
III. Regional Negotiations

A. Free Trade Area of the Americas

In 2001, the United States and the other Free Trade Area of the Americas (FTAA) nations continued to make substantial progress in negotiations toward creation of the FTAA. The FTAA will create the largest free trade area in the world, with 800 million people. American workers, farmers, consumers and businesses will benefit from increased access to Latin American markets and a greater variety of products available here.

The negotiations are being guided by general principles and objectives approved by leaders of the 34 democratically-elected FTAA countries. Among the most important principles are that the FTAA should improve upon WTO rules and disciplines wherever possible and appropriate, and that the outcome of the negotiations will be a “single undertaking,” in the sense that signatories to the final FTAA agreement will have to accept all parts of it – they cannot pick and choose among the obligations. Among the most important objectives are to eliminate progressively tariffs and non-tariff barriers, as well as other measures with equivalent effects, which restrict trade; to eliminate agricultural export subsidies affecting trade in the hemisphere; to bring under greater discipline trade-distorting practices for agricultural products, including those that have effects equivalent to agricultural export subsidies; to liberalize trade in services to achieve hemispheric free trade under conditions of certainty and transparency; to ensure adequate and effective protection of intellectual property rights, taking into account changes in technology; to establish a fair and transparent legal framework for investment and related capital flows; to pursue mutually supportive economic and environmental policies, as was agreed at the 1994 Miami Summit of the Americas; and to observe and promote

worker rights, as Trade Ministers agreed at the 1998 Trade Ministerial in San Jose, Costa Rica.

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/AD/CVD) and the non-negotiating groups and committees (the Technical Committee on Institutional Issues, the Consultative Group on Smaller Economies, the Joint Government-Private Sector Committee of Experts on Electronic Commerce and the Committee of Government Representatives on the Participation of Civil Society). The FTAA Administrative Secretariat, which facilitates the negotiations, moved to Panama City, Panama in February 2001 from its previous site in Miami, Florida where it had been located since May 1998. Panama will continue to host the Secretariat until March 2003, when the Secretariat will move to Mexico, as agreed in the San Jose Ministerial Declaration.

FTAA Trade Ministers met for the sixth time in Buenos Aires, Argentina on April 7, 2001 to review negotiators’ work to date and provide guidance for the next phase of negotiations. The ministerial meeting was followed by the Summit of the Americas meeting in Quebec, Canada – the first multilateral summit meeting attended by President Bush -- where the hemisphere’s leaders confirmed the FTAA as a key component of the hemisphere’s economic development and integration.

Ministers made several important decisions in Buenos Aires, including agreeing that negotiations for creation of the FTAA will be concluded no later than January 2005, and that the Agreement will enter into force no later than December 2005.

Ministers also agreed that Negotiating Groups with market access components (market access, agriculture, services, investment, and government procurement) would start the market access phase of their negotiations by May 15, 2002. During 2001 these negotiating groups worked toward agreement on the “modalities” (ground rules) for the market access negotiations, while they and other negotiating groups and non-negotiating groups continued to work on creating disciplines and obligations to open trade throughout the hemisphere.

At the Buenos Aires meeting, Ministers created the Technical Committee on Institutional Issues (TCI). The TCI’s mandate is to develop the overall structure of the FTAA Agreement, including issues not covered in other chapters of the text, such as institutional mechanisms, transparency, and general provisions, which will apply to the entire Agreement. During 2001 the TCI discussed the treatment of these themes in the Agreement and has started considering proposals for text development.

To improve the transparency of the FTAA process and to build broader public understanding of and support for the FTAA, in April 2001 the Ministers made the unprecedented decision to make public the draft FTAA agreement. The nine negotiating groups presented Ministers with their negotiating texts - which make up the preliminary draft consolidated text of the FTAA Agreement. The text was subsequently translated into the four official languages of the FTAA – English, Spanish, French, and Portuguese – and is now available on the USTR website (www.ustr.gov) and the official FTAA website (www.ftaa-alca.org) in all four languages. Ministers instructed each of the nine FTAA negotiating groups to continue to work towards consensus by removing brackets in the draft chapters of the Agreement to the maximum extent possible.

