister for International Trade, and the Mexican Secretary of Economy. The NAFTA Commission is responsible for overseeing implementation and elaboration of the NAFTA and for dispute settlement. The Commission held its most recent annual meeting in May 2002 in

Mexico. The ministers reiterated their commitment to full and timely implementation of the Agreement, and released “NAFTA at Eight,” a summary of the achievements to date. The Commission agreed to explore additional ways to stimulate further trade in North America. The ministers also agreed to cooperate in other trade negotiations, including the FTAA, WTO, and APEC.

## **2. Rules of Origin**

In 2002, the NAFTA Parties agreed on changes to liberalize the NAFTA Rules of Origin for seven products: alcoholic beverages, chassis fitted with engines, esters of glycerol, headphones with microphones, pearl jewelry, petroleum/topped crude, and photocopiers. These changes are scheduled to take effect upon the completion of each party’s domestic procedures.

## **3. NAFTA and Labor**

The North American Agreement on Labor Cooperation (NAALC), a supplemental agreement to the NAFTA, promotes effective enforcement of domestic labor laws and fosters transparency in their administration. The NAALC also has generated a trilateral work program in the areas of migrant worker rights, occupational safety and health, employment and training, and child labor.

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

Under the NAALC and various NAO procedural guidelines, any person can file a submission to request their government to review the labor practices of a NAFTA partner. Several submissions have resulted in ministerial consultations and the adoption of work programs to address the underlying concerns. In 2002, the U.S. Secretary of Labor and the Mexican Secretary of Labor and Social Welfare held ministerial consultations to address issues raised in public submissions. The ministers agreed to work together to address issues related to freedom of association and protection of the right to organize; the right to bargain collectively; minimum employment standards; prevention of occupational injuries and illnesses; compensation in cases of occupational injuries and illnesses; and protection of migrant workers.

Pursuant to ministerial agreements signed by the U.S., Mexican and Canadian ministers of labor, the parties held a public forum on working conditions and treatment of migrant and agricultural workers in the United States and established a Trilateral Technical Working Group on Safety and Health to develop specific recommendations for consideration by the governments and to identify technical areas for collaboration aimed at improving occupational safety and health in the workplace. The United States and Mexico also collaborated in specific areas of workforce development including Internet-based job banks, one stop employment service centers, occupational classification system, and development of labor market information.

Over the last several years, the Parties have held numerous trilateral conferences, seminars, and technical exchanges to share information and make improvements in many critical areas. By addressing issues of labor rights, the NAALC has contributed to transparency and public dialogue on labor issues.

#### **4. NAFTA and the Environment**

A further supplemental accord, the North American Agreement on Environmental Cooperation (NAAEC), ensures that trade liberalization and efforts to protect the environment are mutually supportive. The NAAEC created the Commission for Environmental Cooperation (CEC), which is comprised of: (1) the Council made up of the environmental ministers from the United States, Canada, and Mexico; (2) the Joint Public Advisory Committee made up of five private citizens from each of the NAFTA countries; and (3) the Secretariat made up of professional staff, located in Montreal, Canada.

The 2003-2005 Program Plan, approved in December 2002, is centered around four core program areas: Environment, Economy and Trade; Conservation of Biodiversity; Pollutants and Health; and Law and Policy. Additional information on the CEC work program can be found in Chapter V.

In November 1993, Mexico and the United States agreed on arrangements to help border communities with environmental infrastructure projects, so as to further the goals of the NAFTA and the NAAEC. The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB) are working with more than 100 communities throughout the U.S.-Mexico border region to address their environmental infrastructure needs. Since their creation, the institutions have been instrumental in the development of over 50 projects, now complete or under construction, with an aggregate cost of nearly \$1.35 billion. These projects, when complete, will serve about 9 million residents of the United States and Mexico, with new projects being developed continually.

#### **C. Asia Pacific Economic Cooperation**

##### **Overview**

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

The growth in U.S. goods exports to APEC clearly demonstrates the benefits of market opening and trade expansion. Since 1994, U.S. exports to APEC increased nearly 37 percent. In 2002, two-way trade with APEC members totaled \$1.2 trillion, a decline of 1.4 percent from 2001.

It was at Blake Island that APEC Leaders first expressed their collective desire to move toward an “Asia Pacific community” of economies. APEC has made progress on this vision.

