The Administration continues to urge the Taiwan authorities to take concrete steps to bring these practices into conformity with GPA requirements and ensure that they do not constitute an unnecessary barrier to fair and open competition in Taiwan's government procurement market.

Canada—Provincial Government Restrictions: A number of Canadian provinces apply price preferences and other significant restrictions that discriminate against U.S. suppliers interested in bidding on provincial government procurement contracts. To date, the Administration has identified particular concerns with respect to procurement restrictions applied by the provinces of Ontario, Quebec and British Colombia. The Administration is concerned that the application of such restrictions may result in a significant imbalance of bilateral market access opportunities in government procurement. Canada is the only GPA Party that has yet to open its sub-Federal procurement markets. Working closely with interested U.S. states, the Administration continues to urge Canada to bring provincial governments and other government-owned entities within the scope of NAFTA and GPA procurement rules.

Germany—''Sect Filters'': In September 1998, the German Ministry of Economics promulgated a ''protection clause'' (commonly referred to as a ''sect filter'') meant to be incorporated into government contracts for certain training and consultation services. Among other elements, the clause would have prohibited firms from bidding on German government contracts if they have employees that attend or participate in Scientology seminars. Following the promulgation of this ''protection clause,'' the United States expressed concern in bilateral consultations and in the 2000 Title VII report about the clause's potentially discriminatory effects on government procurement. In subsequent consultations with German government and industry representatives, the Administration urged Germany to rescind the sect filter requirements.

In response, the German government has revised its ''protection clause'' in a manner that no longer prohibits firms from competing for government contracts on the basis of the affiliation of its management or employees with the Church of Scientology. This decision represents significant progress in addressing U.S. concerns relating to the use of ''sect filters.'' The Administration will continue to monitor the implementation of the revised policy to ensure that U.S. firms and workers are not discriminated against in procurement by German Federal and sub-Federal governments.

A. Jane Bradley,

Assistant U.S. Trade Representative for Monitoring and Enforcement.

[FR Doc. 01–11354 Filed 5–4–01; 8:45 am]

BILLING CODE 3190–01–P

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Report on Trade Expansion Priorities Pursuant to Executive Order 13116 (''Super 301'')

AGENCY: Office of the United States Trade Representative.

ACTION: Notice.

SUMMARY: The United States Trade Representative (USTR) is providing notice that it submitted the report on U.S. trade expansion priorities published herein to the Committee on Finance of the United States Senate and Committee on Ways and Means of the United States House of Representatives pursuant to the provisions (commonly referred to as ''Super 301'') set forth in Executive Order No. 13116 of March 31, 1999.

DATES: The report was submitted on April 30, 2001.

FOR FURTHER INFORMATION CONTACT: Demetrios Marantis, Associate General Counsel, Office of the U.S. Trade Representative, 600 17th Street, NW., Washington, DC 20508, 202–395–9626.

SUPPLEMENTARY INFORMATION: The text of the USTR report is as follows.

Identification of Trade Expansion Priorities Pursuant to Executive Order 13116: April 30, 2001

The Bush Administration has an ambitious trade agenda, reflecting the importance President Bush assigns to trade. This is an opportune moment to reassert America's leadership in setting trade policy and to build a post-Cold War world on the cornerstones of freedom, security, democratic values, open trade, and free markets.

The Office of the United States Trade Representative (USTR) submits this ''Super 301'' report pursuant to Executive Order 13116 of March 31, 1999. This report sets forth U.S. trade expansion priorities for 2001. The Administration intends to expand trade on multiple fronts, through negotiation of new agreements and by ensuring that existing agreements are fully implemented by U.S. trading partners. At the same time, the Administration intends to ensure that Americans are able to reap the benefits of market-opening agreements by resolving problems that confront U.S. exporters. The USTR prepared this report in close consultation with U.S. Government agencies on the basis of the 2001 Trade Policy Agenda, the 2001 NTE Report, public comments submitted to USTR, and information received from U.S. Embassies abroad.

I. Trade Expansion Priorities for 2001

President Bush spoke at the recent Summit of the Americas in Quebec City about the benefits of trade: ''Free and open trade creates new jobs and new income. It lifts the lives of all our people, applying the power of markets to the needs of the poor. It spurs the process of economic and legal reform. And open trade reinforces the habit of liberty that sustains democracy over the long haul.'' Trade policy is the bridge between the President's international and domestic agendas. As the former governor of a major border state, President Bush has seen that the free exchange of goods and services sparks economic growth, opportunity, dynamism, fresh ideas, and democratic values.

To fulfill the President's vision, the Office of the U.S. Trade Representative sets forth the following two trade expansion priorities for 2001: (1) Reestablish a bipartisan consensus on free trade and (2) move on multiple fronts to expand trade.

A. Reestablishing a Bipartisan Consensus on Free Trade

The United States faces key decisions about the future course of our trade policy. Just as the World War II generation forged a bipartisan consensus that sustained successful trade expansion throughout the Cold War, we must build a new consensus to promote open markets for trade in the decades to come.

There have been some encouraging developments in the area of open trade in the past year. Congress enhanced the Caribbean Basin Initiative, passed the African Growth and Opportunity Act, and enacted legislation to grant permanent normal trading relations to China. More recently, the United States and the European Union (EU) have reached an agreement to resolve the long-standing dispute over bananas, and the United States and Chile have pledged to complete negotiations on a free trade agreement by the end of the year. On April 22, President Bush and the leaders of 33 other nations in the Western Hemisphere signed a declaration at the Summit of the Americas in Quebec City pledging their support for completing the negotiations on a Free Trade Area of the Americas (FTAA) no later than January 2005. The FTAA will be the world's largest free trade area, representing 800 million people.

There has also been encouraging progress recently on resolving a number of trade disputes through the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA). Greece has moved to counter the piracy of U.S. films and television programs, Mexico has agreed to allow dry beans from the United States to be imported in a more timely and predictable manner, and India has lifted its restrictions on U.S. agricultural, textile, and industrial products.

But there also have been setbacks. When the House of Representatives voted in 1998 to deny the President trade negotiation authority, it marked the first time the Congress had ever rejected granting this authority. And the failure to launch the global trade talks in Seattle in December 1999 handed a high-profile victory to the opponents of free trade, global competition, and economic opportunity.

The history books recount the economic, political, and indeed national dangers of a breakdown in America's trade policy. For the first 150 years of the United States, there were contentious Congressional debates over tariff bills, some even leading to movements for Nullification and Secession. Then the

disastrous experience of setting protectionist tariffs for over 20,000 individual items in the Smoot-Hawley bill of 1930 led the Congress four years later to try a different approach: a partnership with the Executive to negotiate lower barriers to trade around the world. Launched by strong and innovative leaders, Franklin D. Roosevelt and Cordell Hull, this effort between the Congress and the Executive became a bipartisan partnership, and eventually produced prosperity, opportunity, and liberty beyond the greatest expectations of its supporters.

Federal Reserve Chairman Alan Greenspan has put this success in historical perspective by pointing out that the growth in trade as a share of the world economy over the past 50 years has finally managed to reverse the losses from the calamities of the early 20th century, and now approximates the degree of globalization around 1900. So today, just like Americans at the turn of the last century, we face critical decisions about the future course for our country, trade, and the world.

The Benefits of Trade

There are three principal reasons why further trade liberalization is important to the American people. First, expanded trade—imports as well as exports—improves the well being of Americans. It leads to better jobs, with bigger paychecks, in more competitive businesses—as well as to more choices of goods and inputs, with lower prices, for hard-working families and hard-driving entrepreneurs.

Exports accounted for over one-quarter of U.S. economic growth over the last decade and support an estimated 12 million jobs. In the American agricultural sector, one in three acres are planted for export purposes, and last year American farmers sold more than $50 billion worth of agricultural products in foreign markets. Imports helped keep prices down as jobs, compensation, and productivity increased.

Votes for agreements like NAFTA and the Uruguay Round may not have been easy to cast. Yet those agreements contributed to the longest period of economic growth in U.S. history, with levels of full employment, and without inflationary pressures, beyond the forecasts of any economist. Conservative estimates of the higher income and lower prices stemming from the Uruguay Round and NAFTA indicate an annual benefit of between $1,260 and $2,040 for an average American family of four.

The expanding global trade and the expanding economic growth in the United States are not coincidental; they are achieved in concert. One strengthens and reinforces the other. Moreover, restrictions on trade have victims: farmers, school teachers, factory and office workers, small business people, and many others who have to pay more for clothing or food or homes or equipment because of visible and invisible taxes on trade.

