VI. TRADE POLICY DEVELOPMENT

A. Trade Capacity Building (TCB)

Trade capacity building (TCB) is a critical part of the United States' strategy to enable developing countries to negotiate and implement market-opening and reform-oriented trade agreements. Providing developing countries with the tools to maximize trade opportunities and improve the linkage between trade and sustainable development is critical to achieving broad-based reforms. Absolute poverty rates for globalizing countries have fallen sharply over the last 20 years. A 2004 study published by the Institute for International Economics found that trade barrier elimination in conjunction with related development policies would accelerate the decline in the number of people living in poverty over the next 15 years by an additional 500 million – greater than the entire population of the United States.

The United States is committed to assisting developing countries build up their capacity by providing aid for trade. Aid to build trade capacity is about giving countries, particularly the least-trade active, the opportunity to participate in negotiations, so that they can make decisions about the benefits of trade deals and about assisting these countries in implementing their obligations to bring certainty to their trade regimes. The assistance also addresses broader transition issues, so rural areas, small businesses and female entrepreneurs benefit from ambitious reforms in trade rules that are being negotiated in the WTO and other trade agreements. Total U.S. funding for TCB activities from 2001 to 2007 was approximately $7.1 billion. In 2007, TCB funding was distributed as follows:

- Asia: $96 million, for a total of $875 million since 2001
- Central and Eastern Europe: $30 million, for a total of $394 million since 2001
- Former Soviet Republics: $74 million, for a total of $800 million since 2001
- Latin America and Caribbean: $554 million, for a total of $1.9 billion since 2001
- Middle East and North Africa: $57 million, for a total of $1 billion since 2001
- Sub-Saharan Africa: $505 million, for a total of $1.6 billion since 2001

The United States has and will continue to support the WTO's catalytic role in aid for trade as well as the Enhanced Integrated Framework that aims to help the least trade-active countries participate in the global trading system.

Coherence: An important element of this work involves coordination with regard to technical assistance activities among international institutions such as the WTO, the World Bank, the International Monetary Fund, the regional development banks, and other donors. The Administration's intention is to avoid duplication and to identify and take advantage of donor complementarities in programming. The United States will work in partnership with these institutions and with other donors to ensure that international financial institutions (IFIs) offer trade-related assistance as an integral component of development programs – including increasing awareness of existing mechanisms and programs – tailored to the circumstances within each developing country.

The United States' efforts build on its long-standing commitment to help all countries benefit from the global trading system, including through mechanisms such as the Enhanced Integrated Framework and the Millennium Challenge Corporation; contributions to the WTO's Global Trust Fund for Trade-Related Technical Assistance; assistance to countries acceding to the WTO; targeted assistance for developing countries participating in U.S. preference programs, such as the $200 million African Global Competitiveness Initiative helping Africa benefit from AGOA; coordination of assistance through Trade and Investment Framework Agreements (TIFAs); TCB working groups that are integral elements of free trade negotiations; and Committees on TCB created to aid in the implementation of a number of FTAs, including the FTAs with the Dominican Republic and Central America, and Peru. Similar committees will also aid in the implementation of FTAs with Colombia and Panama as those enter into force. Other TCB assistance is helping developing countries to work with the private sector and non-governmental organizations to transition to a more open economy, to prepare for FTA and WTO negotiations and to implement their trade obligations.

1. Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC), established by the United States in 2004, provides a significant source of bilateral assistance for trade capacity building efforts for eligible countries. The purpose of the MCC is to ensure that President Bush's vision of a new "global development compact" is implemented in a manner in which "greater contributions from developed countries [are] linked to greater responsibility from developing nations."

The U.S. Trade Representative is a member of the MCC's Board of Directors. By giving eligible countries the opportunity to identify their own priorities and develop their own proposals for reducing poverty and spurring economic growth, the MCC enables countries to address long-term development obstacles, including in the area of trade.

