

**US - CHILE FREE TRADE AGREEMENT**  
**Excerpts from Trade Advisory Committee Reports**

**All citations are direct quotes except for text in brackets, which are USTR summaries of views expressed in the reports or in additional/dissenting views. The full text of all committee reports and additional and dissenting views may be found at [www.ustr.gov](http://www.ustr.gov)**

*Advisory Committee for Trade Policy and Negotiations (ACTPN):*

The ACTPN...with the exception of one dissenting member, fully endorses the U.S. – Chile Free Trade Agreement...[w]e believe the agreement strongly promotes the economic interests of the United States and substantially achieves the overall and principal negotiating objectives set forth in the Trade Act of 2002...[w]e believe the FTA will substantially improve market access in Chile for American farm products, industrial and other non-agricultural goods, and services. We also believe it will expand two-way trade opportunities and will benefit employment and living standards in both countries. We further believe the agreement will enhance the already strong Chilean commitment to economic openness and contribute to the economic and political stability of the entire region by providing a basis and incentive for further trade liberalization in the Western Hemisphere, significantly adding to the imperative of the Free Trade Agreement of the Americas negotiations.

[A dissenting opinion from a labor representative argues that the agreement fails to meet TPA objectives, citing a number of specific concerns with labor rights provisions, dispute settlement, temporary entry of personnel, environmental provisions, and investment provisions.]

*Trade and Environment Policy Advisory Committee (TEPAC):*

A majority of the committee members believe that the Agreement meets Congress' negotiating objectives as they relate to environmental matters. Moreover, this majority notes with satisfaction that environmental issues are now integrated into the drafting of a free trade agreement. This is a singular achievement which should not go unacknowledged.

A majority of the Committee notes that trade agreements create opportunities to enhance environmental protection. Trade opens markets, creates business and employment opportunities, and can increase economic growth. This can lead to increased wealth, which provides opportunities to enhance environmental protection, including the creation of a political will in favor of such protection. It is also noted that trade can create adverse externalities which require enhanced regulatory oversight.

A majority believes that the Agreement's investment protection and dispute resolution provisions are an improvement over those in NAFTA. The Committee believes that these provisions reduce the possibility that there will be successful challenges to attempts to

implement more stringent bone fide environmental controls while simultaneously protecting investment. However, TEPAC is concerned about identifying protected interests with the phrase “a tangible or intangible property right or interest.” There is a lack of clarity regarding the definition of this term and there is no comparable U.S. jurisprudential concept.

A similar majority of TEPAC believes significant improvements have also been made in the procedures used to resolve disputes in environmental matters. This majority concluded that the “carve-out” for environmental and labor provisions appears to strike a proper balance between the extensive commitments in the Agreement to cooperate on environmental matters and the need to ensure that both countries commit the requisite resources to enforce domestic environmental laws and regulations.

[Several dissenting and additional viewpoints are offered by business, consumer and environmental representatives. A business representative criticizes the investment provisions of the U.S.-Chile agreement for narrowing the definition of expropriation and establishing an excessively narrow definition of “minimum standard of treatment of aliens.” Some environmental and consumer representatives argue that while the investment rules of the agreement contain some incremental improvements over NAFTA and the model Bilateral Investment Treaty, the investment language grants too many rights to foreign investors in the United States and fails to provide a blanket environmental exception. Two representatives partially dissent from the majority report because they believe TEPAC has not given sufficient emphasis to the ways in which trade and economic growth can create wealth and provide opportunities to enhance environmental protection; these representative argue that trade agreements are not the most effective way to deal with environmental problems. Finally, a consumer representative welcomes increased transparency in dispute settlement provisions, but argues that these steps do not go far enough to ensure public participation and access as called for in TPA.]

