

VI. WESTERN HEMISPHERE

FY 1999

Annual Performance Goals

- a. Achieve the objectives to be agreed to at the 1998 Santiago Summit meeting for the first year of negotiations of the Free Trade Area of the Americas including progress by the year 2000; initiate FTA negotiations with one major sub-region in the Western Hemisphere;
- b. If not concluded in FY 98, negotiate the terms of the Caribbean Trade Enhancement Act or comparable legislation as regards the textile and apparel sector.
- c. If not concluded in FY 98, negotiate a comprehensive free trade agreement (FTA) with Chile.
- d. Negotiate bilateral investment treaties with at least two countries in the region to ensure protection for U.S. investments and to pave the way for an eventual investment chapter in FTAA.
- e. If not concluded in FY 98, negotiate resolution of inadequate intellectual property protection in Paraguay or take appropriate action.
- f. Fulfill U.S. objectives in implementing the NAFTA trilateral work program and the ongoing trilateral NAFTA public information effort.

Performance Indicator

- a. It is difficult to predict with accuracy whether or not a negotiation will be completed in any one year. We will indicate in our annual report the number of negotiations and trade problems resolved and the number pending.

Performance Verification

- a. In FY 1999 the FTAA completed annotated outlines for each of the nine Negotiating Groups and reached agreement on 8 customs measures to be implemented by all 34 countries by April 2001. Agreement also was reached on procedures for obtaining public comment on the negotiations at the hemispheric level; this was accomplished through the Committee on Civil Society, the first such civil society initiative in an international trade negotiation. Recommendations also were obtained on electronic commerce from a joint Private Sector-Public Sector Committee of Experts.
- b. In FY 1999, the U.S. and El Salvador signed a BIT. Although intermittent negotiations took place with Colombia, Peru and Venezuela, no agreement was reached in FY 1999; negotiations are expected to resume in FY 2000.
- c. The U.S. and Paraguay reached agreement on an IPR Enforcement Plan for Paraguay; both countries continue to monitor enforcement and consult periodically on implementation of the Plan.
- d. USTR did not engage in FTA negotiations with Chile during FY1999, primarily due to the lack of "fast track" negotiating authority, but did engage in a reinvigorated dialogue on trade and

investment with Chile through the U.S.- Chile Joint Commission on Trade and Investment. The U.S. also has actively coordinated on trade and investment issues with Chile in other fora, such as the FTAA, WTO, and APEC.

- e. The NAFTA Commission in FY 1999 approved annual work plans for over 25 committees and working groups of the NAFTA. Trilateral brochure on the first five years of the NAFTA was produced and disseminated to the public.
- f. Invoked NAFTA obligations to upgrade Mexico's enforcement of IPR, especially copyrights; and to improve access for U.S. dry beans in Mexico.
- g. Negotiated an amendment to the 1996 Softwood Lumber Agreement to resolve dispute regarding British Columbia timber cutting. Also, obtained Canadian compliance with WTO ruling against Canadian discrimination in trade in periodicals.
- h. Successfully implemented 1998 Record of Understanding (ROU) on agricultural market access in Canada, particularly provisions involving live cattle and grain trade.

FY 2000

Performance Goals

- a. Fulfill the U.S. objectives for the negotiating phase following the November 1999 FTAA Trade Ministerial, taking into account the advice received through the U.S. Government's formal advisory committee system as well as from public comments solicited through Federal Register notices and through the FTAA Government Committee on Civil Society (GCCS). Present U.S. text proposals in Negotiating Groups that reflect U.S. interests in a state-of-the-art, comprehensive free trade agreement. Develop and introduce list of 2nd Round Business Facilitation measures. Initiate U.S. environmental review of the FTAA. Ensure that GCCS completes second round of formal comment at the hemispheric level.
- b. If not concluded in FY 1999, negotiate a comprehensive free trade agreement with Chile.
- c. Negotiate bilateral investment treaties with at least one country in the region at a level of protection consistent with the level and coverage that we would like to achieve in the FTAA chapter on investment.
- d. Negotiate resolution of bilateral disputes resulting from the failure of any Latin American or Caribbean country to fulfill WTO obligations that come into effect on 1/1/2000, especially in the areas of intellectual property rights and customs valuation.
- e. Fulfill U.S. objectives in implementing the NAFTA trilateral work program, made publicly available in FY 1999, including managing over 25 Committees, Sub-Committees and Working Groups and the trilateral NAFTA public information effort.
- f. Fulfill U.S. objectives in NAFTA implementation, including as the NAFTA pertains to bilateral issues with Mexico and Canada.
- g. Fulfill U.S. objectives in implementing the U.S. -Canada Softwood Lumber Agreement; advance