Since 2004, MCC programs are a significant component of U.S. contributions to TCB, channeling funds to low and lower middle income countries that demonstrate a strong commitment to investing in their people, ensuring political justice, encouraging economic freedom, and promoting sustainable natural resource management policies. A total of 42 countries have been deemed "eligible" for MCC assistance. The primary vehicle for delivering this assistance is through a "compact" – a multi-year agreement between the Millennium Challenge Corporation and an eligible country to fund specific programs targeted at reducing poverty and stimulating economic growth. The MCC Board has approved compacts worth over $5.5 billion with 16 partner countries, of which $3.2 billion funds aid for trade projects. In 2007, the MCC Board approved compacts with five nations: Lesotho, Mongolia, Morocco, Mozambique, and Tanzania, which will fund approximately $2.5 billion in economic growth projects in the coming years, including significant TCB components. In December 2007, the MCC Board announced that, in FY2008, Malawi will be eligible to negotiate a compact for development assistance with the MCC.

To provide further incentive for reform and help additional countries qualify for compacts, the MCC provides "threshold" assistance to countries that fall just short of compact eligibility to help them address specific areas of policy weakness. In December, 2007, the MCC Board announced that Mauritania is eligible to participate in the MCC's threshold program and that Albania, Paraguay, and Zambia are eligible for a second threshold program. The MCC has approved threshold programs with 17 countries, with associated funding totaling over $360 million.

2. The Integrated Framework

The Integrated Framework for Trade-Related Assistance to Least-developed Countries (IF) is a multi-organization (including the WTO, World Bank, IMF, UNCTAD, UNDP, and the International Trade Centre), multi-donor program that operates as a coordination mechanism for trade-related assistance to least developed countries (LDCs) with the overall objective of integrating trade into national development plans. The mechanism incorporates a diagnostic assessment and action plan formulated by one of the international organizations and the country. The action plan, consisting of needs identified by the diagnostic assessment, is offered to multilateral and bilateral donors. Project design and implementation can be accomplished through the resources of the IF Trust Fund or multilateral or bilateral donor programs in the field (as the United States does through its development assistance programs). The IF is exclusively for the LDCs, with the goal of getting the least trade-active more involved. Of the 50 LDCs, in 2007, 46 have joined the IF.

Following discussions in the World Bank's Development Committee and the WTO, a process to enhance the IF was launched in early 2006. The United States was an active member of the Task Force created to guide this process and is an active participant in the implementation phase of this effort. The process focused on three elements to accelerate and improve the IF process: (1) increase resources for follow-up; (2) build the in-country capacity of countries to benefit from the IF; and (3) improve IF governance, including monitoring and dissemination of best practices. The Task Force concluded its work in May 2007. The new Enhanced Integrated Framework (EIF) was formally launched in May and is expected to be fully operational in early 2008.

The United States has contributed funds for the past few years to the Integrated Framework Trust Fund to finance Diagnostic Trade Integration Studies (DTIS). USAID's bilateral assistance to LDC participants supports initiatives both to integrate trade into national economic and development strategies and to address high priority "behind the border" capacity building needs designed to accelerate integration into the global trading system. The total FY2007 bilateral TCB assistance to the IF countries was $228 million. Further, the MCC approved compacts with three IF countries in FY2007 totaling $1.5 billion of which about $875 million is trade-related assistance. Many of these countries also benefit from part of the $69 million in regional assistance provided by USAID.

3. World Trade Organization-Related U.S. TCB

International trade can play a major role in the promotion of economic growth and the alleviation of poverty. The WTO's Doha Development Agenda (DDA) recognizes that TCB can facilitate the more effective integration of developing countries into the international trading system and enable them to benefit further from global trade. The United States provides leadership in promoting trade and economic growth in developing countries through comprehensive TCB programs. The United States directly supports the WTO's trade-related technical assistance.

Global Trust Fund: The United States supports the trade-related assistance activities of the WTO Secretariat through contributions to the Doha Development Agenda Global Trust Fund. With an additional contribution of nearly $1 million in 2007, total U.S. contributions to the WTO amount to almost $7 million since the launch of DDA negotiations.

Aid for Trade: The WTO's Hong Kong Declaration created a new WTO framework in which to discuss and prioritize aid for trade. In 2006, this framework created an Aid for Trade Task Force to operationalize aid for trade efforts and offer recommendations as to how to improve the efficacy and efficiency of these efforts among WTO Members and other international organizations. The United States continues to be an active partner in the aid for trade discussion.

The year 2007 saw an active agenda to implement many of the Task Force's recommendations. In the fall, the WTO Secretariat and its regional development bank partners sponsored regional discussions of aid for trade in: Lima, Peru; Manila, Philippines; and Dar es Salaam, Tanzania. A global review of aid for trade, incorporating the results of the regional discussions, was held in Geneva in November 2007 with high-level attendance from trade, finance, and development officials. We expect work in 2008 to focus on technical discussions and implementation of best practices in this field.