Subsequent to the release of the draft text and recognizing the need for open communication with the public, the FTAA Committee of Government Representatives on the Participation

of Civil Society issued an Open Invitation for comment on all aspects of the FTAA negotiations, including the publicly released draft texts, on November 1, 2001. Information on the Open Invitation can be found on both the USTR and FTAA websites. The Civil Society Committee has invited the public to comment on the FTAA negotiations previously (November 1998 and April 2000) in order for the Committee to present the full range of views to Ministers before each Ministerial meeting. Submissions to the Third Open Invitation will be reflected in the Committee’s report to Ministers in Quito, Ecuador in October 2002. To ensure that the negotiators hear the opinions of those submitting comments as well, the FTAA Civil Society Committee is overseeing the timely delivery of all submissions to the negotiators.

In addition to agreeing to place this most recent invitation on the FTAA website, countries pledged to use national mechanisms to disseminate the invitation further. In July 2001, immediately after the draft text was released, USTR issued a Federal Register Notice to solicit comments on the FTAA draft text and other components of the negotiations, and did so again in November 2001 to publicize the issuance of the Civil Society Committee’s Third Open Invitation. USTR also issued a press release and letters to trade advisory committees alerting the public to the Open Invitation. USTR also regularly briefed members of the statutory Advisory Committees and others in several public meetings.

The 1998 Santiago Summit of the Americas Declaration stated that the participants in the FTAA process are to “take into account the differences in the levels of development and size of the economies in the Americas, in order to create opportunities for the full participation by all countries.” This pledge has been repeated in subsequent Ministerial Declarations. In September 2001, at their ninth meeting in Managua, Nicaragua, FTAA Vice Ministers developed guidelines on the treatment of differences in the levels of development and size. The guidelines, based on input from the FTAA

Consultative Group on Smaller Economies, provide the negotiating groups a flexible series of principles aimed at promoting the participation of smaller and less developed countries in the FTAA process. The guidelines include a process for considering specific proposals on technical assistance and capacity building, and will help ensure the full participation of all countries in the construction and benefits of the FTAA.

Following the Buenos Aires Ministerial, the United States assumed chairmanship of the FTAA Negotiating Group on Intellectual Property Rights. Other governments throughout the hemisphere share the responsibility for leading the negotiations. During 2001, the following countries or groups of countries chaired FTAA entities: Argentina (Market Access), Guatemala (Agriculture), Costa Rica (Government Procurement), Mexico (Investment), Colombia (Competition Policy), CARICOM (Services), Paraguay (Dispute Settlement) and Peru (Subsidies/Antidumping/Countervailing Duties). Also during 2001, Brazil chaired the Technical Committee on Institutional Issues, Bolivia chaired the Consultative Group on Smaller Economies, Canada chaired the Joint Government-Private Sector Committee of Experts on Electronic Commerce and the Dominican Republic chaired the Committee of Government Representatives on the Participation of Civil Society.

As agreed at the 1998 San Jose Ministerial meeting, Ecuador assumed the chairmanship of the FTAA process in May 2001, and will continue to chair meetings of FTAA Vice Ministers (Trade Negotiations Committee) and Ministers until October 2002. Beginning in November 2002, the United States and Brazil will assume the co-chairmanship of the FTAA process.

B. North American Free Trade Agreement

Overview

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada and Mexico entered into force. 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 most significant labor and environmental cooperation agreements that the United States has negotiated as part of a trade agreement. The NAFTA has dramatically improved our trade and economic relations with our neighbors. 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.

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 more than doubled between 1993 and 2000, significantly higher than export growth of 52 percent for the rest of the world over the same period.

Trade among the three NAFTA Parties has soared during the first seven years of the Agreement, and continues to set new records. Total U.S. exports to our NAFTA partners more than doubled, to \$266.3 billion. Total U.S. exports to Canada, our largest trading partner, climbed nearly 78 percent since the NAFTA entered into force. U.S. merchandise exports to Mexico have more than doubled from pre-NAFTA levels. As a result, Mexico became our second largest single-country trading partner in 1999. Exports to our two North American trading partners, combined, account for approximately 34 percent of our global exports. Jobs supported by goods exports to NAFTA countries increased by 45 percent, from an estimated 2.0 million in 1993 to an estimated 2.9 million in 2000.