Second, as President Bush has stated, free trade is about freedom: ''Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy.'' During the Summit of the Americas in Quebec City, President Bush met with Mexico's President Fox, the first president elected from the opposition since the Mexican revolution. It is not an accident that after Mexico embraced the opening of its economic system, as embodied in NAFTA, it was drawn to a democratic opening as well.

Free trade reduces government barriers and encourages vibrant private and civic societies governed by the rule of law. It opens societies to people, to ideas, to debate, to competition, and also to impartial transparent rules. That freedom creates openings for the free press and for NGOs, not just for businesses and entrepreneurs. And it creates openings to the outside world through the Internet, books, and a whole series of new networks.

Third, expanded trade affects our nation's security. The crises of the first 45 years of the last century—the economic retrogression referred to by Chairman Greenspan—were inextricably linked with hostile protectionism and national socialism. Communism could not compete with democratic capitalism, because economic and political freedom creates energy, competition, opportunity, and independent thinking.

Take an example from today. Colombia is waging a battle to defend the rule of law against those who finance their terror through complicity in drug trafficking. President Pastrana has said that one way to counter this threat would be for Congress to renew the Andean Trade Preferences Act (ATPA), which expires in December. Renewal, he says, would stimulate job creation, strengthen the democratically elected government, and diminish the appeal of the drug trade. With a renewed and robust ATPA, the United States and Colombia can broaden our efforts on behalf of freedom—from aid to trade.

Building Public Support for Trade

These benefits of open trade can only be achieved if we build public support for trade at home. To do so, the Administration must enforce, vigorously and with dispatch, our trade laws against unfair practices. In the world of global economics, justice delayed can become justice lost.

For the United States to maintain an effective trade policy and an open international trading system, Americans must have confidence that trade is fair and works for their benefit. That means ensuring that other countries live up to their obligations under the trade agreements they sign.

Change, particularly rapid adjustments, can be very difficult—even frightening—for many hard-working people. We need to help people adapt and benefit from change—whether prompted by trade, technology, e-commerce, new business models, or other causes. Therefore, a successful trade policy over the long term should be accompanied by better schools, worker adjustment assistance, tax policies that enable people to keep and save more of their paychecks, and reforms of Social Security and Medicare so older Americans have a safer retirement.

In order to build continued support for free trade, the United States, and all nations, will need to be more adroit in aligning trade with our values. That means responding to concerns that trade undermines environmental protection and labor standards—while not permitting these issues to be used for protectionist ends. By tackling these issues today, we can help shape the thinking about how to address them.

Getting Back in the Trading Game

To strengthen and speed America's trade and economic policy, we will need to reestablish the bipartisan Congressional-Executive negotiating partnership that has delivered so much. In President Bush's address at the Summit of the Americas, he made clear that achieving U.S. Trade Promotion Authority was one of his top priorities. This authority, as he has pointed out, has been granted to each of the previous five presidents. The Bush Administration is committed to attaining U.S. Trade Promotion Authority before the end of the year, and will be working with the Congress to build the broadest possible support.

In the absence of this authority, other countries have been moving forward with trade agreements while America has stalled. We are in danger of being left behind. There was a time when U.S. involvement in international trade negotiations was a prerequisite for them to succeed. That is no longer true. Other countries are writing the rules of the international trading system as they negotiate without us.

The EU has free trade or customs agreements with 27 countries, and 20 of these agreements have been signed since 1990. The EU is in the process of negotiating 15 more. Last year, the European Union and Mexico—the second-largest market for American exports—entered into a free trade agreement. The EU is also negotiating free-trade agreements with the Mercosur nations and the countries of the Gulf Cooperation Council. Japan is negotiating a free trade agreement with Singapore, and is exploring free trade agreements with Mexico, Korea, and Chile. There are approximately 130 free trade agreements in force globally, but the United States has only two agreements in force: one is with Canada and Mexico (NAFTA), and the other with Israel.

In the long run, our deadlock hurts American businesses, workers, and farmers. They will find themselves shut out of the many preferential trade and investment agreements negotiated by our trading partners. To cite one example, while U.S. exports to Chile face an eight percent tariff, the Canada-Chile trade agreement will free Canadian imports of this duty. As a result, U.S. wheat farmers are losing markets in Chile to Canadian exports. To correct the disparity in tariffs, USTR is pursuing negotiations with Chile on a free trade agreement.

We cannot afford to stand still—or be mired in partisan division—while other nations seize the mantle of leadership on trade from the United States. This would be a huge missed opportunity, indeed an historic mistake.

B. Moving on Multiple Fronts To Expand Trade

In the 21st century, the economic and political future of the United States will be increasingly linked to those of our hemispheric neighbors. U.S. trade and investment with the hemisphere is projected to exceed that with Europe by the end of this decade. U.S. shipments to Latin America

have increased by 137% in the past decade, compared to a 96% increase for exports to the rest of the world.

As Latin America grows, the United States benefits. In recent years, every one percent expansion in Latin America's GDP was associated with an additional $1.6 billion worth of U.S. exports to the region. In the months and years ahead, the Bush Administration will be negotiating the FTAA. A free trade area linking the Americas will provide incentives and rewards for governments pursuing difficult economic reforms. A hemispheric free trade agreement would also send a valuable signal—a signal of confidence—to potential investors that Latin American and Caribbean nations have agreed to abide by common rules governing trade, to create a truly hemispheric marketplace, and that this mutual effort offers not just stability, but opportunity. Even as we negotiate the FTAA, we are open to pursuing other complementary opportunities to foster free trade with our neighbors, for example, through bilateral free trade negotiations, such as the current negotiations with Chile.

Of course, America's trade and economic interests extend far beyond this hemisphere. At the core of the WTO's agenda this year will be negotiations mandated by the Uruguay Round agreements to pursue further agricultural reform and liberalization in services. We also want to launch a new round of global trade negotiations in the WTO, emphasizing a key role for agriculture. We will also seek to negotiate regional and bilateral agreements to open markets around the world. There are opportunities in the Asia Pacific and with APEC. We will start with a free trade agreement with Singapore and will work with the Congress to pass the basic trade agreement with Vietnam negotiated by the Clinton Administration. We will urge Japan to deregulate, restructure and open its economy, which is long overdue.

Further reforms in the Middle East and Africa need our encouragement. We are committed to working with the Congress to enact legislation for a free trade agreement with Jordan, and to implement the provisions of laws to help Africa and the Caribbean. Providing technical assistance to African and Caribbean countries will be a key part of the implementation process.

As India reforms its economy and taps its great potential, we should explore ways to achieve mutual benefits. To help developing nations appreciate that globalization and open markets can assist their own efforts to reform and grow, we will need to extend the legislation authorizing the Generalized System of Preferences program.

Of vital importance, we will seek to work closely with the EU and its candidate members in Central and Eastern Europe, both to fulfill the promise of a trans-Atlantic marketplace already being created by business investment and trade, as well as to reinvigorate, improve, and strengthen the WTO processes. The total amount of two-way investment in the EU and the United States amounts to over $1.1 trillion, with each partner employing about 3 million people in the other. We would be remiss to neglect our common interests while working to resolve more immediate disputes.

Now that there is a fragile peace in the Balkans, we must secure it by pointing people toward economic hope and regional integration. Therefore, we would like to work with the Congress to follow through on the prior administration's proposal to offer trade preferences to countries in Southeast Europe.

As we move on multiple fronts to expand trade, we will continue to emphasize WTO accessions. The accession process is an opportunity for reforming economies to adopt trade liberalizing policies and practices within the framework of WTO obligations. It also provides a context for the United States to expand market access opportunities for its exports of goods and services and to address outstanding trade issues. WTO accessions are based on full implementation of WTO obligations and the establishment of commercially meaningful market access for other Members' exports. This strengthens the international trading system.

These principles have formed the basis for the completion of WTO accession negotiations with a number of countries, including Albania, Georgia, Estonia, Latvia, the Kyrgyz Republic, Jordan, and Oman. In other ongoing negotiations with countries such as Russia, Ukraine, and Saudi Arabia, U.S. participation in the accession process will enhance the rule of law in trade and enhanced market access, while demonstrating support for the reform agendas of these countries.

The Administration will also continue efforts to complete China's accession to the WTO. Completing this process will provide substantially greater market access for industrial goods, services, and agricultural products. It will require China to comply with specific rules on import surges, anti-dumping and subsidies practices, while eliminating many of the conditions China requires for the approval of imports and investment. We will also work to ensure that Taiwan's accession to the WTO is approved at the same session of the WTO General Council.