WTO and Trade Facilitation: The United States committed over $314 million in FY2007, for a total of over $1.7 billion since 2000, to trade facilitation activities. In doing so, the United States has supported the WTO discussions by providing assistance to developing countries that seek help in responding to the regulatory proposals made by members in the Negotiating Group on Trade Facilitation.

WTO Accession: The United States supports countries that have acceded or are in the process of acceding to the WTO. For example, in 2007, USAID and USDA provided WTO accession and implementation services to Cape Verde and to the Ukraine, which completed their accession negotiations on December 18, 2007. Also in 2007, USDA provided WTO accession assistance to Vietnam, which became the 150th Member of the WTO last year. That year, the United States additionally provided WTO accession support to Iraq, Lebanon, Yemen, Afghanistan, Ethiopia, Kazakhstan, Azerbaijan, and a number of other countries in Eastern Europe and the former Soviet Union.

4. TCB Initiatives for Africa

The United States is aggressively funding programs and developing new initiatives at the multilateral and bilateral levels to address the specific needs of African countries with respect to reducing poverty and spurring economic growth. The United States has matched its trade initiatives with an equally strong commitment to provide assistance at the regional, sub-regional, and country levels. The United States committed to nearly $505 million in assistance to sub-Saharan Africa in FY2007, which was a 26 percent increase over FY2006, for a total of nearly $1.6 billion over the last seven fiscal years.

African Global Competitiveness Initiative: In July 2005, the United States announced the African Global Competitiveness Initiative (AGCI) to help build sub-Saharan Africa's capacity for trade. The AGCI is currently providing $200 million in funding over five years to: (1) expand African trade with the United States under the AGOA trade preference program, with other international trading partners and regionally within Africa; and (2) promote export competitiveness of sub-Saharan African countries. Specifically, AGCI is assisting with trade capacity development by supporting four regional USAID-funded Regional Hubs for Global Competitiveness – in Botswana, Kenya, Ghana, and Senegal – as well as supporting USAID bilateral missions to help African countries diversify trade, remove key barriers to expanding growth, and thus maximize the benefits of greater participation in global markets. For example, the trade hubs in Ghana and Senegal have made progress in aiding in the creation and expansion of export markets for African seafood, cashews, and shea butter. In East Africa, the trade hub is expanding export markets for African produced home décor and leather goods. In South Africa, the trade hub is expanding regional trade in agricultural products, including specialty food items. Under an agreement with USAID, USDA is addressing sanitary and phytosanitary issues under AGCI, specifically in the areas of food safety and plant and animal health.

African Growth and Opportunity Act (AGOA): AGOA, enacted in 2000, is a U.S. trade preference program that is reducing barriers to trade, increasing exports, creating jobs, and expanding opportunity for Africans. Under AGOA, eligible countries can export most of their products to the United States duty-free (see the Africa section in Chapter III for more information on AGOA).

Trade capacity building is an important element of AGOA implementation. As a result, TCB funding for sub-Saharan Africa reached nearly $505 million in FY2007, an increase of 149 percent over FY2005. Several U.S. agencies – including USAID, Homeland Security's Customs and Border Protection, and the Departments of State, Agriculture, and Commerce – have conducted technical assistance and outreach programs designed to assist beneficiary countries to maximize their AGOA benefits. AGOA implementation is a major focus of the four regional trade hubs cited above. For example, USDA Animal and Plant Health Inspection Service (APHIS) experts have been posted to three of the hubs to assist African countries in meeting U.S. food safety standards. The trade hubs also conduct seminars and workshops designed to help African businesses make the most of AGOA's trade opportunities.

Comprehensive Africa Agriculture Development Program (CAADP): CAADP is a New Partnership for Africa's Development (NEPAD) program in which African Heads of State agreed to achieve and sustain a 6 percent annual agricultural growth rate. The United States committed in September 2005 for USAID, as part of the Presidential Initiative to End Hunger in Africa, to fund a five-year effort from 2006 to 2010 to support African leaders' implementation of the CAADP. The United States provided $200 million in 2007 to CAADP and plans to provide similar amounts annually in 2008-2010. USAID works with governments, NGOs, and the private sector to expand alliances in grains, cocoa, coffee, cotton, horticulture, dairy, cassava, and other priority commodity food systems. Among other things, the framework, and efforts to support it, directly enhances Africa's ability to benefit and participate in global trade and world trade agreements in agriculture. In September 2007, representatives of development agencies from the United States and other major donor countries met with their African partners in Addis Ababa, Ethiopia to coordinate their efforts under the CAADP framework.