Elements of NAFTA

1. Tariffs

Following procedures set out in the NAFTA, the United States, Canada and Mexico concluded a fourth NAFTA accelerated tariff elimination exercise on January 1, 2002. The early elimination of tariffs on a variety of products affected nearly \$24 billion in trade. The items identified for accelerated tariff elimination were selected based on requests by consumers, producers and traders who are eager to take advantage of the benefits of free trade throughout North America. Under this agreement, the United States and Mexico eliminated tariffs on a number of rubber and plastic footwear items, while Mexico matched current U.S. duty-free treatment on additional manufactured goods including motor vehicles, electric and electronic goods, and pharmaceuticals. Mexico and Canada eliminated tariffs between their two countries on a parallel package of goods.

2. Investment

The NAFTA provides comprehensive disciplines to ensure that U.S. investors in Mexico and Canada are provided with certain basic protections, including nondiscriminatory treatment, freedom from certain performance requirements (such as requirements for local content or for the transfer of technology to competitors), free transfer of funds related to investments, and expropriation only in conformity with international law.

During its July 2001 meeting in Washington, the NAFTA Free Trade Commission reviewed the operation of Chapter 11 of the NAFTA and issued interpretations of certain Chapter 11 provisions. These interpretations included a clarification of the correct interpretation of the NAFTA provision requiring treatment in accordance with customary international law for investments of investors of other Parties (thereby also correcting misinterpretations of that provision by certain arbitral tribunals). The Commission also agreed

to make accessible to the public, in a timely manner, documents submitted to, or issued by, Chapter 11 tribunals, subject to redaction of confidential business information; information which is privileged or otherwise protected from disclosure under a Party's domestic law; and information which the Party must withhold pursuant to the relevant arbitral rules. These interpretations contribute to the proper and transparent operation of the Chapter 11 dispute settlement process and to the proper and responsible participation of the disputing parties in such proceedings. The Commission also directed experts to continue their work examining the implementation and operation of Chapter 11, including developing recommendations as appropriate.

3. Rules of Origin

In 2001, the NAFTA Parties agreed on technical changes to the NAFTA Rules of Origin to bring the rules of origin into conformity with changes in the Harmonized System nomenclature that were adopted by the World Customs Organization. These changes will take effect in 2002.

4. Mechanisms to Implement the Agreement

The NAFTA's central oversight body is the NAFTA Free Trade Commission, chaired jointly by the U.S. Trade Representative, the Canadian Minister for International Trade, and the Mexican Secretary of Economy. The NAFTA Commission is responsible for overseeing implementation and elaboration of the NAFTA and for dispute settlement. The Commission held its most recent annual meeting in July 2001 in Washington, DC. The ministers reviewed the operation of the NAFTA Work Program, and the progress made thus far by the more than 25 NAFTA committees, working groups and other subsidiary entities. The Commission agreed to increase the rate of compensation paid to dispute settlement panelists, which had not been adjusted since the NAFTA entered into force. The ministers also agreed to cooperate in other trade fora, including the FTAA,

APEC, and the WTO.

5. NAFTA and Labor

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

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

Under the NAALC and various NAO procedural guidelines, citizens of any NAFTA signatory can file a submission to request their government to review the labor practices of a NAFTA partner. Several submissions have resulted in ministerial consultations and the adoption of work programs to address the underlying concerns. In response to one such submission, the U.S. NAO released a report in April 2001 on occupational safety and health issues at certain manufacturing facilities in Mexico.

The Parties have held numerous trilateral conferences, seminars, and technical exchanges to share information and make improvements in many critical areas. Conferences held in 2001 addressed issues related to migrant workers, the rights to organize and bargain collectively, and workplace violence. By addressing issues of labor rights, the NAALC has contributed to transparency and public dialogue on labor issues.

6. 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: a) the Council made up of the environmental ministers from the United States, Canada, and Mexico; b) the Joint Public Advisory Committee made up of five private citizens from each of the NAFTA countries; and c) the Secretariat made up of professional staff, located in Montreal, Canada.