- In 1994, APEC Leaders announced their commitment to the “Bogor vision” to establish free and open trade and investment in the region by 2010 for industrialized economies and 2020 for developing economies;
- In 1995, the Osaka Action Agenda, which developed a specific road map for opening markets in the region in 14 substantive areas, was agreed upon;
- In 1996, APEC economies submitted their first “Individual Action Plans” indicating how they intended to move toward fulfillment of the Bogor goals. Moreover, APEC Leaders called for

conclusion of the Information Technology Agreement in the WTO, which acted as a decisive catalyst toward successful completion of this agreement in 1997;

- In 1997 and 1998, APEC Leaders, seeking to further advance APEC's leadership role in the multilateral trading system, called for the opening of 15 key sectors on a global basis, developed the details for market opening in each sector, and affirmed their commitment to working to this end in the WTO;
- In 1999, APEC Leaders called for a new round of WTO negotiations, to include among other things industrial tariffs, the abolition of agricultural export subsidies, as well as the eight "accelerated tariff liberalization" sectors that APEC had identified in 1997-98;
- In 2000, APEC Leaders reiterated the importance of agreement on a WTO agenda as soon as possible in 2001, and the need to launch a new WTO round before the end of the year in 2001. They also launched a broad based Action Agenda on the New Economy, to ensure that APEC members used advances in information technology to boost productivity and stimulate economic growth in the region;
- In 2001, APEC Leaders, meeting shortly before the WTO Ministerial in Doha, Qatar, gave strong support to the launch of the new WTO Round at Doha, as well as the accession of China and Taiwan to the WTO at the Doha Ministerial. At the urging of the United States, they also adopted the Shanghai Accord, a series of specific commitments to ensure APEC reaches its free trade and investment goals, and agreed to a policy dialogue on agricultural biotechnology; and
- In 2002, APEC Leaders welcomed the launch of new multilateral trade negotiations in Doha and encouraged all economies to pursue substantive negotiations in all areas of the Doha Development Agenda (DDA) by the agreed time lines to ensure that the deadline of 1 January, 2005, to conclude such negotiations is met. To fulfill the Shanghai Accord, they also agreed to adopt specific transparency standards, reduce trade barriers critical for the digital economy, and implement a plan to facilitate trade that will significantly reduce business transaction costs.

## **2002 Activities**

APEC Trade Ministers and Leaders recognized the importance of last year's launch of multilateral trade negotiations at Doha, called on all WTO members to intensify substantive discussions in Geneva on all elements of the DDA, and stressed the region's continued commitment to trade expansion and market opening. While APEC economies continued to open their markets in 2002 (see the *APEC 2002 Economic Outlook*, and the *2002 Individual Action Plans* at [www.apecsec.org.sg](http://www.apecsec.org.sg)), Ministers and Leaders emphasized the need for APEC to take a leadership role on global trade issues so the DDA negotiations will be successfully completed by 1 January 2005.

Important activity took place at all APEC levels in 2002 to give effect to APEC's vision of free and open regional trade and investment. APEC demonstrated its continuing commitment to this vision in several concrete ways. In particular, it:

- reaffirmed its commitment to play a leading role in the multilateral trading system;
- took concrete steps to implement key aspects of the Shanghai Accord - advancing its own work program of regional trade and investment liberalization and facilitation; and

- constructed a database of detailed information on bilateral and multilateral WTO capacity building activities in the region.

## **1. Leadership in the Multilateral Trading System**

APEC Trade Ministers indicated clearly their desire for the region to continue to play a leading, catalytic role in fostering the opening of markets worldwide. At the APEC Trade Ministers meeting in Puerto Vallarta in May 2002, Ministers welcomed the launch of the DDA and noted the important role that APEC played in achieving this outcome. Trade Ministers agreed to make progress on all elements of the agenda, including market access, agriculture, trade rules, investment, competition, trade facilitation and transparency in government procurement. In doing so, they committed to meeting the mandates and schedules established for all of the relevant negotiating and working groups. Specifically, APEC Members agreed on the WTO deadline of June 30, 2002, to submit initial services requests, and agreed that modalities for non-agricultural market access negotiations should be established by April 30, 2003.

At the October joint ministerial meeting in Los Cabos, APEC Ministers called on all WTO members to intensify substantive discussions in Geneva on all elements of the DDA in order to maintain the negotiating timetable, and agreed to work to ensure that the cooperative dynamic in APEC complements and supports the DDA negotiations. Ministers committed to working together to meet all DDA deadlines and schedules in preparation for the September 2003 Ministerial in Cancun, Mexico. The Cancun Ministerial was also the agreed target date for APEC Ministers to negotiate the establishment of a system of notification and registration of geographical indications for wines and spirits under the WTO TRIPS Agreement. Additionally, they agreed on March 2003 as the goal for establishing modalities for the agriculture negotiations, and agreed in particular that one of the objectives of such negotiations should be the abolition of all forms of agricultural export subsidies and unjustifiable export prohibitions. Ministers agreed to ensure a common understanding on the modalities for the non-agricultural market access negotiations is achieved by March 31, 2003, so that agreement on the modalities for those negotiations is reached by May 31, 2003.