Assistance to West African Cotton Producers: During 2007, the United States continued to fully mobilize its development agencies to address the obstacles faced by West African countries – particularly Benin, Burkina Faso, Chad, Mali and Senegal – in the cotton sector. The MCC, USAID, USDA, and the United States Trade and Development Agency (USTDA) all continued work on a coherent long-term development program based on the priorities of the West Africans. The United States will continue to coordinate with the WTO, World Bank, the African Development Bank, and others as part of the multilateral effort to address the development aspects of cotton. This includes active participation in the WTO Secretariat's periodic meetings with donors and recipient countries to discuss the development and reform aspects of cotton.

The centerpiece of U.S. assistance to the cotton sector in West Africa is USAID's West Africa Cotton Improvement Program (WACIP). The WACIP was launched in November 2005 with initial funding of $7 million. In June 2006, total funding was increased $27 million over the three year life of the program. The program is aimed at helping to improve the production and marketing of cotton in five countries: Benin, Burkina Faso, Chad, Mali, and Senegal. The WACIP is designed to help achieve the following objectives: (1) reduce soil degradation and expand the use of good agricultural practices; (2) strengthen private agricultural organizations; (3) establish a West African regional training program for ginners; (4) improve the quality of West African cotton through better classification of seed cotton and lint; (5) improve linkages between U.S. and West African research organizations involved with cotton; (6) improve the enabling environment for agricultural biotechnology; and (7) assist with policy/institutional reform.

In early 2007, implementation of the main component of WACIP began in earnest in the field. Through extensive consultation with stakeholders – government, farmers, and other involved parties – in the each country, three main intervention areas were identified to fulfill the objectives outlined above:

- Creating momentum for longer term policy and institutional changes that will encourage investment and value-addition;
- Improving value addition by exploiting niche processing and marketing opportunities for cotton-based products; and
- Increasing productivity of cotton, the quality of cotton lint, and farmers' income from cotton and other crops in the cotton rotation.

A key element of the WACIP program is the identification of specific policy priorities through National Advisory Committees (NACs). Composed of stakeholders in each country, these committees held first, and in several cases second meetings, during 2007. First meetings were held in Benin, Burkina Faso, Mali, and Chad, and second meetings in Benin, Burkina Faso, and Mali. The NACs identified key areas of policy and institutional reform on which WACIP should focus. The outcome of these activities will inform the NACs in the coming months as they identify actual policies to be addressed and how.

In the areas of cotton production and value addition, work is underway with stakeholders to identify the specific projects which would yield the assistance and results the stakeholders have requested.

The U.S. Government also provides complementary support to the cotton sector through other programs. During 2007, MCC began implementation of compacts with Benin and Mali representing over $750 million in development assistance to be distributed in coming years, much of which is allocated to agriculture and infrastructure investment. MCC is currently finishing the development of a compact with Burkina Faso.

5. Free Trade Agreement (FTA) Negotiations

Although the WTO programs and the IF are high priorities, they are only part of the U.S. TCB effort. In order to help our FTA partners participate in negotiations, implement rules, and benefit over the long-term, USTR has created TCB working groups in free trade negotiations with developing countries and Committees on TCB to prioritize and coordinate TCB activities during the transition and implementation periods. USAID, its field missions, and a number of other U.S. Government assistance providers actively participate in these working groups and committees so that the TCB needs identified can be quickly and efficiently incorporated into ongoing regional and country assistance programs. The Committees on TCB also invite non-government organizations, representatives from the private sector, and international institutions to join in building the trade capacity of the countries in each region. Trade capacity building is a fundamental feature of bilateral cooperation in support of the completed Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), and our signed free trade agreements with Colombia, Peru and Panama. USTR also works closely with the Department of State and other agencies to track the delivery of TCB assistance to Jordan, Morocco, Bahrain, and Oman through bilateral labor and environmental cooperation agreements.

a. Dominican Republic-Central America Free Trade Agreement

During the CAFTA-DR negotiations, the United States and other international institutions worked with the Central American countries and the Dominican Republic through a TCB working group to address trade capacity issues, such as rural diversification programs for agricultural products (*e.g.*, coffee), market linkages for goods and services, food industry development, strengthening of labor and customs systems, and combating exploitive child labor.