The Opportunity Ahead

The United States has an unparalleled opportunity to shape the international trading order. But we have to get back into this game and take the lead. We are certainly in a position to do so. The United States is prepared to pursue a number of bilateral and regional free trade agreements in the years ahead, as well as the global trade negotiations in the WTO. By moving on multiple fronts, we hope we can create a competition in trade liberalization. The message we are sending to other countries is that the United States is willing to negotiate. We are willing to open if they open. But if some countries are slow, we will move without them.

II. Monitoring Trade Agreements and Resolving Disputes

The Bush Administration will continue to work with Congress and American businesses, farmers, workers and consumers to ensure effective monitoring of U.S. trade agreements and quick responses to non-compliance—including through the use of WTO and other dispute settlement procedures, WTO oversight committees, and U.S. trade laws. At the same time, the Administration will seek to prevent or reduce problems facing U.S. exporters by working with U.S. trading partners, including through technical assistance where appropriate, so that consultation and training will help head off problems before they arise. Likewise, together with the Departments of Agriculture, Commerce and State, and other agencies, USTR will continue to work bilaterally with our trading partners to resolve disputes quickly and expeditiously before these issues become serious problems.

To ensure the enforcement of WTO agreements, the United States has been one of the world's most frequent users of WTO dispute settlement procedures. In enforcing the WTO agreements, the United States has focused in particular on foreign practices that could pose serious problems to the international trading system if they proliferated in many markets. Therefore, USTR aims not only at challenging existing barriers but also at preventing the future adoption of similar barriers around the world.

A. Ensuring Compliance

Efforts to promote compliance with trade agreements have used three principal tools: (1) the WTO and NAFTA dispute settlement mechanisms; (2) the various WTO oversight bodies; and (3) enforcement of U.S. trade law. Vigorous enforcement enhances the ability of the United States to reap the benefits of trade agreements that USTR negotiates, ensures that we can continue to open markets, and builds confidence in the trading system.

1. WTO and NAFTA Dispute Settlement Results

WTO and NAFTA dispute settlement procedures have enabled the United States to resolve problems arising from the failure of trading partners to implement their international obligations, and to resolve disputes over interpretation of various provisions in the WTO or NAFTA agreements. Our hope in filing cases is, of course, to secure U.S. benefits rather than to engage in prolonged litigation. Therefore, whenever possible we have sought to reach favorable settlements that address U.S. concerns without having to resort to panel proceedings. We have been able to achieve this preferred result in 14 of the 32 cases concluded so far, and have prevailed through litigation in 15 cases. During the past year, we have achieved the following results:

• Argentina-Patents: In May 1999, the United States requested WTO consultations with Argentina regarding its failure to provide a system of exclusive marketing rights for pharmaceutical products and other issues relating to Argentina's obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (''TRIPS Agreement''). The United States expanded its claims last year to address Argentina's failure to fully implement its remaining TRIPS obligations that came due on January 1, 2000, such as Argentina's failure to protect confidential test data submitted to government regulatory authorities for pharmaceuticals and agricultural chemicals and its denial of certain exclusive rights for patents. We are pleased that recent consultations with the

Argentina have been constructive and are encouraged by the dialogue that has developed to possibly resolve certain claims in the case. However, there are still some outstanding issues that must be addressed before the dispute settlement case can be fully concluded.

• Australia-Prohibited Export Subsidies on Leather: On June 21, 2000, the United States resolved its dispute with Australia regarding subsidization of Australia's sole exporter of automotive leather. Under a bilateral settlement agreement, the subsidy recipient agreed to a partial repayment of the prohibited export subsidy it received, and the Australian Government committed that it will exclude this industry from current and future subsidy programs and provide no other direct or indirect subsidies. This agreement resulted from a WTO case brought by the United States in 1998.

• Canada-Patent Protection Term: The United States prevailed in its WTO challenge of Canada's failure to provide patent protection consistent with its obligations under the TRIPS Agreement. The United States initiated this dispute in its 1999 ''Special 301'' review of intellectual property protection abroad. On September 18, 2000, the WTO Appellate Body upheld a WTO panel ruling that Canada had not complied with its TRIPS obligation to provide to all Canadian patents in existence since January 1, 1996, a term of protection of at least twenty years from the date of filing the patent application. Canada is to comply with this ruling by August 12, 2001.

• Denmark-Enforcement of Intellectual Property Rights: The United States used the dispute settlement procedures in this case to encourage legislative action by Denmark to implement its TRIPS obligations, particularly the requirement that WTO members make available *ex parte* search and seizure remedies to authorize *ex parte* searches and seizures in civil intellectual property rights enforcement proceedings. On March 28, 2001, the Danish Government enacted legislation that provides this provisional remedy.

• European Union (EU)-Banana Regime: On April 11, 2001, the United States and the EU reached an Understanding on a way to resolve the bananas dispute, which originated in the early 1990s. Beginning in 1997, the United States obtained various WTO rulings against the EU's banana regime as well as the right to impose retaliatory duties on $191.4 million of EU trade due to the EU's failure to comply with WTO rulings. In 1999, the EU finally sought to change its regime in a way that would be consistent with WTO provisions and to consult actively with the United States on ways to construct a WTO-consistent regime. The U.S.-EU Understanding achieves fundamental U.S. objectives of reducing discrimination against U.S. companies, increasing market access for Latin American bananas, and securing Caribbean banana exports to the EU.

• Greece-Television Piracy: Prior to resolving this dispute, a significant number of television stations in Greece regularly broadcasted copyrighted motion pictures and television programs without the authorization of the copyright owners, and effective remedies against such copyright infringements were not provided. Following WTO consultations, the Greek government enacted new legislation to crack down on pirate stations. In addition, the rate of television piracy in Greece fell significantly. On March 22, 2001, in a notification to the WTO regarding the settlement of this dispute, Greece committed to provide effective deterrence against any increase in the level of television piracy, to continue its efforts in enforcing its intellectual property laws, and to prevent any recurrence of the television piracy problem.

• India-Import Quotas on Agricultural, Textile and Industrial Products: On April 1, 2001, India completed its compliance with a WTO ruling obtained by the United States regarding India's import restrictions on over 2,700 tariff items. The United States and India agreed that India would implement the WTO rulings and recommendations by April 1, 2000 for approximately 73 percent of the tariff items at issue, and by April 1, 2001 for the remaining items. In announcing India's new export-import policy on March 31, 2001, Indian Commerce and Industry Minister Maran explicitly cited the WTO ruling as the reason for removing these quantitative restrictions.

• Ireland—Copyright and Neighboring Rights. The United States used WTO dispute settlement consultations to encourage Ireland to take further steps to implement its TRIPS obligations. As a result of these consultations, Ireland committed in February 1998 to accelerate its implementation of comprehensive copyright reform legislation, and agreed to pass a separate bill, on an expedited basis, to address certain particularly pressing enforcement issues. Consistent with this agreement, Ireland enacted legislation in July 1998 raising criminal penalties for copyright infringement. On July 10, 2000, Ireland passed its comprehensive copyright legislation, and implemented this legislation on January 1, 2001. Based on these developments, the parties notified the WTO that a mutually satisfactory solution had been reached.

• Korea—Beef Imports: The United States prevailed through litigation in this dispute, which challenged Korea's regulatory scheme that discriminates against imported beef by confining sales of imported beef to specialized stores, limiting the manner of its display, and otherwise constraining opportunities for the sale of imported beef. Korea is to comply with the adverse WTO rulings by September 10, 2001, and the United States will monitor Korea's implementation to ensure that it is consistent with these WTO rulings.

• Mexico—Basic Telecommunications Services: The United States used WTO consultations to encourage Mexico to ensure competition in its $12 billion telecommunications market. The United States held two rounds of WTO consultations with Mexico and requested the establishment of a WTO panel on a variety of issues, including Mexico's failure to (1) prevent Telmex (Mexico's dominant telecom carrier) from engaging in anti-competitive practices, (2) ensure that Telmex offers its competitors cost-oriented interconnection rates, (3) require Telmex to interconnect with competitors at the local level, and (4) permit competitive international traffic arrangements at cost-oriented rates. Thus far, Mexico has taken positive steps to address the first three issues. The Government has issued dominant carrier rules to regulate Telmex; encouraged carriers to agree to substantial interconnection rate cuts for 2001; and ensured that competitors obtain local interconnection from Telmex. However, Mexico has not yet addressed the key issue of international traffic or enforced its dominant carrier rules. Absent progress on these issues by June 1, the United States will determine whether additional action is necessary, including moving the pending WTO case forward.