To continue building confidence in the WTO, APEC Ministers and Leaders also emphasized the importance of the many APEC activities undertaken in 2002 to provide capacity building assistance under the APEC Strategic Plan, created in 2000 to help developing APEC economies implement their WTO obligations. Ministers and Leaders welcomed the creation of APEC's new electronic database for WTO capacity building, and noted the valuable role it will play in monitoring and coordinating capacity building efforts in the region. Ministers and Leaders called for APEC to continue developing new assistance programs under the Strategic Plan and implement them on an accelerated basis. Ministers also agreed to bolster APEC's capacity building activities by including work focused on building developing economies' confidence in the DDA. They agreed to encourage and coordinate confidence building activities in all areas of the DDA, including investment, competition, trade facilitation, transparency in government procurement, and trade and environment.

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

APEC took concrete steps to implement key provisions of the Shanghai Accord. Ministers agreed that implementation of the Shanghai Accord provides critical elements of a new "APEC Implementation Framework" through which APEC economies agree to move forward to achieve the Bogor Goals. Mexico's chosen theme of "Implementing the Vision" was appropriate, as APEC Leaders met in Los Cabos and endorsed three important initiatives from the Shanghai Accord:

- a Statement to Implement APEC Transparency Standards by January 2005, to foster greater predictability and openness of government;
- a Statement to Implement APEC Policies on Trade and the Digital Economy, containing trade policies for the digital economy that sixteen APEC economies agreed to implement as a “Pathfinder Initiative;” and
- an APEC Trade Facilitation Action Plan to implement APEC’s commitment to reduce international trade transaction costs by five percent in the APEC region by 2006.

The Shanghai Accord also called for the creation of “Pathfinder Initiatives” - cooperative arrangements which enable a group of countries to pilot initiatives, even though not all APEC Members can initially participate – to advance trade liberalization in the region more quickly. In addition to the Statement to Implement APEC Policies on Trade and the Digital Economy, in Los Cabos Leaders also endorsed Pathfinder Initiatives on: advance passenger information systems; the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures; electronic SPS certification (e-cert); electronic certificates of origin; a mutual recognition arrangement of conformity assessment on electrical and electronic equipment; and corporate governance.

APEC Members report annually on their actions to achieve free trade and investment by preparing Individual Action Plans (IAPs). The Shanghai Accord called for, and APEC Senior Officials developed, a more meaningful process for reviewing IAPs. This year APEC Senior Officials met in Acapulco to conduct the first of these enhanced IAP peer reviews. Mexico and Japan offered to be the first to have their IAPs reviewed in detail. The delegations from Mexico and Japan presented opening statements, while officials from other APEC economies, as well as outside experts, submitted oral and written questions to both economies. The participants engaged in a productive exchange, bringing increased focus to trade and investment liberalization in APEC. In Los Cabos, Ministers welcomed the new IAP peer review process, and stressed its importance as a means to chart progress toward meeting the Bogor Goals. Reports of the IAP Peer Review Meetings can be found on the APEC website ([www.apecsec.org.sg](http://www.apecsec.org.sg)).

APEC work on trade and investment liberalization and facilitation is overseen by the *Committee on Trade and Investment* (CTI) and its sub-fora. The CTI and its sub-fora have well-developed, specific work programs in the fifteen substantive issue areas first defined in the 1995 Osaka Action Agenda (OAA). These areas are: tariffs, non-tariff measures, services, investment, government procurement, standards and conformance, customs, competition policy, deregulation, intellectual property rights, dispute mediation, mobility of business people, rules of origin, information gathering/analysis, and implementation of the Uruguay Round. In 2002, Ministers endorsed the recommendation of the CTI and senior officials to broaden the OAA to better reflect fundamental changes in the global economy, including by incorporating a new chapter on Strengthening Economic Legal Infrastructure in Part I of the OAA.