*Labor Advisory Committee (LAC):*

It is the opinion of the LAC that the Singapore and Chile FTAs neither fully meet the negotiating objectives laid out by Congress in TPA, nor promote the economic interest of the United States. The agreements clearly fail to meet some congressional negotiating objectives, barely comply with others, and include certain provisions that are not based on any congressional negotiating objectives at all. These agreements repeat the same mistakes of the North American Free Trade Agreement (NAFTA), and are likely to lead to the same deteriorating trade balances, lost jobs, trampled rights, and inadequate economic development that NAFTA has created.

*Agricultural Policy Advisory Committee (APAC):*

The U.S.-Chile FTA will benefit America’s farmers and ranchers by providing improved and new access to the Chilean market of 15 million consumers... It is the opinion of the

APAC that the U.S.-Chile FTA will improve U.S. exports of agricultural products by opening the Chilean market and providing reciprocal access for U.S. products. We believe that the Agreement provides a sensible timetable for the elimination of agricultural tariffs for import sensitive products including a gradual phase out of tariffs and an import safeguard.

*Agricultural Technical Advisory Committees for Trade (ATAC)*

*Animal and Animal Products ATAC:*

The Committee commends the Administration and its negotiators for developing an agreement that is comprehensive in scope, and that preserves the U.S. right to continue its domestic support and assistance programs by confining those issues to multilateral discussions at the World Trade Organization. Likewise, the negotiated rules of origin will ensure that the benefits of the FTA will accrue primarily to the parties to the agreement. Finally, the advisory committee believes that tariff concessions are appropriately balanced against concessions that Chile had sought from other FTA partners... Our trade advisory committee views sanitary barriers as major hurdles to trade, and thus is pleased that the negotiators have addressed Chile's unfounded SPS (sanitary and phytosanitary) concerns, such as plant registration.

*Fruits and Vegetables ATAC:*

The Committee is appreciative that our trade negotiators recognized the sensitivity of some of our U.S. specialty crops and provided a 12-year non-linear tariff phase-out period. However, representatives of a few highly import-sensitive crops are concerned with the eventual elimination of their tariffs. The Committee also is appreciative of immediate zero tariffs for some of the Committee's crops, especially tree nuts and deciduous tree fruits. However, the Committee believes the snap-back provision included in the agreement will not be particularly helpful to our fruit and vegetable industry, and the Committee is greatly disappointed that U.S. negotiators did not resolve all of the outstanding sanitary and phytosanitary issues that continue to be a market access impediment.

*Grains, Feed and Oilseeds ATAC:*

The overall assessment by this ATAC is that the agreement as it relates to grains, feed, and oilseeds appears equitable, provides reciprocity, and allows U.S. firms direct and transparent access to the Chilean market. The agreement is phased in over 12 years, providing U.S. firms the opportunity to adjust to competitive pressures. The Committee wholeheartedly endorses this particular agreement, though suggests some supplemental guidance, and recommends certain refinements in negotiating future such agreements.

*Sweeteners ATAC:*

Our strong preference would have been to exclude sugar from the market access negotiations of this FTA, and the ATAC consistently presented this majority position to the Administration. As the Administration was unwilling to exclude sugar from this FTA, however, the U.S. sugar industry has sought to work with the Administration to achieve an outcome that would avoid practical harm to our industry.

[A minority opinion expresses support for free and open trade and supports the Administration's goal of liberalizing markets for all agricultural commodities, including sugar. This minority expresses understanding for the structural design of the U.S.-Chile Agreement's sugar provisions, but indicates a desire that these not be used as models for subsequent agreements.]

#### *Tobacco, Cotton and Peanuts ATAC:*

The Chilean Trade Agreement is a fair and very comprehensive trade agreement that adequately covers all tariff categories relative to tobacco trade between the United States and Chile...Chile has no significant peanut production. The rules of origin included in the agreement would limit imports to the U.S. to Chilean produced peanuts and will not allow Chile to establish a cottage industry of processing peanuts...The Chile agreement appears to provide for equity and reciprocity in trade in cotton and cotton products between Chile and the United States...Overall, the proposed trade agreement does address the major issues impacting U.S. seed industry trade and investment.