• Mexico—Beans: For several years, Mexico had not permitted U.S. dry beans to enter Mexico in a timely and predictable manner under the NAFTA duty-free tariff-rate quota (TRQ). On November 30, 2000, the United States requested NAFTA consultations on this matter. As a result, on April 18, 2001, USTR reached an understanding with Mexico's Secretary of Economy on Mexico's allocation of the TRQ. Mexico will now allocate the NAFTA TRQ for beans on a regular schedule, with auctions to be held each March and June. In addition, Mexico has agreed to modify several administrative provisions that prevented effective use of the TRQ. Under the NAFTA, exports of dry beans to Mexico—one of our largest export markets—will be free of all duties in 2008.

• Romania—Customs Valuation: Last May, the United States requested WTO consultations with Romania concerning its customs valuation regime, which established arbitrary minimum and maximum import prices for products such as meat, eggs, fruits and vegetables, clothing, footwear, and certain distilled spirits, as referenced in a database. Romania's customs valuation regime appeared to violate its obligations under the WTO Customs Valuation Agreement, the GATT, and the WTO Agreement on Agriculture. After fruitful consultations in July, Romania modified its customs valuation procedures so that, in practice, it no longer imposes minimum reference prices on most U.S. exports. USTR is working with Romania on the amendments to its laws and regulations necessary to finally bring its customs valuation regime into compliance with its WTO obligations.

2. WTO Oversight Bodies

Through WTO oversight bodies, the United States works to secure implementation of WTO commitments. These oversight bodies monitor implementation of the various WTO agreements, review WTO Members' laws and regulations, identify potential problems, and offer technical assistance or other expertise when necessary to help ensure compliance and implementation of commitments. The United States actively asserts its rights and pursues its interests through these mechanisms.

• The WTO Committee on Agriculture oversees the implementation of the Agreement on Agriculture and provides a forum for WTO Members to consult on

matters related to provisions of the Agreement. In many cases, the Committee resolves problems so that Members do not need to refer them to WTO dispute settlement. For example, U.S. pressure on Hungary regarding restrictive import policies for beef products resulted in Hungary's decision to open a special quota for high-quality North American beef. Questions directed to Korea regarding its annual rice import requirements led to improvements in that country's administration of its tariff rate quota commitments. The Committee also provided a forum for the United States to raise questions concerning the agricultural practices in many of our trading partners, including elements of Canada's domestic support programs, the export subsidy amounts associated with the European Communities' inward processing arrangements for dairy products, and the amount of product entered under tariff-rate quotas in Norway. The United States also raised extensive questions on the EU's support regime for horticultural products.

• The Committee on Customs Valuation has actively considered issues relating to individual deadlines of more than 50 developing country members to implement the WTO Agreement on Customs Valuation. Some members have requested additional time to assume the Agreement's obligations in full. The United States and others, working through the Committee, have consulted with these members to craft individualized extension decisions which provide for benchmarked work programs toward full implementation, along with progress reporting requirements.

• The Committee on Technical Barriers to Trade (TBT) has addressed specific technical regulations which might be perceived as creating unnecessary obstacles to trade. For example, in 2000, the United States continued to express concerns with draft EU directives on (1) waste from electrical and electronic equipment, (2) the restriction of the use of certain hazardous substances in electrical and electronic equipment, and (3) batteries and accumulators. In this Committee, the United States and other countries have also expressed concern that EU notifications of draft technical regulations are made too late to allow a meaningful opportunity for comment as foreseen under the TBT Agreement. Finally, the United States has raised questions and alerted other WTO members to issues relating to restrictive origin requirements in the Protocols to the Europe Agreements on Conformity Assessment under negotiation by the EU.

• In the Committee on Balance of Payments (BOP) Restrictions, the effective use of consultation procedures resulted in the elimination by the end of 2000 of both Romania's and the Slovak Republic's import restrictions based on balance-of-payment concerns. Furthermore, as a result of consultations, both Pakistan and Bangladesh submitted plans to eliminate all of their balance-of-payments restrictions, which means that all of the few remaining countries imposing such restrictions now have liberalization plans in place.

• The United States actively uses the Committee of the Parties to the Government Procurement Agreement (GPA) for monitoring individual Parties' implementation of GPA commitments. In particular, the Agreement establishes a process for reviewing how each Party has implemented GPA requirements in its national legislation. In 2001, the Committee will be reviewing the implementing legislation of Israel, Japan and Korea.

• The United States has used the Council for Trade in Services and its subsidiary bodies, especially the Committee on Trade in Financial Services, to help ensure full implementation of obligations under the General Agreement on Trade in Services (GATS). The United States has consistently and successfully pressed countries to fulfill their obligations to ratify and implement their commitments under the Financial Services and Basic Telecommunications Agreements. As a result, in 2000, three more countries—Ghana, Nigeria, and Kenya—brought their GATS financial services commitments into force under the GATS, and one more country—Dominica—brought its basic telecom commitments into force under the GATS. In the Council, the United States also promoted an agreement between the WTO and the International Telecommunications Union (ITU) to help ensure that ITU technical assistance assists in implementation of countries' basic telecom obligations, including those related to regulation.

• The TRIPS Council monitors implementation of the TRIPS Agreement, provides a forum in which WTO Members can consult on intellectual property matters and carries out the specific responsibilities assigned to the Council in the TRIPS Agreement. During 2000, the TRIPS Council monitored the Agreement's implementation by developing country Members and newly-acceding Members; provided assistance to developing country Members so they can fully implement the provisions of TRIPS; and concentrated on institution-building, both internally and with the World Intellectual Property Organization (WIPO). The TRIPS Agreement has yielded significant benefits for U.S. industries and individuals, from those engaged in the pharmaceutical, agricultural chemical, and biotechnology industries to those producing motion pictures, sound recordings, software, books, magazines and consumer goods.

• Finally, the Trade Policy Review Mechanism has been instrumental in the identification of potentially WTO-inconsistent practices in members' regimes, and provides a forum in which pressure can be brought to urge reform or elimination of such practices. The trade policy review of Brazil in November 2000 provided an opportunity for the United States to question the Brazilian Government about its lack of notification to the WTO of its current import licensing system and the WTO consistency of this system. The United States was joined by several other delegations including the EU, India and Colombia in expressing dissatisfaction with the licensing system. In response to this criticism Brazil promised to review its import licensing system, reduce the products subject to licensing, and notify the revised system to the WTO.

3. U.S. Trade Laws

U.S. trade laws are an important means of ensuring enforcement of U.S. rights and interests in trade. In the past year, use of Section 301, Section 1377, Super 301, Special 301, and Title VII has enabled the United States to challenge market access barriers to U.S. goods and services, protect U.S. intellectual property rights, ensure compliance with telecommunications agreements, and address discriminatory foreign government procurement practices. Through its trade preference programs, the United States also seeks to ensure that beneficiary countries meet the statutory conditions, which can include providing internationally recognized worker rights and adequate intellectual property protection.

• Section 301: Section 301 of the Trade Act of 1974 is the principal U.S. statute for addressing foreign government practices affecting U.S. exports of goods or services. Section 301 may be used to enforce U.S. rights under international trade agreements and may also be used to respond to unreasonable, unjustifiable, or discriminatory foreign government practices that burden or restrict U.S. commerce. In response to a petition from the North Dakota Wheat Commission regarding allegedly unreasonable trade practices of the Government of Canada and the Canadian Wheat Board, the USTR initiated an investigation of such practices on October 23, 2000. This investigation is currently pending.

• Special 301: Section 182 of the Trade Act of 1974 (commonly known as ''Special 301'') requires USTR to identify annually those countries that deny adequate and effective intellectual property (IP) protection or that deny fair and equitable market access to U.S. IP products. Implementation of the law involves the placement of countries of concern into three separate categories—Priority Foreign Country, Priority Watch List, and Watch List. These designations are determined in terms of the seriousness of IP problems, with countries having the most serious IP problems designated as Priority Foreign Countries, which will result in the initiation of a section 301 investigation within 30 days of designation. On March 13, 2001, the United States self-initiated a section 301 investigation following the identification of Ukraine as a Priority Foreign Country under Special 301 for Ukraine's persistent failure to take effective action against significant levels of optical media piracy and to implement adequate and effective intellectual property laws.