U.S. objectives as they pertain to "cultural industries" in Canada and U.S. export interests; and advance U.S. objectives in implementing and building on the December 1998 U.S.-Canada Record of Understanding on Agricultural Trade.

- h. Implement U.S. WTO objectives in the Hemisphere.

Performance Indicator

- a. It is difficult to predict with accuracy whether or not a negotiation will be completed in any one year. We will indicate in our annual report the number of negotiations and trade problems resolved and the number pending.

Performance Verification

- a. The first round of post-Toronto Ministerial negotiations have been held in the FTAA. USTR currently is coordinating the development of U.S. texts to present to the Negotiating Groups in subsequent rounds of negotiations after April 2002. USTR also coordinated the development of U.S. proposals for the 2nd round of business facilitation measures. The USG is working with the other 34 countries in the Experts Group on Business Facilitation to ensure that all 34 countries implement the 8 customs measures in accordance with the "primary elements" that were agreed at the Toronto Ministerial. A USTR- led interagency committee has begun the environmental review of the FTAA.
- b. The Administration continues to work with Congress to obtain passage this year of the CBI Enhancement legislation.
- c. The U.S. is working with several Latin American countries to ensure timely implementation of their Uruguay Round obligations with respect to IPR and customs valuation.
- d. The U.S. recently hosted the annual NAFTA Commission meeting. In the meantime, specific work is proceeding on trade facilitation and strengthening NAFTA dispute settlement.
- e. Successfully used NAFTA obligations to resolve discrimination against U.S. tourism and sport fishing services in certain boundary waters with Canada; continuing to work jointly with Mexico to improve IPR enforcement.
- f. USTR is continuing to implement the 1998 Record of Understanding (ROU) on agriculture, including a wheat monitoring regime.

FY 2001

Performance Goals

- a. Fulfill the U.S. objectives for the April 2001 FTAA Trade Ministerial by negotiating a comprehensive draft bracketed text of the FTAA agreement, taking into account the advice received through the U.S. Government's formal advisory committee system as well as from public comments solicited through Federal Register notices and through the FTAA Government Committee on Civil Society. Ensure that the FTAA reflects U.S. interests in a state-of-the-art,

comprehensive free trade agreement.

- b. If appropriate negotiating authority has been secured, negotiate a comprehensive free trade agreement with Chile.
- c. Negotiate bilateral investment treaties with at least one country in the region at a level of protection consistent with the level and coverage that we would like to achieve in the FTAA chapter on investment.
- d. If not concluded in FY 2000, negotiate resolution of bilateral disputes resulting from the failure of any country in the Western Hemisphere to fulfill WTO obligations that come into effect on 1/1/2000 and later, especially in the areas of intellectual property rights, TRIMs and customs valuation.
- e. Fulfill U.S. objectives in implementing the NAFTA trilateral work program and the ongoing trilateral NAFTA public information effort.
- f. Continue to use NAFTA disciplines and provisions to open markets for U.S. exports of goods and services and to ensure fair trade.
- g. Fulfill U.S. objectives in enforcing the U.S. -Canada Softwood Lumber Agreement, which expires in April 2001, including the possibility of negotiating a successor agreement if consistent with U.S. interests; advance U.S. objectives as they pertain to "cultural industries" in Canada and U.S. export interests, including enforcement of the 1999 U.S.-Canada Agreement on magazines; and advance U.S. objectives in implementing and building on the December 1998 U.S.-Canada Record of Understanding on Agricultural Trade and any successor agreement.
- h. Ensure effective implementation by Mexico on 1/1/01 of its obligations under NAFTA to end its duty draw-back program for non-NAFTA inputs for goods exported to NAFTA countries.
- i. Implement U.S. WTO objectives in the Hemisphere.