#### *Industry Sector Advisory Committees (ISAC)*

##### *ISAC 1 - Aerospace Equipment:*

Under the agreement, it appears that tariffs on all aerospace products will go to zero on January 1, 2004. Currently, Chilean tariffs on imports of manufactured goods from the United States, including aerospace products, are six percent. The U.S.-Chile Free Trade Agreement provides for equity and reciprocity in the aerospace sector. Based on the information available, ISAC 1 believes that this agreement advances one of our key objectives—the elimination of tariffs on aerospace equipment—and, therefore, supports the agreement as written.

##### *ISAC 2 - Capital Goods:*

The U.S.-Chile FTA, as concluded between the two governments and shared with members of ISAC-2, provides for the elimination of tariff and non-tariff barriers to free trade between the U.S. and Chile in a manner that provides for equity and reciprocity with the sectoral area represented by the Committee: capital goods. ISAC-2 members agree that the U.S.-Chile FTA will increase the export opportunities for U.S. capital goods manufacturers, while fostering improved protection of U.S. intellectual property and market access for American capital goods in Chile.

*ISAC 3 - Chemicals and Allied Products:*

[ISAC-3 met for the first time in eleven months on February 19, 2003. The interruption in committee meetings was related to legal issues involving environmental representation on the committee. The committee's report sets out a number of negotiating objectives and states that if these have been met, the committee would support the Agreement. However, the committee felt it has not been allowed sufficient time to comment positively or negatively on most aspects of the agreement. The committee is scheduled to meet again in early March, and if USTR receives additional majority or minority views, it will transmit these to the President and the Congress.

[One member of ISAC-3 expressed the desire to be listed as "concurring in part". This member expressed particular concern about the investment chapters of the Agreement, indicating the view that neither the Chile nor Singapore FTAs meet congressional mandates with regard to the substantive rights granted to foreign investors in the United States.]

*ISAC 4 - Consumer Goods:*

ISAC-4 members endorse the U.S.-Chile FTA's comprehensive nature. We believe the agreement will deliver important benefits to consumer goods firms in terms of market access, regulatory transparency, and customs procedures. Further, we generally support provisions on intellectual property and investment, with a few specific reservations. ISAC-4 members endorse the comprehensive nature of the U.S.-Chile FTA, and believe its terms represent an advance in many aspects...[m]ost of the goods manufactured by ISAC-4 members are classified as industrial products. Market access terms affect both intermediate and finished goods. We endorse the accelerated tariff phase-out schedules on most industrial goods, noting that on a trade-weighted basis over 85% of trade will become duty-free upon entry into force. This rapid implementation will offset the existing competitive disadvantage faced by U.S. exports versus those of Mexico and Canada on key consumer goods like paper products.

*ISAC 5 - Electronics and Instrumentation:*

On the whole, ISAC-5 applauds the provisions of this agreement and its ability to satisfy many of our ISAC's overall trade negotiating objectives. We believe the improved market access and customs procedures, along with brand new disciplines in areas such as E-commerce, make this agreement of substantive benefit to the industries covered by our committee and that it would serve the U.S. national economic interest for this agreement to be approved by the U.S. Congress as soon as possible.

[The committee also recommends procedural improvements and changes be made with respect to the advisory committee process for reviewing proposed trade agreements, noting that such agreements are lengthy and complex.]

### *ISAC 6 - Energy:*

ISAC 6 has reviewed the U.S.-Chile Free Trade Agreement and members agree that the proposed Agreement between Chile and the United States will facilitate the provision of energy services between the two countries. Provisions related to regulatory transparency and investment, except as noted in Section V, will help U.S. energy services firms work under the predictable and consistent rules they need to make the kinds of short, medium, and long term commitments often required. [Section V expresses disappointment and concern that Chile made a national treatment reservation with respect to exploration and processing of liquid or gas hydrocarbons found in ocean waters offshore.]