While the CTI has overall responsibility for developing and overseeing work in the fifteen substantive OAA issues areas, much of the work program at a technical level is conducted by CTI sub-fora. The CTI met three times during 2002 in Mexico: in Mexico City, 25-26 February; in Merida, 21-22 May; and in Acapulco, 16-17 August. In addition, the following CTI sub-fora met:

- *Market Access Group* (MAG) – Mexico City, 21 February; Merida, 19-20 May; and Acapulco, 14 August;



- *Group on Services (GOS)* – Mexico City, 19-20 February; Merida, 16-18 May; and Acapulco, 13-15 August;
- *Investment Experts' Group (IEG)* – Lima, Peru, 28 February – 1 March; Merida, 19-20 May; and Acapulco, 11-12 August;
- *Sub-Committee on Standards and Conformance (SCSC)* – Mexico City, 23-24 February; Merida, 19-20 May; and Acapulco, 15-16 August;
- *Sub-Committee on Customs Procedures (SCCP)* – Mexico City, 22-25 February; and Acapulco, 13-15 August;
- *Intellectual Property Rights Experts' Group (IPEG)* – Hong Kong, China, 19-20 March; and Los Angeles, the United States of America, 22-23 July;
- *Competition Policy/Deregulation Group* – Merida, 17-18 May;
- *Government Procurement Experts' Group (GPEG)* – Mexico City, 19-20 February; and Acapulco, 12-13 August;
- *Informal Experts' Group on the Mobility of Business People (IEGBM)* – Mexico City, 21-22 February; Merida, 27-28 May; and Acapulco, 14-15 August;
- *WTO Capacity Building Group* – Mexico City, 23 February; and Acapulco, 14 August.

#### *Progress on Collective Action Plans*

Among other things, the CTI and its sub-fora are responsible for implementing APEC's "Collective Action Plans" (CAP) in each of the fifteen areas. The objective of the Collective Action Plans is to develop cooperative means and programs by which APEC members progress toward the APEC goals of regional open and free trade and investment. In 2002, a number of concrete results were achieved in the implementation of these Collective Action Plans. A complete description of steps undertaken in advancing Collective Action Plans can be found in the *Committee on Trade and Investment's 2002 Annual Report to Ministers*, which is at the APEC Secretariat's website ([www.apecsec.org.sg](http://www.apecsec.org.sg)).

Highlights of Collective Actions conducted by some of the key CTI sub-fora are outlined below.

The *Sub-Committee on Standards and Conformance (SCSC)* completed several technical infrastructure development projects. SCSC undertook a review of the various Mutual Recognition Agreements (MRAs) under its umbrella of activities and worked on improving their effectiveness and relevance to regulators. Two economies (Australia and Singapore) acted as pathfinders to start participating in Parts II and III of the APEC MRA on electrical and electronic products, which was first implemented in December 1999 when 10 APEC member economies indicated their intention to participate in Part I. Today, 14 member economies are participating in this Part.

The *Sub-Committee on Customs Procedures (SCCP)* continued implementing its multi-year technical assistance programs aimed at assisting members in CAP implementation. The SCCP completed a best practices compendium of customs and business partnership, and conducted for the first time the SCCP Peer Review on CAPs, stage 2 (CAPs for which technical assistance has been completed).

The *Market Access Group (MAG)* focused on intensifying its confidence-building work on tariffs and non tariff measures (NTMs), including through conducting trade policy discussions (TPDs) on NTMs and Trade Facilitation and Domestic Consultations for WTO negotiations. MAG built on its report “*APEC Economies: Breaking Down the Barriers*,” published in 2001. In 2002 further case studies were collected on regulatory and administrative reforms, as well as an examination of ways to assess the benefits of such reforms and how their contribution helps to facilitate trade in APEC. MAG started an electronic newsletter as an outreach initiative to promote its trade liberalization and facilitation work to business in the region.

The *Group on Services (GOS)* conducted work on transparency and domestic regulation under Phase III of the “Development of the Menu of Options for Voluntary Liberalization, Facilitation and Promotion of ECOTECH in Services Trade and Investment.” This work is related to the WTO services negotiations, and GOS will deepen this work next year. GOS is also responsible for two studies that will be undertaken concerning services liberalization. Work has begun on a study of environmental services liberalization. Work is to be commenced on a study of the Costs and Benefits of Services Trade Liberalization, which will focus on particular sectors. GOS had a useful exchange of information on economies’ approach to agreements on mutual recognition of professional standards/qualifications.

The *Investment Experts’ Group (IEG)* was tasked by Ministers to review economies’ progress in implementing the Menu of Options on Investment and to provide a report by the Ministerial Meeting in 2003. The Menu of Options was expanded to include “Competition Policy and Regulatory Reform.” The IEG also completed Phase I of the Study on Cross-border Mergers and Acquisitions.