• Super 301: Super 301 (mandated by Executive Order 13116 of March 31, 1999) provides a mechanism for the USTR annually to review U.S. trade expansion priorities and focus U.S. resources on eliminating significant trade impediments to U.S. exports. In the past year, the United States made important progress on issues raised in past Super 301 reports, including productive discussions with Japan concerning deregulation of Japan's insurance market and resolution of an outstanding textiles dispute with India concerning the establishment and notification to the WTO of India's tariff bindings on a wide range of textile and apparel products of importance to U.S. exporters.

• Section 1377: In the past year, use of Section 1377 of the Omnibus Trade and Competitiveness Act of 1988 has led to the successful resolution of a number of key telecommunications trade barriers, including those in Canada, Germany, Japan, Mexico, and Peru. For instance, high interconnection rates in Japan were a subject of last year's Section 1377 review. On July 18, 2000, the United States and Japan reached agreement to substantially lower interconnection rates in Japan, saving competitive telecom carriers more than $2 billion in two years. In addition, in November 2000, the Canadian telecom regulator reformed Canada's contribution collection (universal service) regime, which was also subject to last year's Section 1377 review. These reforms are expected to save competitive service providers millions of dollars.

• Title VII: The Title VII report (mandated by Executive Order 13116 of March 31, 1999) identifies trading partners engaging in discriminatory government procurement practices. The annual Title VII report highlights a number of foreign procurement practices that are of significant concern to the United States and that the Administration is pursuing in a range of international fora.

• U.S. trade preference programs—including the Generalized System of Preferences (GSP), the African Growth and Opportunity Act (AGOA), the Caribbean Basin Initiative (CBI), and the Andean Trade Preferences Act (ATPA)—are designed to stimulate economic growth and alleviate poverty in developing countries through their integration into the international trading system. To be eligible for these preferences, a beneficiary country must meet certain statutory requirements. Though the requirements are not identical in the various programs, they include providing internationally recognized worker rights, intellectual property rights, market access, and having other laws and practices that will reinforce the incentives provided. Recently, Swaziland enacted a new labor law providing internationally recognized workers rights in order to retain GSP benefits and to become eligible for AGOA. Likewise, Bangladesh agreed to extend national labor laws to its export processing zones and establish a transition mechanism of worker elected councils. The Administration is carefully monitoring the situation to ensure full implementation of the commitments undertaken by the Bangladeshi authorities. Deficiencies in Moldova's intellectual property protection were remedied, and market access improved in India. The Administration is continuing to review Guatemala's continued eligibility for preferences under both the GSP and CBI programs based on serious concerns about labor practices in that country.

While promoting free trade abroad, we vigorously enforce our trade laws in order to give Americans the confidence needed to keep markets open. The Administration is committed to aggressively enforcing U.S. trade laws to address the adverse impact that unfairly traded steel imports have on U.S. steel companies and U.S. jobs. There are currently more than 150 anti-dumping and countervailing duty actions in effect or under investigation relating to steel products. In addition, the steel industry is currently receiving import relief under Section 201 of the Trade Act of 1974 for line pipe and steel wire rod products. In addition to actively enforcing U.S. trade laws, the Administration will engage key steel producing countries to address bilaterally and multilaterally the underlying structural distortions that foster unfair trade in steel. Despite the trade remedies that are currently in place, the Administration is very concerned about the health of the steel industry. The Administration is monitoring closely the global steel market and steel trade practices and will take additional actions as needed.

B. Status of WTO Disputes

In the April 2000 Super 301 Report, USTR announced its intention to resort to WTO dispute settlement procedures as a means of resolving concerns in seven instances. This section reports on the status of those disputes.

• Argentina-Patents: As discussed above, progress has been made toward resolving this dispute.

• Brazil-Customs Valuation: U.S. exporters of textile products have reported that Brazil uses officially-established minimum reference prices as a requirement to obtain import licenses and/or as a base requirement for import. In practice, this system works to prohibit the import of products with declared values below the established minimum prices. The Brazilian practice appears inconsistent with Brazil's WTO obligations, including those under the Agreement on Customs Valuation. The United States and Brazil held WTO consultations on this matter in July 2000. The United States is monitoring the operation of the Brazilian regime and consulting with U.S. exporters on possible next steps.

• Brazil-Patent Protection: Although Brazil has a largely WTO-consistent patent regime, there remains one provision in Brazil's patent law that the United States considers inconsistent with the TRIPS Agreement. This provision requires all patent owners—regardless of the subject matter of the patent—to manufacture their products in Brazil in order to maintain full patent rights. Having been unable to resolve this issue for over five years, the United States resorted to WTO dispute settlement procedures and requested consultations with Brazil in May 2000. The parties held consultations in June and December 2000, but failed to reach a mutually agreed resolution to the dispute. As a result, the United States requested the establishment of a WTO panel to resolve this dispute. This panel was established in February 2001.

• Denmark-Enforcement of Intellectual Property Rights: As discussed above, this dispute has been successfully resolved with the enactment of legislation in 2001 to implement Denmark's TRIPS obligations.

• India-Measures Affecting Trade and Investment in the Motor Vehicle Sector: This dispute, which challenges the WTO consistency of Indian measures that apply to investment in the automotive industry, is currently before a WTO dispute settlement panel. The measures at issue require manufacturing firms in the motor vehicle sector to achieve specified levels of local content, neutralize foreign exchange by balancing the value of certain imports with the value of exports of cars and components over a stated period, and limit imports to a value based on the previous year's imports. These measures appear to violate the WTO Agreement on Trade Related Investment Measures (TRIMs) and GATT.

• Philippines-Measures Affecting Trade and Investment in the Motor Vehicles Sector: On November 17, 2000, a WTO panel was established to examine a U.S. challenge to certain measures in the Philippines automotive sector. Among other things, the measures require producers to incorporate specified amounts of locally produced inputs, precluding the purchase of U.S. parts. There is also a requirement that imports be balanced in an amount related to a company's foreign exchange earnings. Under the WTO TRIMs Agreement, the Philippines was required to remove these measures by January 1, 2000, unless the Philippines received an extension. No such extension has been granted and therefore the Philippines appears to be in violation of its TRIMs obligations.

• Romania—Customs Valuation: As discussed above, considerable progress was made in consultations, and this dispute is close to resolution.

C. New Requests for Consultations

In addition to the disputes discussed above, the United States has invoked WTO dispute settlement procedures in three other disputes since last year's Super 301 report:

• Mexico—Measures Affecting Trade in Live Swine: On July 10, 2000, the United States requested consultations with Mexico regarding a Mexican antidumping measure on live swine from the United States as well as sanitary and other restrictions imposed by Mexico on imports of live swine weighing more than 110 kilograms. Consultations were held September 7, 2000. Following the consultations, Mexico issued a protocol which is designed to allow a resumption of U.S. shipments of live swine weighing 110 kilograms or more into Mexico. At about the same time, Mexico self-initiated a review of its threat of injury determination based on information, including a shortage of slaughter hogs, that suggests that market conditions have changed substantially in Mexico. The United States is closely monitoring this situation.

• Belgium—Rice Imports: Belgian customs authorities have disregarded the actual transaction values of rice imported from the United States from July 1, 1997 to December 31, 1998, in computing the applicable customs duties. By not using transaction values to compute customs duties, Belgium has assessed duties on rice that are higher than the levels provided for in its WTO commitments. Belgium's administration of its tariff regime for rice, moreover, has contributed to substantial uncertainty regarding the rate of duty that will be applicable to shipments of imported rice. The United States requested WTO consultations in November 2000 with Belgium on these issues, and on March 12, 2001, a WTO panel was established to examine the matter.

• EU—Import Surcharge on Corn Gluten Feed: This dispute involves a tariff-rate quota of 5 euros per metric ton imposed by the EU on the first 2,730,000 metric tons of corn gluten feed imported into the EU from the United States. The EU imposed this import surcharge in response to the U.S. import safeguard measure imposed on wheat gluten imported into the United States from the EU. The United States considers that the EU failed to satisfy the requirements of the WTO Safeguard Agreement for such suspension of concessions, and therefore the United States requested consultations with the EU on January 25, 2001.

III. Realizing the Benefits of Trade

The Bush Administration is carefully monitoring practices a number of foreign practices, using all the available tools to address the concerns of U.S. exporters. These include measures that occur in many markets and across many sectors. The barriers discussed below are just some examples of the practices that the Administration is carefully monitoring.

A. Import Policies

Restrictive or burdensome import policies can undermine the ability of U.S. exporters to realize the full benefits of market access commitments. Such policies occur in many forms. Provided below are examples of three types of import policies that currently represent serious barriers to U.S. exports.