The 2002-2004 Program Plan, approved in December 2001, is centered around four core program areas: Environment, Economy and Trade; Conservation of Biodiversity; Pollutants and Health; and Law and Policy. Within these areas, a number of programs are set out to further the objectives of the NAAEC. Throughout the course of implementing its annual program plan, the CEC has acquired a wealth of regional information and policy expertise in a wide range of cooperative program areas including: trade in sustainable agricultural products; the banning of dangerous chemicals like DDT in North America; development of environmental management system guidelines for businesses; and a strategy to conserve wildlife and natural ecosystems in North America.

Finally, the NAAEC 10(6) Environment and Trade Officials Working Group is currently discussing a number of issues, including how the three NAFTA Parties use precaution in making regulatory decisions, environmental assessments of trade liberalization, and the environmental effects of trade in electricity.

In November 1993, Mexico and the United States agreed on arrangements to help border communities with environmental infrastructure projects, in furtherance of the goals of the NAFTA and the NAAEC. During the September 2001

State Visit of Mexican President Vicente Fox, the United States and Mexico agreed to strengthen the Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB), to allow them to better address priorities in the border area. The two institutions are currently working with close to 100 communities along the Mexico-U.S. border.

Since their creation, the institutions have been instrumental in the development of over 30 projects, now complete or under construction, with an aggregate cost of nearly \$1 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 eight 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.

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 56 percent. In 2001, two-way trade with APEC members totaled \$1.3 trillion, a decline of 6.6 percent from 2000.

It was at Blake Island that APEC Leaders first expressed their collective desire to move toward an “Asia Pacific community” of economies. In particular:

- ▶ In 1994, APEC Leaders announced their commitment to the “Bogor vision” to

establish free and open trade and investment in the region by 2010 for industrialized economies and 2020 for developing economies;

- ▶ In 1995, the Osaka Action Agenda, which developed a specific road map for opening markets in the region in 14 substantive areas, was agreed upon;
- ▶ In 1996, APEC economies submitted their first “Individual Action Plans” indicating how they intended to move toward fulfillment of the Bogor goals. Moreover, APEC Leaders called for conclusion of the Information Technology Agreement (ITA) in the WTO, which acted as a decisive catalyst toward successful completion of this agreement 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; and

- ▶ 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.

2001 Activities

APEC Trade Ministers and Leaders reaffirmed the importance of moving forward to launch multilateral trade negotiations at Doha, stressing the region's continued commitment to trade expansion and market opening. Though APEC economies continued to open their markets in 2001 (see the *APEC 2001 Economic Outlook*, and the *2001 Individual Action Plans* at www.apecsec.org.sg), Ministers and Leaders emphasized the need for APEC to take a leadership role on global trade issues, so that the Round could be launched and the world trading system would move beyond inconclusive results of the 1999 WTO Ministerial in Seattle.

Important activity took place at all APEC levels in 2001 to give effect to APEC's vision of free and open regional trade and investment, from the Leaders and Ministerial agreements to the work of Senior Officials and the Committee on 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 specific steps with the adoption of the Shanghai Accord to advance its own work program of regional trade and investment liberalization and facilitation; and

- ▶ discussed the numerous sub-regional trade agreements in the Asia Pacific region, underscoring the need for their consistency with APEC's architecture, goals and principles.

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. APEC Trade Ministers meeting in Shanghai in June 2001 – a time when the prospects for a launch of the new WTO Round were still uncertain – adopted a very strong statement supporting the launch of a new WTO Round at the upcoming WTO Ministerial Conference in Doha, Qatar. APEC Ministers and Leaders built upon this outcome when they met in October in Shanghai, where they gave their unanimous support to the launch of the new Round, unified by the tragic September 11 events in the United States and the need for real multilateral commitment in the face of the worldwide economic downturn.

To continue building confidence in the WTO, APEC Ministers and Leaders also emphasized the importance of the many APEC activities undertaken in 2001 to provide capacity building assistance under the APEC Strategic Plan, created in 2000 to help developing APEC economies implement their existing WTO obligations. Ministers and Leaders called for APEC to continue developing new assistance programs under the Strategic Plan and implement them on an accelerated basis.