### *ISAC 7 - Ferrous Ores and Metals:*

The Committee finds that this FTA does not provide for any changes in U.S. AD or CVD law; somewhat improves the procedures on safeguards adjudications; and provides for some important (and helpful to steel affiliated companies) sub-federal (state) exclusions from government procurement provisions. Although Chile's ferrous metals industry has a relatively small role in current global ferrous metal industry trade, the Committee reviewed the FTA with great interest because of the potential for establishing negative precedents for key provisions in future FTA's and the WTO Doha Round. We are pleased to generally support this FTA because it does not set any negative precedents; it does not provide for any weakening in U.S. Antidumping or Countervailing Duty law; it somewhat improves the procedures on safeguard adjudications; and provides for some important (and helpful to steel affiliated companies) sub-federal (state) exclusions from government procurement provisions. Also, we are pleased that the dispute settlement provisions are somewhat improved, although only in a minor way, over the existing WTO dispute settlement system.

### *ISAC 8 - Footwear, Leather and Leather Products:*

The members of ISAC-8 reflect the views of a variety of industries at different stages in their development, which causes each industry represented on the committee, footwear, leather products (i.e., travel goods, luggage, handbags and flatgoods) and leather tanneries, to react differently to the U.S.-Chile FTA.

[The U.S. nonrubber footwear industry supports the U.S.-Chile FTA, while the rubber footwear industry takes no position. The U.S. travel goods industry is neutral on the FTA. While the U.S. leather industry indicates it would normally be against any FTA, the industry is neutral on the U.S.-Chile FTA because of the small size of Chile as a potential export market or import competitor.]

The U.S.-Chile FTA embodies the agreement reached between American Apparel and Footwear Association (AAFA) and the Rubber and Plastics Footwear Manufacturers Association (RPFMA), specifically: 1) restrictive rules of origin and a backloaded 10-year tariff phase-out schedule (as demanded by RPFMA) for the 17 rubber/fabric and

plastic protective footwear items specified in the agreement reached between AAFA and RPFMA and 2) immediate duty-elimination and simple and reasonable rules of origin for all nonrubber footwear items and all rubber/fabric and plastic/protective footwear items not specified in the 17 items.

*ISAC 9 - Building Products and Other Material:*

ISAC-9 concludes that the U.S.-Chile Free Trade Agreement promotes the economic interests of the United States [and] achieves all the primary objectives set forth in the Trade Act of 2002...[t]he Committee strongly supports the provisions in the Agreement for enhanced cooperation on technical regulations, standards, and conformity assessment procedures. The establishment of a joint Committee on Technical Barriers to Trade is an especially promising development and should be emulated in future trade agreements.

*ISAC 10 - Lumber and Wood Products:*

ISAC-10 strongly endorses the market access provisions of the U.S.-Chile FTA, which provide for the elimination of tariffs on all wood products immediately on implementation of the agreement. This provision provides equity and reciprocity within the sector—not only on a bilateral basis but also relative to competing suppliers in Canada and Mercosur member countries.

[A minority opinion expresses the view that environmental, safety, labor and other standards should not be considered as non-tariff barriers, urges that U.S. subsidies for forest products be eliminated, urges that environmentally-harmful mechanisms for treatment of wood-borne pests not be adopted, and urges that the environmental consequences of tariff modifications under the agreement be thoroughly analyzed under Executive Order 13141.]

*ISAC 11 - Nonferrous Ores and Metals:*

The U.S.-Chile FTA is an important agreement for ISAC 11, not least because, Chile is a significant producer and exporter of nonferrous metals, notably copper, for which it is the world's largest producer and exporter. It is not, however, a sizable consumer of U.S. exports of nonferrous metals and metal products. In addition to eliminating remaining duties on imports of nonferrous metals, particularly copper, from Chile, the FTA addresses other topics of importance to ISAC 11 companies and industries, notably competition policy, environment, labor, customs/rules of origin, dispute settlement, and safeguards.