The *Intellectual Property Rights Experts’ Group (IPEG)* commenced implementation of its newly overhauled CAP, focusing in particular on enforcement. IPEG endorsed the IP Toolkit proposal to allow member economies to have access to IP-related enforcement information. It also conducted an IP Enforcement Seminar in conjunction with the IPEG Meeting held in Los Angeles in July 2002. The objective of the seminar was to provide IP enforcement personnel the opportunity to discuss with industry representatives the techniques and process on investigating IP infringement and preparing effective prosecutions.

The *Competition Policy and Deregulation Group (CPDG)* continued to promote dialogue, information exchange and study of competition policy, competition laws, their enforcement and interrelationship with other policies related to deregulation, trade and investment.

The *Government Procurement Experts’ Group (GPEG)* work during the year focused on continuing the agreed process of voluntary reviews and reporting by member economies on consistency of their government procurement regimes with the Non-Binding Principles on Government Procurement (NBPs) adopted in 1999. The GPEG also hosted a series of presentations on e-procurement aimed at demonstrating the contribution electronic government procurement systems can make to the achievement of the NBPs and capacity building through the sharing of technical information.

The *Informal Experts’ Group on Mobility of Business People (IEGBM)* continued to support the APEC Business Advisory Council’s (ABAC’s) call for expanding the APEC Business Travel Card. Thirteen economies now participate in the scheme. IEGBM has completed and launched a website that will enhance dialogue with the APEC business community, other APEC fora and within the IEGBM itself. The IEGBM undertook several capacity building activities during the year, such as a project on document examination techniques, where developing APEC Members were provided training in the use of a generic resource package to assist implementation of effective and speedy document examination regimes. The group also endorsed a “Standards for Professional Conduct” paper.

The *WTO Capacity Building Group (WTO Group)* produced a major deliverable this year, launching a website containing detailed information on bilateral and APEC-funded WTO-related capacity building projects in the region ([www.apec-trta.org](http://www.apec-trta.org)). The information was gathered from matrices completed by APEC economies, describing their bilateral capacity building activities. The web-site provides organization and direction to regional capacity building, and supports the work of the WTO in this area. Additionally, the WTO Group implemented projects addressing the needs identified in the APEC Strategic Plan on Capacity Building.

#### *Automotive and Chemical Dialogue*

The *Automotive Dialogue* (first held in 2001) and the newly launched Chemical Dialogue are public-private sector dialogues recognized as important for improving the mutual understanding of key imperatives for the development of future policy and for enhancing the competitiveness of each sector.

The 4th Automotive Dialogue was held in Singapore on 17-19 April 2002 and attracted more than 150 participants from industry and government. Following the agreement reached at its Bangkok meeting last year, the Dialogue has been re-organized into six working groups – customs, technical regulatory harmonization, environment, information technology, ECOTECH and market access – to advance the substantive work program. The Dialogue endorsed the revised Principles of Automotive Technical Regulation Harmonization and agreed to send the Principles document to all APEC Trade and Transportation Ministers, recommending that their economies use the principles to guide their harmonization and regulatory programs. In affirming the importance of improving members' understanding of WTO laws and processes, the Dialogue approved a letter to be sent by the Dialogue Chair to the Director-General of the WTO expressing the Dialogue's interest in the new round and its possible contributions to it.

The 1<sup>st</sup> APEC *Chemical Dialogue* was held in Merida on 22-23 May 2002, and was attended by approximately 50 participants from industry and government. The Dialogue agreed to adopt and implement voluntarily the Globally Harmonized System on hazard classification and labeling of chemicals and safety data sheets as soon as feasible as a contribution to APEC trade facilitation work. As a next step, the Steering Group for the Dialogue will develop an implementation plan that includes a significant capacity building element through education and training programs and pilot projects. The Steering Group also agreed that the Chemical Dialogue should respond to an issue that could negatively impact trade between member economies of the APEC region and the EU. The EU is currently drafting regulations to submit to the Council of Ministers and the European Parliament in the fall that implement proposals for new regulation of chemicals and downstream products (all manufactured products) contained in the "EU White Paper: Strategy for a Future Chemicals Policy."

### **3. Free Trade Agreements**

APEC Trade Ministers noted the growing number of regional trade agreements (RTAs) and free trade agreements (FTAs) being negotiated and concluded, to which many APEC members are parties. They agreed that regional and bilateral trade agreements should serve as building blocks for multilateral liberalization in the WTO. There was further consensus on the importance of such agreements being consistent with WTO rules and disciplines, and in line with APEC architecture and supportive of APEC goals and principles. Ministers instructed officials to engage in a constructive exchange of views on RTAs and FTAs in 2003.