In order to build on the progress made during the negotiations, the CAFTA-DR established a Committee on TCB. The CAFTA-DR was signed in August 2004 and went into force for all countries except Costa Rica during 2006 and 2007. The Committee on TCB convened twice in 2007, in February in Guatemala City, Guatemala and in Washington, D.C. in November. These meetings were attended by representatives of each of the member countries and by the Inter-American Development Bank (IDB), the World Bank (WB), the Organization of American States, and ECLAC, providing the opportunity for the Committee to review updates of recipient members' trade capacity building strategies and priorities as well as U.S. donor agencies' and the international institutions' trade capacity building activities. They additionally provided the opportunity for in-depth discussions of particular assistance areas, such as rural development and sanitary and phytosanitary assistance. The United States provided over $433 million in TCB assistance through bilateral and regional assistance programs to the CAFTA-DR countries in FY2007 from a broad spectrum of U.S. donor agencies, such as the MCC, USDA, USAID, the Department of State, and the U.S. Trade and Development Agency.

b. Colombia and Peru Trade Promotion Agreements

In December 2007, President Bush signed the United States-Peru Trade Promotion Agreement (PTPA). The PTPA includes a provision that creates a Committee on TCB to build on work done during the negotiations by the TCB working group. The working group included the Inter-American Development Bank (IDB), the World Bank (WB), the Andean Regional Development Bank, the OAS, and the Economic Commission for Latin America and the Caribbean (ECLAC), addressed a broad range of economic assistance issues, including programs to aid small and medium enterprises, rural farmers, food safety inspectors, and customs officials. These programs are intended to help Peru to implement the obligations of the agreement and to more broadly benefit from the opportunities created by the free trade agreement. The agreement calls for the Committee to further refine and implement Peru's national TCB strategy as well as foster assistance to promote economic growth, reduce poverty, and adjust to liberalized trade.

In November 2006, the United States and Colombia signed a comprehensive free trade agreement – The United States-Colombia Trade Promotion Agreement (CTPA). As with the United States-Peru Trade Promotion Agreement, the CTPA includes the creation of a Committee on TCB to build upon the progress made by the preceding TCB working group on economic assistance and poverty alleviation.

c. Panama Trade Promotion Agreement

The United States and Panama signed the United States-Panama Trade Promotion Agreement on June 28, 2007. The agreement also establishes a trade capacity building committee, which will aid Panama to implement its obligations and allow it to more broadly benefit from the opportunities that the free trade agreement will create.

B. Congressional Affairs

In 2007, USTR worked closely with the 110th Congress to move forward President Bush's bilateral, regional, and multilateral trade agenda. Consistent with the Bipartisan Trade Promotion Authority Act of 2002, USTR consulted before and after each round of negotiations on each agreement. These consultations provided the Administration with valuable advice on the United States-Peru Trade Promotion Agreement, the United States-Colombia Trade Promotion Agreement, the United States-Panama FTA, and the United States-Korea FTA. In particular, the Congress and the Administration worked closely to develop necessary amendments to these four agreements. The Administration then agreed to amend relevant provisions of each FTA relating to labor, environment, port security, investment, intellectual property, and government procurement.

The Administration signed the United States-Panama and United States-Korea Free Trade Agreements June 2007 and also signed protocols to our FTAs with Peru and Colombia in June. In December 2007, the Congress passed with strong bipartisan support and President Bush signed into law the United States-Peru Trade Promotion Agreement Implementation Act.

Although Trade Promotion Authority expired on July 1, 2007, USTR continued its consultations with the Congress with respect to FTA negotiations with Malaysia, Thailand, the Southern African Customs Union (SACU), and the Free Trade Area of the Americas. The Administration also consulted with the Congress on a Trade and Investment Framework Agreement with Uruguay and a Bilateral Investment Treaty with Rwanda.

In addition to consultations related to bilateral and regional trade agreements, USTR maintained an ongoing dialogue with the Congress on multilateral initiatives in 2007. USTR consulted with the Congress on the WTO Doha Development Round and on legislation intended to bring the United States into compliance with adverse WTO rulings. USTR also worked with Congress to reauthorize the Andean Trade Preference Act and on several other legislative proposals.