Reference Prices: The WTO Customs Valuation Agreement stipulates that the transaction price is the primary basis for customs valuation determinations. However, certain countries appear to rely on ''reference prices,'' which can artificially inflate the customs value of imported goods. The United States has actively pursued the issue of reference prices in the WTO Committee on Customs Valuation and has engaged in WTO dispute settlement consultations with Romania and Brazil regarding such practices. As discussed above, WTO consultations with Romania appear to have addressed many concerns, and the United States remains in WTO consultations with Brazil in an effort to resolve similar issues. India continues to maintain a minimum import price system for imports of primary and secondary steel products. In early 2000, the Government of India removed primary steel products from the regime. This action was challenged in the Indian courts, which reapplied the regime to primary steel products. The United States is considering appropriate steps to take, which could include WTO dispute settlement action.

The continued existence of such practices in Mexico remains of serious concern. On October 1, 2000, Mexico significantly increased the costs associated with its reference price system by imposing a burdensome new cash deposit guarantee requirement for subject goods. Cash deposits based on reference prices are not returned for at least six months, and Mexican banks charge high fees to open and maintain customs accounts. Bilateral discussions with Mexico are planned for mid-2001. Based on these consultations, the United States will consider what additional steps are necessary, including WTO dispute settlement action.

Dealer Protection Laws: Several Central American and Carribean countries (e.g., Honduras, Guatemala, Costa Rica, El Salvador, Dominican Republic and Haiti) have in place laws, regulations and other measures which appear to have the objective of preventing foreign exporters from terminating importation and distribution contracts with local companies except under very stringent conditions often requiring payments of large indemnities to the local company. To the extent that they apply only to imports, such laws may be inconsistent with GATT national treatment requirements. Application of these laws can have harmful effects on the economy as a whole and on consumers. U.S. exporters report that distributors' profit margins are extremely high in these countries and that distributors often refuse to service certain segments of the local market. Faced with such conditions, exporters are often prevented from bringing their products to the market most effectively, and consumers face high costs and limited choice of products. We will address this issue in a variety of contexts, notably in bilateral discussions with our trading partners.

Motor Vehicle Policies: Certain of our trading partners maintain restrictive motor vehicle policies which limit market access for U.S. exporters. For instance, lack of foreign access to the motor vehicle market of Korea remains of significant concern. The United States and Korea concluded a Memorandum of Understanding (MOU) in October 1998 according to which Korea agreed to undertake a number of specific actions. Although Korea has taken steps to implement specific provisions of the MOU, foreign access remains severely restricted, as evidenced by the tiny foreign share of the Korean auto market, which totaled 0.3 percent in 2000. Korea's high tariffs and cascading tax structure on motor vehicles continue to impair the competitiveness of imported motor vehicles. Moreover, Korean consumers continue to believe they will face public opprobrium for purchasing a foreign car, the legacy of years of government-sponsored anti-import campaigns. Although Korea recently acceded to the 1998 Global Agreement for the harmonization of world automotive standards, it continues to develop overly-burdensome standards that impede imports and are contrary to the spirit of global harmonization and the 1998 MOU. The United States will continue to push Korea to fulfill the objectives of the 1998 MOU and to develop a package of meaningful measures that will result in substantial increases in market access for foreign motor vehicles.

U.S. exporters are experiencing related problems in Japan. The 1995 U.S.-Japan Automotive Agreement, which sought to eliminate market access barriers and significantly expand sales opportunities in this sector, expired on December 31, 2000. Although some progress was made under the 1995 agreement, the overall objectives of the 1995 agreement were not met. There are a number of factors contributing to the disappointing results, one of which has been the weakness of the domestic Japanese economy over the past three years. However, the effects of the Japanese recession have been disproportionately felt by foreign firms. In addition, the pace of deregulation has slowed significantly. Lack of transparency in both procurement and rule-making persists, and keiretsu ties continue to impede full and fair competition in this market. Further, while investment opportunities in the vehicle market have increased notably, opportunities for automotive parts makers remain largely unchanged. This situation, coupled with recent trends in bilateral automotive trade, has underscored the need for further market-opening efforts by Japan. The United States hopes to work closely and cooperatively with Japan on this issue in the coming months.

B. Technical Regulations and Rule-Making

WTO Members have developed disciplines—primarily through the Agreement on Technical Barriers to Trade (TBT)—to ensure that standards, testing, conformity assessment procedures, and related measures are developed and applied in a transparent and non-discriminatory manner. These disciplines have served to prevent trading partners from using such technical requirements for protectionist purposes. Nevertheless, U.S. exporters continue to face adverse conditions in several important markets. Although there are many other such barriers around the world, we highlight the following two examples:

Technical Regulations: Such regulations can impose onerous conditions on U.S. exports. For instance, in Mexico, certain regulations require the inspection and approval of manufacturing facilities in order to obtain a sanitary license to sell certain herbal and nutritional products in Mexico. However, Mexican authorities refuse to inspect U.S.-based manufacturing facilities. Denying U.S. exporters the ability to have their facilities inspected and approved on the same basis as their Mexican counterparts raises serious concerns about Mexico's adherence to its trade agreement obligations. The United States has raised these concerns with Mexico. Mexican authorities have advised us that they are looking at ways to address our concerns consistent with NAFTA and WTO obligations; however, to date, we have seen no progress. If this problem is not resolved in a timely manner that will allow U.S. companies without Mexican-based production facilities to resume exporting their products to Mexico, the United States will consider whether to request consultations under the NAFTA or the WTO to resolve this issue.

Transparency in Rule-Making: An important aspect in the development of technical regulations is transparency in the regulatory process. Assuring transparency and effective participation in the rule-making process can be extremely useful in preventing trade problems associated with such measures. A growing number of U.S. trade concerns stem from the lack of transparency in the development of the technical regulations of the EU. EU procedures for the development of EU technical regulations appear to undermine multilateral provisions intended to provide an opportunity for meaningful comment on

draft regulations, because the EU notification to the WTO is only made *after* the European Commission has finalized its proposal (and forwarded it to other EU institutions for consideration/approval). As a result, the United States and other interested parties are unlikely to have a meaningful opportunity to have any input or concerns addressed or reflected in a directive's provisions. Furthermore, while European regional standards can be used to meet an EU directive's ''essential'' requirements, EU procedures do not provide a meaningful opportunity to provide comments on the relationship of these standards to the EU directive's requirements. The lack of transparency in EU rulemaking raises serious questions about EU compliance with obligations under the WTO TBT Agreement. The United States will closely monitor developments and will consider all options to ensure that these obligations are fully met.

C. Agricultural Practices and SPS Measures

The WTO Agreement on Agriculture and on Sanitary and Phytosanitary (SPS) Measures have been instrumental to the ability of the U.S. agricultural sector to take advantage of its competitiveness and export its products abroad. The United States continues to be vigilant in its effort to prevent our trading partners from maintaining trade-distorting practices that disadvantage U.S. agricultural exports. For example, as discussed above, in response to a petition filed, the USTR is currently investigating practices of Canada and the Canadian Wheat Board under Section 301 of U.S. trade laws. We also are examining information gathered from U.S. agricultural exporters to assist us in our negotiations on agriculture in the WTO, the FTAA and bilateral negotiations, including public comments received in preparation for this year's Super 301 report.

In addition, the United States has serious concerns that Japan, in an unprecedented manner, is taking actions affecting access to its markets for agricultural products. In early April 2001, Japan implemented a new quarantine inspection system for fresh vegetables, strawberries and melons, which limited the number of daily inspections at Japan's air and seaports. Japan took this action without prior consultation with trading partners or adequate explanation of a scientific rationale for the new system. Japan is also considering taking, for the first time, import safeguard actions on a wide range of agricultural and other products. It has announced that it will implement safeguard measures on three agricultural products—fresh shiitake mushrooms, stone leeks (i.e., welsh onions) and tatami mat reeds—beginning April 23, 2001. Among the other products Japan is investigating are lumber, onions, and tomatoes, which are of commercial interest to the United States. U.S. exports (CY 2000) of these products totaled over $240 million. The U.S. Government, at senior levels, has raised with the Japanese Government its serious concerns about these measures affecting imports. The United States will closely monitor Japan's import measures to ensure they comply with WTO obligations.