One specific item, copper cathode, was the subject of considerable negotiation between U.S. and Chilean negotiators. [The committee notes that representatives of U.S. copper cathode producers had argued for a 4-year phase-out of U.S. tariffs in this area, while the representative of U.S. copper and brass fabricators, citing concerns over weakening domestic supply, argued that the tariff on cathode should be eliminated immediately. The

final agreement eliminates immediately upon the FTA's coming into force the duty on Chilean cathode up to 55,000 tons, with additional imports subject to a one half percent duty ("tariff-rate quota"). The duty is completely eliminated upon the second year of the FTA's coming into force.]

#### *ISAC 12 - Paper and Paper Products:*

The consensus opinion of the Industry Sector Advisory Committee for Paper and Paper Products (ISAC 12) is to strongly support the FTA with Chile...ISAC 12 is satisfied with the results of the negotiation as the agreement calls for tariffs to fall to zero immediately for all of Chapter 47 and 48 once the agreement goes into effect. Current Chilean tariffs on paper products are 6% so this outcome will benefit US industry.

The agreement on paper and paper product tariff elimination also sets a precedent for other FTA negotiations, FTAA market access approaches and a zero for zero agreement on paper tariff elimination in the Doha Development Agenda in the WTO.

ISAC 12 advice on rules of origin was accepted in the US-Chilean FTA agreement. This sets an important precedent for other negotiations in the hemisphere and in the WTO... O... the Environment Chapter takes important steps beyond some previous FTAs to promote environmental protection.

[A dissenting opinion from one member of the committee raises questions and concerns raised about whether the narrowing of the environment chapter's legal scope, along with its insufficient provisions for public participation, may weaken its ability to be a process that protects the environment and is equitable to all stakeholders.]

#### *ISAC 13 - Services:*

Overall, the Committee believes that the U.S.-Chile FTA meets the Committee's objective of achieving new and expanded trading opportunities for specific service sectors, including: audiovisual; banking, securities and asset management; distribution; e-commerce; education; energy; express delivery; healthcare; insurance; professional (e.g., accounting, legal, consulting, architectural and engineering services); telecommunications and information technology; transportation; and travel and tourism.

The ISAC strongly supports the negative list approach taken to services negotiations in the Agreement. The Agreement contains several cross-cutting elements worth noting: provisions on investment, transparency, and temporary entry.

An important element of the Agreement is its Chapter on Investment. Foreign direct investment is particularly important for trade in services because many services can only be "traded" by establishing a commercial presence (investing) in a foreign market. The chapter provides rights to invest and procedures for the resolution of disputes. It importantly contains a commitment to unrestricted transfers of capital. However it also



provides restrictions on the Agreement's dispute resolution process in the event either Party imposes capital transfer restrictions. While industry generally opposes strongly restrictions on the free transfer of capital, we believe the formulation contained in the Investment Chapter is acceptable.

Another important element of the Agreement is its provisions for transparency in domestic regulatory processes including licensing decisions. Taken together these provisions are an outstanding achievement which will resonate in other bilateral agreements and in the multilateral GATS negotiations in the WTO.

The Agreement also contains provisions for the temporary movement of people. Like investment, movement of persons is one of the most important means by which services are traded (for example, U.S. consultants who must travel in order to provide services to foreign clients).

The Agreement also provides new market opportunities for some of the United States' most competitive industries. Section V of this Report contains the ISAC's report on a number of sectors. Committee members agree that the Agreement is a positive step in liberalizing services trade between the United States and Chile and note some concerns, particularly in the areas of education, energy, engineering, and express delivery.

[The concerns expressed by the committee in Section V seek clarification, additional information, or urge that certain provisions, such as a reservation on energy services, not be precedential in other agreements. In some cases the committee expresses the view that additional liberalization should have been sought, such as in education services. The committee also notes that it was challenged by the lack of available final text during the full 30-day period they had to conduct their analysis and write this report.]