C. Private Sector Advisory System and Intergovernmental Affairs

USTR's Office of Intergovernmental Affairs and Public Liaison (IAPL) administers the federal trade advisory committee system and provides outreach to, and facilitates dialogue with, state and local governments, the business and agricultural communities, labor, environmental, consumer, and other domestic groups on trade policy issues.

The advisory committee system, established by the U.S. Congress in 1974, operates under the auspices of IAPL. The advisory committee system was created to ensure that U.S. trade policy and trade negotiating objectives adequately reflect U.S. public and private sector interests. The advisory committee system consists of 28 advisory committees, with a total membership of approximately 700 advisors. IAPL manages the system, in cooperation with other agencies, including the Departments of Agriculture, Commerce, Labor, and the Environmental Protection Agency.

IAPL also has been designated as the NAFTA and WTO State Coordinator. As such, the office serves as the liaison to state points of contact, and state and local government officials, on information regarding the U.S. trade agenda, the implementation of the NAFTA and the WTO, bilateral free trade agreements (FTAs), and other trade issues of interest.

Finally, IAPL coordinates USTR's outreach to the public and private sector through public briefings, notification of USTR notices in the *Federal Register* soliciting written comments from the public and holding Trade Policy Staff Committee (TPSC) public hearings, consulting with and briefing interested constituencies, speaking at conferences and meetings around the country, and meeting frequently with a broad spectrum of groups at their request.

1. The Advisory Committee System

The advisory committees provide information and advice with respect to U.S. negotiating objectives and bargaining positions before entering into trade agreements, on the operation of any trade agreement once entered into, and on other matters arising in connection with the development, implementation, and administration of U.S. trade policy.

The system consists of 28 advisory committees. Recommendations for candidates for committee membership are collected from a number of sources, including Members of Congress, associations and organizations, publications, other federal agencies, response to *Federal Register* notices, and self-nomination by individuals who have demonstrated an interest or expertise in U.S. trade policy. Membership selection is based on qualifications, geography, and the needs of the specific committee. Members pay for their own travel and other related expenses. In 2004, the number of industry committees at the technical level was streamlined and consolidated to better reflect the composition of the U.S. economy, in response to recommendations from the U.S. Government Accountability Office (GAO).

The system is arranged in three tiers: the President's Advisory Committee for Trade Policy and Negotiations (ACTPN); 5 policy advisory committees dealing with environment, labor, agriculture, Africa, and intergovernmental issues; and 22 technical and sectoral advisory committees in the areas of industry and agriculture. Additional information on the advisory committee can be found on the USTR website (http://www.ustr.gov/outreach/advise.shtml).

Private sector advice is both a critical and integral part of the trade policy process. USTR maintains an ongoing dialogue with interested private sector parties on trade agenda issues. The advisory committee system is unique since the committees meet on a regular basis and receive sensitive information about ongoing trade negotiations and other trade policy issues and developments. Committee members are required to have a security clearance.

In 2004, USTR introduced a significant improvement to facilitate the work of the advisory committees, by creating a secure encrypted advisors' website with password protection. Confidential draft texts of FTA agreements are posted to the secure website on an ongoing basis to allow advisors to provide comments to U.S. officials in a timely fashion during the course of negotiations. This has enhanced the quality and quantity of input from cleared advisors, especially from those advisors who reside outside of Washington, DC.

USTR has introduced additional procedural innovations to improve the operation of the advisory committee system. This includes a single monthly advisory committee teleconference call with the "Chairs" for all 28 committees. This keeps "Chairs" appraised of ongoing developments and important dates on the trade negotiations calendar, which, in turn, facilitates greater transparency for all advisors.

Additionally, USTR and the Departments of Commerce and Agriculture convene periodic plenary sessions of the industry trade advisory committees, and the agricultural technical committees, respectively, in order to make more efficient use of negotiators' time with the committees and allow the further exchange of ideas among committees.