The United States also has serious concerns regarding the process of import risk assessment for SPS measures in Australia. SPS measures protect against risks associated with plant or animal borne pests and diseases, additives, contaminants, toxins, and disease-causing organisms in foods, beverages, or feedstuffs. The WTO SPS Agreement establishes rules and procedures to ensure that SPS measures address legitimate human, animal, and plant health concerns, do not arbitrarily or unjustifiably discriminate between Members' agricultural or food products, and are not disguised restrictions on international trade. Transparency is an integral aspect of the development of SPS measures and is often extremely useful in preventing trade problems associated with SPS measures. Although Australia revised and published its import risk assessment procedures in 2000, the process in Australia remains non-transparent and fraught with delays. Australia's continued ban on the importation of California table grapes illustrates problems encountered, and other countries have comparable complaints. The United States has been seeking entry into Australia's market, in some cases for more than a decade, for Florida citrus, pork, poultry, stone fruit, and apples in addition to California table grapes.

D. Government Procurement

The 2001 ''Title VII'' report, which USTR releases simultaneously with the Super 301 report on April 30 (available on the USTR web site (*www.ustr.gov*)), addresses a number of discriminatory government procurement practices, including implementation of the EU ''Utilities Directive'' by government telecommunications utilities, various discriminatory practices in the public works sector of Japan, discriminatory practices and procedural barriers to trade in Taiwan, discrimination in Canada against U.S. suppliers in provincial government procurement procedures, and the potential discriminatory effects of ''sect filters'' in Germany. The ''Title VII'' report provides background on these issues and the steps the Administration is taking to address them.

E. Subsidy Practices

Unfair government subsidies distort the free flow of goods and adversely affect U.S. business in the global marketplace. Rules covering industrial subsidies have evolved and are intended to prohibit or discourage the most distortive kinds of subsidies, and to allow governments to use less distortive subsidies in order to achieve the broader social or economic objectives of interest to them under certain circumstances. Provided below are representative examples of subsidy practices that the Administration is monitoring closely.

The United States continues to be concerned about the prospect of further subsidization of the Airbus consortium by Member State governments of the EU. Since the inception of Airbus in 1967, Airbus member governments have provided massive subsidies to their respective member companies to aid in the development, production and marketing of the Airbus family of large civil aircraft. Airbus partner governments have borne 75 to 100 percent of the development costs for all major lines of Airbus aircraft and provided other forms of support, including equity infusions, debt forgiveness, debt rollovers and marketing assistance. Some loans for Airbus programs, repayable from royalties on aircraft sold, have been effectively forgiven because projected sales did not materialize. The EU also supports Airbus indirectly through government funded research targeted at specific civil aircraft projects. Government support of Airbus raises serious concerns about EU Member State compliance with their bilateral and multilateral obligations in this sector. The United States has urged the Airbus member governments to ensure that their planned support for the Airbus A380 aircraft program is on commercial terms, reflecting the fact that Airbus is now a highly competitive global producer of aircraft. The European Commission recently informed the United States that seven EU Member State governments have committed to substantial direct support to develop the A380 aircraft. The United States is examining the information that the European Commission provided and plans to seek further information in future discussions with the EU.

In addition, the Government of Korea, through the Korean Development Bank (KDB), has initiated a program aimed at providing direct financial support to several large companies that are encountering severe cash flow problems. For example, the KDB purchased $200 million worth of newly issued Hyundai Electronics Industries (HEI) bonds in January 2001. The KDB made similar purchases of the newly issued bonds of five other cash-strapped, debt-burdened Korean companies, three of which are other Hyundai subsidiaries. The KDB reportedly plans to provide additional financing in the future to HEI and other companies to cover $15–20 billion in bonds coming due in 2001. The Korean Government maintains that only viable companies will benefit from temporary KDB support and that the KDB support will terminate at the end of 2001. The United States has expressed its concern to Korea about the negative implications of this type of government-directed lending for Korea's restructuring efforts and the Korean economy. The United States also has noted that a significant share of the benefits under this program has been provided thus far to companies that are largely export focused and has raised with Korea its concerns over the potential inconsistency of this intervention with the WTO Agreement on Subsidies and Countervailing Measures.

F. Services and Investment Barriers

Services are what most Americans do for a living. Service industries account for nearly 80 percent of both U.S. employment and GDP. U.S. cross-border exports of commercial services (i.e., excluding military and government) were $255 billion in 1999, supporting over 4 million services and manufacturing jobs in the United States. U.S. services exports have more than doubled over the last 10 years, increasing from $118 billion in 1989 to $255 billion last year.

Likewise, foreign investment provides capital that fuels economic expansion, increases productivity, improves living standards, and provides links to the international marketplace. Access to overseas investment markets allows U.S. companies to remain competitive in a world of new and changing opportunities. U.S.-owned companies with affiliates abroad accounted for 64% of total U.S. goods exports in 1998.

These statistics reveal the importance of services and investment in promoting open markets. Continued liberalization in this area represents a ''force multiplier'' for structural reforms abroad and for economic growth domestically.

Unfortunately, as discussed below, we continue to encounter barriers to the supply of U.S. services and to investment by U.S. businesses, particularly with respect to telecommunications regulations, trade-related investment measures (TRIMs) in the automobile sector, and retail store laws. We therefore make it a priority to intensify our efforts to promote the dynamism of this sector and reduce trade barriers.

Telecommunications Trade Barriers: Since the WTO Basic Telecommunications Agreement came into force in February 1998, telecommunications markets overseas have rapidly opened to competition. U.S. companies have invested billions of dollars to build global networks, partner with foreign companies, and expand their commercial presence in foreign markets. However, as discussed in USTR's review of telecommunications trade agreements under ''Section 1377'', released on April 2, 2001 (see *www.ustr.gov*), practices of certain trading partners raise serious concern about compliance with their international telecommunications obligations.

For instance, in Taiwan, telecommunications regulations impose serious limitations on the competitive offering of telecommunications services and undermine the ability of new entrants to compete in Taiwan's market. These restrictions also appear to be inconsistent with the commitments undertaken by Taiwan as part of its bilateral WTO accession negotiations with the United States to liberalize its telecommunications market by July 1, 2001. USTR welcomes the ongoing regulatory review of Taiwan's telecom regulations and expects this review to result in the promised liberalization of its market. If Taiwan does not appear to be taking the necessary steps to liberalize its market consistent with its commitments, USTR will consider appropriate action, including under Section 1374 of the 1988 Trade Act. In addition, as discussed above, the United States remains seriously concerned that Mexico has not yet addressed the key issue of ensuring competition in the market for international calls or enforcing certain rules designed to address anti-competitive conduct in telecommunications services. Absent progress on these issues by June 1, the United States will determine whether additional action is necessary, including moving the pending WTO case forward.

Auto TRIMS: The WTO Agreement on Trade Related Investment Measures (TRIMs) limits the ability of foreign governments to develop programs that favor the purchase or use of goods produced locally. Such measures often reduce the export of U.S.-manufactured goods and also impede a company that operates in a market with TRIMs from acting in an economically efficient manner. The maintenance of TRIMs has been a particular problem in the motor vehicle sector. As discussed above, the United States currently has two pending WTO cases on this issue, challenging the maintenance by India and the Philippines of measures affecting trade and investment in the motor vehicle sector.

The United States also has serious concerns about local content requirements imposed by Malaysia on the production of motor vehicles. Under the TRIMs Agreement, Malaysia was required to remove these measures by January 1, 2000 unless additional time was granted by the WTO. On December 29, 1999, Malaysia made a formal request for an additional two years to bring these measures into compliance with its obligations under the Agreement. The United States has noted its willingness to agree to an extension, but is concerned by conflicting statements made by the Government of Malaysia with regard to its intentions. For this reason, the United States will continue to monitor Malaysia's compliance with its WTO obligations in the motor vehicle sector.

Retail Store Laws: Retail store laws that discriminate with regard to the country of origin of the goods that a retailer can sell harm not only the firms operating in this sector, but also harm consumers by limiting access to products that may be more competitive in terms of price and quality. The Philippines requires that certain foreign retailers source at least 30 percent of their inventory, by value, in the Philippines. Additionally, firms specializing in luxury goods must source at least 10 percent of their inventory, by value, in the Philippines. These requirements appear to violate the Philippines' commitments under several WTO agreements. The United States will monitor this issue to determine what action should be taken to address these concerns.