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

By adopting the Shanghai Accord, originally proposed by the United States, APEC Leaders took an important step to ensure that APEC achieves its free and open trade and investment goals in the region. During his trip to Shanghai,

President Bush stated, "Together, we must meet the Bogor goals -- including free trade for every nation in this region by 2020. The Shanghai Accord we will sign ... gives us new and useful tools to enhance trade and investment."

In the Shanghai Accord, Leaders agreed to:

- ▶ anchor the new economy by further liberalizing services, intellectual property, and tariff regimes;
- ▶ implement transparency principles in economic governance that ensure good government; and
- ▶ eliminate red tape in a way that facilitates trade and moves to reduce transaction costs by 5 percent over the next 5 years.

The Shanghai Accord also contains substantive changes to APEC procedures by calling for:

- ▶ "Pathfinder Initiatives" which enable a small group of countries to pilot initiatives, even though not all countries can initially participate; and
- ▶ meaningful peer review of each Member's progress toward the Bogor Goals to ensure that APEC economies stay on track.

APEC work on trade and investment liberalization and facilitation is overseen by the *Committee on Trade and Investment* (CTI) and its sub-fora, which the United States chaired in 2000 and 2001. 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 2001, Ministers endorsed the CTI's improvements to the OAA Part I, a review directed by Ministers in 2000. This new work product ensures that the OAA remains APEC's roadmap for achieving free and open trade and investment in the region. As of 2001, APEC economies are now supposed to present their Individual Action Plans (IAPs) in electronic template form - the "e-IAP." IAPs were originally developed as an annual reporting tool to provide APEC economies with mutual pressure to institute trade liberalizing measures on their own accord, and e-IAPs were agreed in 2000 to further encourage this trend. The United States successfully completed its first e-IAP in 2001, and it reflects the relatively open, market-driven nature of the U.S. economy (e-IAPs can be viewed at www.apecsec.org.sg).

While the CTI has overall responsibility for developing and overseeing work in the fifteen substantive OAA issue areas, much of the work program at a technical level is conducted by CTI sub-fora. The CTI met three times during 2001 in China: Beijing, 15-16 February; Shenzhen 30-31 May; and Dalian 20-21 August. In addition, the following CTI sub-fora met:

- *Market Access Group* (MAG) – Beijing, 17-19 February; Shenzhen, 27-28 May; and Dalian, 17-18 August;
- *Group on Services* (GOS) – Beijing, 17-18 February; Shenzhen 27-28 May; and Dalian, 18-19 August;
- *Investment Experts' Group* (IEG) – Cheju, Republic of Korea, 23-24 March; Shenzhen 26-27 May; and Dalian 16-17 August;
- *Sub-Committee on Standards and Conformance* (SCSC) – Beijing, 17-18 February; Shenzhen 28-29 May; and Dalian, 18-19 August;
- *Sub-Committee on Customs Procedures* (SCCP) – Beijing 17-20 February; and Shanghai, 16-19 August;

- *Intellectual Property Rights Experts' Group (IPEG)* – Sydney, Australia, 20-21 March; and Taichung, Chinese Taipei, 16-17 July;
- *Competition Policy/Deregulation Workshop* – Shenzhen, 27-28 May;
- *Government Procurement Experts' Group (GPEG)* – Beijing, 17-18 February; and Dalian, 18-19 August;
- *Informal Experts' Group on the Mobility of Business People (IEGBM)* - Beijing, 17-18 February; Shenzhen, 27-28 May; and Dalian 17-19 August;
- *Informal Group on Implementation of WTO Obligations and Rules of Origin* - Beijing, February; Shenzhen, 28 May; and Dalian, 18, August.

Progress on Collective Action Plans

Among other things, the CTI and its sub-fora are responsible for implementing APEC's "Collective Action Plans" in each of the fifteen areas. The objective of the Collective Action Plans is to develop cooperative means and programs by which APEC members progress toward the APEC goals of regional open and free trade and investment. In 2001, 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 2001 Annual Report to Ministers*, which is at the APEC Secretariat's website (www.apecsec.org.sg).