In November 2007, the GAO recommended further steps that USTR could take to provide greater transparency and accountability to the composition of the trade advisory committees, including reporting annually on how the committees meet the representation requirements of the relevant legislation and clarifying which interests members represent. Pursuant to these recommendations, a further description of committee representation is provided below, and the membership rosters of the committees with the organizations and interests represented are available online at http://www.ustr.gov under the heading "Who We Are."

a. President's Advisory Committee on Trade Policy and Negotiations

The ACTPN consists of not more than 45 members who are broadly representative of the key economic sectors affected by trade. The President appoints ACTPN members for two-year renewable terms. The ACTPN is the highest-tier committee in the system that examines U.S. trade policy and agreements from the broad context of the overall national interest.

Members of ACTPN are appointed to represent a variety of interests including non-federal governments, labor, industry, agriculture, small business, service industries, retailers, and consumer interests. A current roster of members and the interests they represent is available on the USTR website.

b. Policy Advisory Committees

At the second tier, the members of the five policy advisory committees are appointed by the USTR alone or in conjunction with other Cabinet officers. The Intergovernmental Policy Advisory Committee (IGPAC) and the Trade Advisory Committee for Africa (TACA) are appointed and managed solely by USTR. Those policy advisory committees managed jointly with the Departments of Agriculture, Labor, and the Environmental Protection Agency are, respectively, the Agricultural Policy Advisory Committee (APAC), Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC), and the Trade and Environment Policy Advisory Committee (TEPAC). Each committee provides advice based upon the perspective of its specific area. A list of all the members of the Committees and the diverse interests they represent is available on the USTR website.

APAC: The Secretary of Agriculture and the U.S. Trade Representative appoint members jointly, and the Committee must be of sufficient size to be reasonably representative of U.S. organizations and persons interested in the respective agricultural commodities. The APAC are appointed to represent a broad spectrum of agricultural interests to represent the interests of farmers, processors, renderers, and retailers from diverse sectors of agriculture, including Fruits and Vegetables, Livestock, Dairy, and Wine. Members serve at the discretion of the Secretary of Agriculture and the U.S. Trade Representative.

IGPAC: By charter, the IGPAC consists of approximately 35 members appointed from, and representative of, the various states and other non-federal governmental entities within the jurisdiction of the United States. These entities include, but are not limited to, the executive and legislative branches of state, county, and municipal governments. Members may hold elective or appointive office. Members are appointed by and serve at the discretion of the U.S. Trade Representative.

LAC: By charter, the LAC consists of not more than 45 members from the U.S. labor community, appointed by the U.S. Trade Representative and the Secretary of Labor, acting jointly. Members represent unions from all sectors of the economy. Members serve at the pleasure of the Secretary of Labor and the U.S. Trade Representative.

TACA: TACA consists of not more than 30 members, including but not limited to representatives from industry, labor, investment, agriculture, services, non-profit development organizations, and other interests. The members of the Committee are appointed to be broadly representative of key sectors and groups with an interest in trade and development in sub-Saharan Africa, including non-profit organizations, producers, and retailers. Members of the committee are appointed by the U.S. Trade Representative.

TEPAC: TEPAC consists of not more than 35 members, including, but not limited to, representatives from environmental interest groups, industry (including the environmental technology and environmental services industries), agriculture, services, non-federal governments, and other interests. The Committee shall be broadly representative of key sectors and groups of the economy with an interest in trade and environmental policy issues. Members of the committee are appointed by the U.S. Trade Representative.

c. Technical and Sectoral Committees

At the third tier, the 22 technical and sectoral advisory committees are organized into two areas: industry and agriculture. Representatives are appointed jointly by the USTR and the Secretaries of Agriculture and Commerce, respectively. Each sectoral or technical committee represents a specific sector or commodity group and provides specific technical advice concerning the effect that trade policy decisions may have on its sector or issue.

Agricultural Technical Committees (ATACs): By charter, there are six ATACs that focus on the following products: Animals and Animal Products; Fruits and Vegetables; Grains, Feed and Oilseeds; Processed Foods; Sweeteners and Sweetener Products; and Tobacco, Cotton, Peanuts, and Planting Seeds. Members of each Committee are appointed jointly by the Secretary of Agriculture and the U.S. Trade Representative. Members must represent a U.S. entity with an interest in agricultural trade and should have expertise and knowledge of agricultural trade as it relates to policy and commodity specific products. In appointing members to the Committees, balance is achieved and maintained by assuring the members appointed represent industries and other entities across the range of interests which will be directly affected by the trade policies of concern to the Committee. (for example, farm producers, farm and commodity organizations, processors, traders, and consumers.) Geographical balance on each committee will also be sought. A list of all the members of the Committees and the diverse interests they represent is available on the USTR website.