G. Lack of Intellectual Property Protection

The USTR is releasing the ''Special 301'' report today (see *www.ustr.gov*), which identifies those countries that deny adequate and effective intellectual property protection or that deny fair and equitable market access to U.S. intellectual property products. As discussed above, on March 13, 2001, the United States self-initiated a section 301 investigation following the identification of Ukraine as a Priority Foreign Country under Special 301 for Ukraine's persistent failure to take effective action against significant levels of optical media piracy and to implement adequate and effective intellectual property laws. In addition, this year's Special 301 report addresses a number of key issues, including (1) failure of numerous economies, including Brazil and Taiwan, to take effective enforcement action that provides adequate deterrence against commercial piracy and counterfeiting; (2) failure of the European Union to provide national treatment for the protection of geographical indications for agricultural products and foodstuffs; (3) failure by Argentina, Hungary and Israel, among others, to provide adequate protection for the confidential test data of pharmaceutical and agricultural chemical companies; (4) the insufficient term of protection for patents in trading partners such as the Dominican Republic and India; (5) the inadequate protection for pre-existing works in numerous trading partners, particularly in Armenia, Azerbaijan, Belarus, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan; (6) the failure of the Philippines to provide adequate enforcement, including making available ex parte search remedies; and (7) lax border enforcement against pirate and counterfeit goods in many of our trading partners.

H. Barriers to Trade in Electronic Commerce

Barriers to electronic commerce can occur at various points in the e-commerce value chain, such as restrictions on basic telecommunications services, Internet access services, and services provided through the Internet. For example, Israel is pursuing a policy that would disadvantage U.S. companies wishing to offer Internet access services over the cable platform and would favor the state-owned telecommunications company (Bezeq). Although Israel has licensed Bezeq to enter the high-speed Internet access market without any licensing fees, it has introduced legislation that will require cable television companies seeking to enter this market to pay licensing fees (above their cable franchise fees). The United States is seriously concerned that regulatory favoritism undermines the investment environment in Internet services in Israel. We will closely monitor developments in Israel as well as in other markets.

I. Other Barriers

Not all trade obstacles fit neatly into one category. There are many exporters facing conditions in overlapping categories that combine to limit market access to U.S. goods and services, and unfavorable treatment of a certain foreign industry by any given country often involves a multitude of overlapping barriers. One illustration of how numerous trade measures can affect the conditions for access to overseas markets can be found in the textile and apparel industries. U.S. industry has raised a series of concerns regarding a number of measures, often used in combination, that impede access to overseas markets, including: high tariffs, additional import taxes and charges, some of which may be forgiven for goods destined for the export market, excessive and impractical marking and labeling requirements, reference pricing and non-automatic licensing, burdensome certificates of origin requirements, lack of intellectual property protection, and pre-shipment inspection requirements. Ironically, some of the countries with the most protected internal markets are also the most significant beneficiaries of the WTO Agreement on Textiles and Clothing's liberalization and elimination provisions, as applied by the United States. The United States will continue its efforts to work within the WTO and with our trading partners to ensure that all countries meet their WTO obligations to

open their market to textile and apparel products.

The United States has continuing concerns about treatment of foreign, research-based pharmaceuticals under the reimbursement pricing systems in place in Korea and Taiwan. These reimbursement pricing systems lack transparency and appear arbitrary, raising questions about whether they are being implemented in a fair and non-discriminatory manner. These systems also create an uncertain business environment for pharmaceutical manufacturers. In addition, burdensome and non-science-based regulatory requirements are applied to pharmaceutical products in Korea and Taiwan, including requirements relating to the acceptance of foreign clinical test data, testing, and approval of new drugs. Korea and Taiwan need to undertake significant improvements in their systems to make them fair, non-discriminatory and transparent. Finally, while the Korean Government has been responsive to some U.S. concerns in the pharmaceutical sector, serious questions remain regarding the lack of IPR protection for these products. In particular, the lack of coordination between the Korea Food and Drug Administration and the Korea Intellectual Property Office concerning marketing approval for pharmaceuticals and inadequate data protection, discourage the introduction of innovative drugs. The U.S. Government will continue to pursue these issues with the Korean Government to ensure that foreign pharmaceuticals are provided fair and non-discriminatory treatment in the Korean market.

Finally, the U.S. flat glass industry continues to experience serious market access problems in Japan, owing mainly to the continued domination of the Japanese flat glass market by domestic flat glass manufacturers. Over the past year, U.S. industry has strengthened its business and marketing activities in Japan. However, despite better quality, technology and competitive prices, U.S. flat glass manufacturers have failed to gain access to the Japanese market commensurate with their level of access in the rest of the world. The domination by Japanese flat glass manufacturers of distributors is a key problem for U.S. firms. The leading Japanese flat glass producers exert tight control over flat glass distribution by majority ownership, equity and financing ties, employee exchanges, and purchasing quotas. The U.S. Government remains very concerned about the closed distribution channels in the oligopolistic flat glass sector. To address these concerns, the U.S. Government has proposed, under the bilateral Enhanced Initiative on Deregulation and Competition Policy, that the Japanese Government take further steps to promote competition in wholesale and retail distribution channels for a range of products, including flat glass. The U.S. Government will continue to monitor closely the flat glass industry and urges the Japanese Government to promote competition and eliminate unhealthy oligopolistic behavior in the flat glass sector.

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Assistant U.S. Trade Representative for Monitoring and Enforcement.

[FR Doc. 01–11355 Filed 5–4–01; 8:45 am]

BILLING CODE 3190–01–P

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

[FHWA Docket No. FHWA–2000–7392]

Transportation Equity Act for the 21st Century; Implementation Guidance for the National Corridor Planning and Development Program and the Coordinated Border Infrastructure Program

AGENCY: Federal Highway Administration (FHWA), DOT.

ACTION: Notice; request for comments; solicitation of intent to apply for fiscal year (FY) 2002 grants.

SUMMARY: This document provides implementation guidance on sections 1118 and 1119 of the Transportation Equity Act for the 21st Century (TEA–21). These sections established the National Corridor Planning and Development Program (NCPD program) and the Coordinated Border Infrastructure Program (CBI program). The NCPD and the CBI programs are discretionary grant programs funded by a single funding source. These programs provide funding for planning, project development, construction and operation of projects that serve border regions near Mexico and Canada and high priority corridors throughout the United States. States and metropolitan planning organizations (MPOs) are, under the NCPD program, eligible for discretionary grants for: Corridor feasibility; corridor planning; multistate coordination; environmental review; and construction. Border States and MPOs are, under the CBI program, eligible for discretionary grants for: Transportation and safety infrastructure improvements, operation and regulatory improvements, and coordination and safety inspection improvements in a border region.

DATES: Intentions to make grant applications should be received by FHWA Division Offices no later than July 6, 2001. Specific information required for intentions to make grant applications is provided in Section IV of this notice. Comments on program implementation should be sent as soon as appropriate. The FHWA will consider comments received in developing the FY 2002 and FY 2003 solicitations of grant applications as well as the implementation of the NCPD/CBI program. More information on the type of comments sought by the FHWA is provided in Section III of this notice.

ADDRESSES: Submit written, signed comments on program implementation for fiscal year FY 2003 to FHWA Docket No. FHWA–2000–7392, the Docket Clerk, U.S. Dockets, Room PL–401, 400 Seventh Street, SW, Washington, DC 20590–0001. All comments received will be available for examination at the above address between 9 a.m. and 5 p.m., e.t., Monday through Friday, except Federal holidays. Those desiring notification of receipt of comments should include a self-addressed, stamped envelope or postcard.

Intent to make applications for FY 2002 grants under the NCPD and CBI programs should be submitted to the FHWA Division Office in the State where the applicant is located.

FOR FURTHER INFORMATION CONTACT: For program issues: Mr. Martin Weiss, Office of Intermodal and Statewide Programs, HEPS–10, (202) 366–5010; or for legal issues: Mr. Robert Black, Office of the Chief Counsel, HCC–30, (202) 366–1359; Federal Highway Administration, 400 Seventh Street, SW., Washington D.C. 20590. Office hours are from 7:45 a.m. to 4:15 p.m. e.t., Monday through Friday, except Federal holidays.

SUPPLEMENTARY INFORMATION:

Electronic Access

Internet users can access all comments received by the U.S. DOT Dockets, Room PL–401, by using the universal resource locator (URL): *http://dms.dot.gov.* It is available 24 hours each day, 365 days each year. Please follow the instructions online for more information and help.

An electronic copy of this document may be downloaded using a computer, modem and suitable communications software from the Government Printing Office's Electronic Bulletin Board Service at (202) 512–1661. Internet users may reach the Office of the Federal Register's home page at: *http://www.nara.gov/fedreg* and the Government Printing Office's web page at: *http://www.access.gpo.gov/nara.* In addition, a number of documents and links concerning the NCPD and the CBI programs are available through the home page of the Corridor/Border Programs: *http://www.fhwa.dot.gov/hep10/corbor/corbor.html.*