#### *ISAC 14 - Small and Minority Business:*

The committee, except as noted in the comments in section V below, applauds the efforts of USTR and Commerce to open freer trade with Chile. [In Section V, the committee expresses the view that the time-frame for Customs release of shipments should be shortened from six to three hours, urges that e-commerce be given high priority and that the committee's resolutions on this issue be fully considered, and recommends that a private trade dispute settlement group be established for the resolution of business-to-business disputes.]

#### *ISAC 15 - Textiles and Apparel:*

This report transmits input from the Committee, reflecting primarily two divergent opinions held by the different sectors of this industry (the fiber/yarn/textile sector, including textile bag manufacturers, and the apparel sector). The most significant interest revolves around the rules of origin and the issue of whether they might become a precedent for other trade agreements. Here there is a sharp division of opinions.

Regarding rules of origin, the **fiber, yarn, and textile members** largely support the requirements of a yarn forward rule that grants benefits only to the signatories of the agreement, and not to third parties. They believe this condition is most conducive to U.S. economic growth, and is an appropriate precedent for future trade agreements. Because the agreement largely parallels NAFTA, it creates parity amongst our trading partners. The industry did, however, express concerns over the high level of Tariff Preference Levels (TPLs) that were included, which undermine the otherwise favorable origin rules.

In contrast, **apparel members** largely expressed disappointment with the FTA, because the NAFTA rule of origin is restrictive and is made worse by additional complications and burdens. They argue that the rule of origin discourages apparel trade among the beneficiary countries, which will in turn diminish sales opportunities for fabric and trim suppliers. They urge that the rule of origin in this FTA not be seen as a precedent for other FTAs.

#### *ISAC 16 - Transportation, Construction and Agricultural Equipment:*

The majority concluded that the U.S.-Chile Free Trade Agreement provides for the trade liberalization between the United States and Chile in a manner that provides for equity and reciprocity within the two primary sectoral areas represented by the Committee: motor vehicles and equipment, and agricultural equipment. Several Committee members believe that the U.S.-Chile FTA should be modified prior to its final approval to address the problems outlined in this report regarding the provisions regarding re-manufactured motor vehicle components. In addition, the rule of origin provisions in general require further concerted effort by U.S. trade negotiators as they develop new trade agreements.

#### *ISAC 17 - Wholesaling and Retailing:*

In general, the members of ISAC-17 support the Chile FTA. Subject to the issues and concerns discussed below, it is the view of ISAC-17 that the agreement will, on balance, promote the economic interests of the United States, will largely achieve the applicable overall and principle negotiating objectives, and provides for general equity and reciprocity with the distribution services sector.

[The committee expresses concerns with regard to the so-called “yarn-forward” rule of origin for textiles and apparel, which determines origin according to where the inputs used to make the final product are produced. Under this rule, only apparel made from yarn and fabric originating in Chile or the United States can qualify for duty-free treatment. The members of the committee express the view that a yarn-forward rule is not cost effective and results in a net increase in the cost of apparel production. The committee urges that this rule not be used as model for other FTAs.]

#### *IFAC 1 - Customs Matters:*

The Committee reviewed that part of the agreement that covers customs procedures or is otherwise required to be administered by the customs administrations of the parties. The Committee has not reviewed or commented on the other provisions in the agreement such as the agriculture and non-agriculture market access provisions. The Committee found the agreement to be fair and balanced. It provides many benefits to U.S. traders. As a result of these positive provisions, the Committee believes the agreement does provide equity and reciprocity in the customs functional area...From the results included in the Agreement it is apparent that the negotiators accepted the Committee's advice and sought to achieve all of the objectives of the Committee...[t]he Committee reviewed the customs section of the agreement and is pleased that so many of the current best practices have been included in those provisions. From the 48 hour release of goods standard to the need to make the rules and procedures available to the public, the lists of agreed to practices implements many of the international customs guidelines.