Highlights of Collective Actions conducted by some of the key of the CTI Sub-fora are outlined below:

The *Sub-Committee on Standards and Conformance* (SCSC), contributed to the launch of a pilot of the DeclareNet, an internet business-to-government(B2G) website for exchange of conformance information between regulatory

authorities and manufacturers which also functions as a regulatory tool for surveillance. It also endorsed a proposal that APEC-based information technology companies and Information Technology Industry Council (ITI) members work to co-develop, with interested member economies, a road map to facilitate the implementation of the work program on trade facilitation in information technology products. The SCSC also streamlined its work program through rationalization of its agenda and better coordination with other groups.

The *Sub-Committee on Customs Procedures* (SCCP) completed several comprehensive multi-year technical assistance programs aimed at assisting member in implementing the SCCP collection action plan. It endorsed a framework for assessing and evaluating members' implementation of the collective action plan, and implemented a set of SCCP trade facilitation recommendations.

The *Market Access Group* (MAG) intensified its work on tariffs and non-tariff measures (NTMs), agreeing to a "Typology of Possible NTMs Identified under EVSL Sectors and Fora/Sub-Fora to Address Them." As part of a Trade Policy Dialogue on NTMs, it invited experts from the Pacific Economic Cooperation Council and the United States International Trade Commission to present papers on their work on NTMs. The Group also published a report entitled "APEC Economies: Breaking Down the Barriers" that highlights efficient and effective administrative procedures to facilitate the flow of goods and services across borders, and which some APEC economies already have implemented in certain sectors. MAG reviewed and agreed on a new term of reference to provide clearer guidance on the roles and functions of the group, and elevated into new collective actions the points contained in a paper the Group did last year entitled "Discussed Ideas for Future NTMs Work Program."

The *Group on Services* (GOS) completed Phase II of the Development of the Menu of Options for Voluntary Liberalization, Facilitation and

Promotion of Ecotech in Services Trade and Investment. As part of the updating of the Osaka Action Agenda mandated by Leaders, Leaders accepted GOS' recommendation for a new objective. According to this objective, economies all agree to achieve free and open trade and investment in the APEC region by "providing, in regulated sectors, for the fair and transparent development, adoption and application of regulations and regulatory procedures for trade in services." The GOS also considered recommendations on trade in education services, and finalized a report entitled "Firm Expatriation Policy and Practices in Services Trade: The Gender Dimension."

The *Intellectual Property Experts' Group* (IPEG) endorsed a new collective action plan on intellectual property rights, and held a government/industry workshop on IP enforcement in the APEC region to exchange information on enforcement issues between the private and public sectors. The Group also conducted a symposium to share knowledge and exchange views on effective patent commercialization and successful technology transfer in the context of intellectual property systems.

The *Workshop on Competition Policy and Deregulation* (CPD) considered effective ways to implement the APEC Principles on Competition and Regulatory Reform. Of particular note are the CPD's joint activities with the OECD to foster regulatory reform in the region. During 2001 APEC, through the CPD and together with the OECD, held two of the three events planned for this cooperative effort. The opening conference "Foundations for Sustainable Growth: Progress and Challenges in Regulatory Reform" was held in February, and the first follow-up workshop was held in September. As part of the mandated updating of the Osaka Action Agenda, Leaders accepted the CPD's recommendation for new guidelines according to which economies agreed to "enforce competition policies and/or laws to ensure protection of the competitive process and promotion of consumer welfare, innovation, economic efficiency and open markets," and to

"disclose any pro-competitive efforts undertaken (e.g., enactment of competition laws, whether comprehensive or sectoral)."

The *Government Procurement Experts' Group* (GPEG) focused its work on continuing the agreed process of voluntary review and reporting by member economies on the consistency of their government procurement regimes with the APEC Non-Binding Principles on Government Procurement adopted in 1999. Reporting by member economies on the consistency of their regimes with transparency principles is nearing completion. Member economies are beginning presentations on their e-procurement systems with a view to providing "lessons learned" to those economies which have yet to initiate e-procurement.