Performance Indicator

- a. It is difficult to predict with accuracy whether or not a negotiation will be completed in any one year. We will indicate in our annual report the number of negotiations and trade problems resolved and the number pending.

Performance Verification

- a. Initiation and completion of negotiations are announced in press releases, notifications to Congress and in the *President's Trade Policy Agenda*. We reported fully on negotiations in this annual performance report.
- b. We negotiated a comprehensive draft consolidated text which was presented to Ministers at the April 2001 FTAA Trade Ministerial. It was made public on July 3, 2001. We took into consideration as we developed our positions for the text that was drafted for the April Ministerial the responses to the Federal Register Notice we issued on December 28, 2000 requesting public comment on the negotiations.
- c.

- d. USTR will seek resolution of bilateral agricultural trade irritants with Canada through implementation of the 1998 Record of Understanding.
- e. USG reviewed draft Mexican regulations on the duty-drawback program, provided comments to the Government of Mexico which made modifications to avoid US concerns about NAFTA inconsistency before the final regulations were issued. After implementation, the United States sought industry comment and consulted with Mexico when necessary. Through FY 2001, no problems, were identified, but monitoring continues.
- f. The United States demonstrated a renewed commitment to the NAFTA in 2001. Ambassador Zoellick hosted a meeting of the NAFTA Free Trade Commission in Washington, the first such meeting in two years, and the first such meeting in the United States since 1997. The trade ministers reviewed the NAFTA work program and asked deputies to identify ways to streamline the flow of information from the working groups to the Commission. The NAFTA parties also produced a trilateral brochure, "NAFTA at Seven," which highlighted the achievements to date, and commenced work on a trilateral communications workplan to enhance public understanding of the Agreement.
- g. In FY 2001, the NAFTA parties agreed on a fourth round of accelerated tariff reductions, which were implemented on January 1, 2002. The total value of trilateral trade covered by the exercise was \$25 billion. The products covered by the tariff acceleration process included motor vehicles, chemicals, rubber footwear, toys, and electrical devices.

The NAFTA partners reviewed the operation of Chapter 11 of the NAFTA and issued interpretations of certain Chapter 11 provisions. These steps contribute to the efficient and transparent operation of the Chapter 11 dispute settlement process and to the proper and responsible participation of the disputing parties in such proceedings.

- h. We have not been able to negotiate any bilateral investment treaties due to unresolved policy issues.
- i. In July 2001, we began a constructive dialogue with Canada in parallel with the filing of both antidumping and CVD cases once the 1996 Softwood Lumber Agreement expired. This dialogue has become a negotiation of policy reforms in the Canadian provinces regarding softwood lumber. We have held frequent meetings to advance the issues but as of March 21, 2002, no final resolution was reached. The Commerce Department issued its final AD/CVD determinations on March 21, 2002.

Under U.S./Canada Record of Understanding on Agricultural Matters, the U.S./Canada Consultative Committee on Agriculture met two times in 2001 to discuss a wide range of issues. Meaningful progress was made to address phytosanitary measures and labeling of fresh fruits and vegetables.

- j. During 2001 we negotiated, and the WTO Council on Trade Goods approved, agreements providing for the phased elimination of certain TRIMS maintained by Colombia, Argentina and Mexico (as well as certain countries from outside the Western Hemisphere) by Dec 31, 2003.
- k. Negotiate a comprehensive free trade agreement with Chile, with a view towards completion in

calendar year 2002 .

- k. Negotiated acceptable resolution of requests from Dominican Republic and Jamaica for limited reservations under the Customs Valuation Agreement, and from Argentina, Colombia and Mexico for a two-year extension of the deadline under the Agreement on Trade-Related Investment Measures.