#### *IFAC 2 - Standards:*

The IFAC 2 has deliberated over the final text of the U. S. - Chile FTA, and the committee has limited its comments to the sections that specifically address Technical Barriers to Trade. The issues advanced by the IFAC 2 at the beginning of the negotiations have been adequately addressed. We recommend that the five-year implementation period for transparency obligations included in the U.S.-Chile FTA, be minimized or eliminated in future agreements. We are pleased with the work of the United States Government on this FTA.

#### *IFAC 3 - Intellectual Property Rights:*

IFAC-3 believes that this agreement represents significant progress toward meeting the negotiating goals and objectives contained in the Trade Act of 2002 and those of the U.S. intellectual property-based industries, creators and innovators. IFAC-3, therefore, supports the Chile FTA chapter on intellectual property and commends the U.S. negotiators for a job well done. While it is unfortunate that some elements of the agreement fall short of providing the same levels of protection and enforcement provided in the Singapore FTA, IFAC-3 believes that the agreement establishes a number of key precedents to be included in the other FTAs now being negotiated, including the FTAA.

#### *IFAC 4 - Electronic Commerce:*

The IFAC-4 views the electronic commerce provisions of the U.S. Chile Free Trade Agreement as a catalyst for e-commerce negotiations in the CAFTA and the FTAA. IFAC-4 applauds USTR's establishment of the concept of digital products in terms of trade. Our assessment of the e-commerce provisions in the Agreement indicates that they meet our negotiating objectives and addresses particular concerns we have shared with USTR. IFAC-4 believes the e-commerce provisions promote the economic interests of

the United States and provide equity and reciprocity for electronic commerce firms.

*Intergovernmental Policy Advisory Committee (IGPAC):*

[The IGPAC recently lost numerous members after state elections. The committee is presently being reconstituted and new members will be appointed. USTR pro-actively solicited comments from IGPAC members including the Council of State Governments, the National League of Cities, and the National Council of State Legislatures.]

The Council of State Governments (CSG) appreciates the opportunity to comment on the Chile and Singapore Free Trade Agreements through the Intergovernmental Policy Advisory Committee (IGPAC). We applaud the U.S. Trade Representative for including state and local associations in IGPAC deliberations. CSG has been informed that the USTR will soon be reconstituting the IGPAC to include new members and additional staff liaisons. CSG strongly supports this effort...

Both agreements endeavor to open new markets for U.S. businesses by liberalizing trade in services, including banking and insurance. States support efforts to increase market access for U.S. service firms. However, the independent exercise of legislative and regulatory power is essential for safeguarding the interests of state citizens and preserving the freedom of action inherent in the federal system. While the USTR has clearly worked hard to identify individual state laws that may not conform to the provisions of these agreements and to exclude these statutes from coverage by listing them in annexes of non-conforming measures, these annexes should not be assumed to be comprehensive... CSG encourages the USTR to work closely with state governments and state associations to ensure that these [independent regulatory and legislative powers of states] are protected in all trade agreements.

The National League of Cities (NLC) enthusiastically supports trade and investment because they generate jobs and economic growth in our local communities. Our ardent support for free trade is balanced by our commitment to fair laws that respect the authority of states and municipalities to regulate land use, health, safety, welfare and environmental issues... NLC applauds the efforts of USTR to increase market access for U.S. businesses. Specifically, NLC appreciates USTR's effort to accommodate the interests of local government by exempting key state laws and existing local measures from conforming to the Agreement. Nevertheless, we remain concerned that the exemptions provided in the annexes are not exhaustive... [and] that areas of laws not yet identified may become subject to the trade agreement. NLC would appreciate additional clarification of the scope of these exclusions so that we may ascertain the full scope of exemptions under the treaty.

[Similar comments were received from the National Council of State Legislatures.]