The *Informal Experts' Group on Mobility of Business People* (IEGBM) endorsed the "Business Mobility Standards: A Key to Building Capacity" paper which provides a framework for developing effective capacity building strategies that support regional travel facilitation. As part of this capacity building strategy, it endorsed a document examination standards paper and training packages to assist implementation of effective and speedy document examination regimes. IEGBM also secured APEC funding approval to develop professional and efficient service standards, and to conduct a multilateral trial of the "Advance Passenger Processing" system, a standard for border processing. The Group approved in principle, on a best endeavors basis, the adoption of a 30-day standard for completion of the temporary residency processing of specialists. It also developed a website on business mobility to facilitate dialogue and continued to maintain the APEC Business Travel Handbook website.

The *Informal Group on Implementation of WTO Obligations and Rules of Origin* developed twelve lead projects under the APEC Strategic Plan on WTO capacity building. These projects were funded by APEC's TILF (Trade and Investment Liberalization and Facilitation) fund to assist developing APEC economies to implement their

WTO obligations.

Work on the "EVSL" Sectors

The CTI continued to monitor and advance the work to address non-tariff measures, facilitate trade, and conduct economic and technical cooperation in each of the sectors selected by APEC Leaders for "early voluntary liberalization." Further progress has been achieved in some areas, including chemicals, autos, and medical equipment.

Key among these was the launch of an APEC *Chemical Dialogue*, in which senior government and industry representatives will meet regularly to discuss issues affecting the competitiveness of the chemical industry in the Asia-Pacific region. The Chemical Dialogue will focus on issues affecting non-tariff measures, trade facilitation, and economic and technical cooperation. In 2001, terms of reference for this Dialogue were developed, including the creation of a Steering Group to support the Dialogue's work. An initial Steering Group was held in August 2001, at which time industry identified a regional effort to adopt and implement the Globally Harmonized System of classification and labeling as its top priority. Preparations are now underway for the holding of the first Chemical Dialogue in Mexico around the time of the Meeting of APEC Trade Ministers in May 2002.

In addition, the third meeting of the *APEC Automotive Dialogue* was held successfully on 3-5 April 2001 in Bangkok with more than 200 participants from industry and government. The Dialogue adopted an "Information Technology Manifesto" which incorporates a forward-looking action agenda and a set of "Principles of Technical Regulation Harmonization." In addition, the Automotive Dialogue has reorganized into Working Groups, a format which will increase the Dialogue's responsiveness to industry recommendations. An active work program is underway, including a potential link to the WTO round, peer review activity, increased efforts to involve developing economies in global

harmonization work, and a series of customs seminars.

In the area of *medical equipment*, funding was approved for a follow-up seminar to the Seminar for Government Regulators on Harmonization of Medical Equipment Regulation that was held in Singapore in March 2000. The U.S. Government is now working with the medical equipment industry to organize this seminar, which is scheduled for May 2002. The seminar will provide an opportunity for participants to exchange views on the status and benefits of global harmonization of regulations for medical equipment and promote broader participation in international efforts to develop consensus-based standards for medical technical regulation. Such harmonization would improve the competitiveness of the industry, create more open and transparent regulatory systems, reduce trade frictions, and help to ensure rapid patient access to the latest medical innovations – which will improve the quality of care and reduce costs.

3. Free Trade Agreements

Noting the increasing number of free trade agreements being either studied, negotiated, or concluded among countries in the APEC region, APEC officials conducted several discussions in 2001 to exchange views on these developments, and the effect they may have on regional and multilateral efforts to free trade, including at a trade policy forum session of the CTI in Shenzhen in May. At the suggestion of the United States and Chile, interested members held an informal session in Dalian in August to discuss in more depth the various free trade agreements that members are currently negotiating or have recently completed.

In November, APEC Leaders noted the information exchanges undertaken, and agreed that regional and bilateral trade agreements should serve as building blocks for multilateral liberalization in the WTO. They stated that it is essential for such agreements to be consistent with WTO rules and disciplines, and in line with APEC

architecture and supportive of APEC goals and principles.