Industry Trade Advisory Committees (ITACs): By charter, there are sixteen industry trade advisory committees (ITACs), which reflect a streamlined and consolidated structure instituted in 2004. The restructuring was consistent with recommendations in a U.S. Government Accountability Office Report, "International Trade: Advisory Committee System Should be Upgraded to Better Serve U.S. Policy Needs" (GAO 02-876). These committees are: Aerospace Equipment (ITAC 1); Automotive Equipment and Capital Goods (ITAC 2); Chemicals, Pharmaceuticals, Health Science Products and Services (ITAC 3), Consumer Goods (ITAC 4); Distribution Services (ITAC 5); Energy and Energy Services (ITAC 6); Forest Products (ITAC 7); Information and Communication Technology Services and Electronic Commerce (ITAC 8); Non-Ferrous Metals and Building Products (ITAC 9); Services and Finance Industries (ITAC 10); Small and Minority Business (ITAC 11); Steel (ITAC 12); Textiles and Clothing (ITAC 13); Customs Matters and Trade Facilitation (ITAC 14); Intellectual Property Rights (ITAC 15); Standards and Technical Trade Barriers (ITAC 16).

Members of each Committee are appointed jointly by the Secretary of Commerce and the U.S. Trade Representative. Committee members should have knowledge and expertise of their industry and represent a U.S. entity that has an interest in trade matters related to the sectors or subject matters of concern to the individual committees. In the appointing members to the Committees, balance is achieved and maintained, by assuring the members appointed represent industries and other entities across the range of interests which will be directly affected by the trade policies of concern to the Committee. A list of all the members of the Committees and the diverse interests they represent is available on the USTR website (for example committees include exporters, importers, producers, and both small and large businesses).

2. State and Local Government Relations

With the passage of the NAFTA Implementation Act in 1993 and the Uruguay Round Agreements Act in 1994, the United States created expanded consultative procedures between federal trade officials and state and local governments. Under both agreements, USTR's Office of IAPL is designated as the "Coordinator for State Matters." IAPL carries out the functions of informing the states, on an ongoing basis, of trade-related matters that directly relate to, or that may have a direct effect on, them. U.S. territories may also participate in this process. IAPL also serves as a liaison point in the Executive Branch for state and local government and federal agencies to transmit information to interested state and local governments, and relay advice and information from the states on trade-related matters. This is accomplished through a number of mechanisms:

a. State Point of Contact System and IGPAC

For day-to-day communications, pursuant to the NAFTA and Uruguay Round implementing legislation and Statements of Administrative Action, USTR created a State Single Point of Contact (SPOC) system. The Governor's office in each State designates a single contact point to disseminate information received from USTR to relevant state and local offices and assist in relaying specific information and advice from the states to USTR on trade-related matters.

The SPOC network ensures that state governments are promptly informed of Administration trade initiatives so their companies and workers may take full advantage of increased foreign market access and reduced trade barriers. It also enables USTR to consult with states and localities directly on trade matters which may affect them. SPOCs regularly receive USTR press releases, *Federal Register* notices, and other pertinent information. In 2006, USTR introduced a regular monthly conference call for SPOCs and members of the Intergovernmental Policy Advisory Committee (see description above) to keep state and local governments apprised of timely trade developments of interest.

IGPAC makes recommendations to the USTR and the Administration on trade policy matters from the perspective of state and local governments. USTR has sought to augment IGPAC's membership and expertise in order to receive timely advice on technical aspects of trade agreements. In 2007, IGPAC was briefed and consulted on trade priorities of interest to states and localities, including: voluntary government procurement commitments and reciprocity in trade agreements, ongoing negotiations in the WTO Doha Development Agenda with respect to the General Agreement on Trade in Services (GATS) and other matters, and bilateral FTA negotiations. IGPAC members were also invited to participate in monthly teleconference call briefings along with State Points of Contact.

b. Meetings of State and Local Associations and Local Chambers of Commerce

USTR officials participate frequently in meetings of state and local government associations to apprise them of relevant trade policy issues and solicit their views. For example, USTR officials have met with the National Governors' Association, Council of State Governments, National Conference of State Legislatures, Conference of Chief Justices of state supreme courts and others. USTR officials also addressed gatherings of state and local officials, as well as local and regional chambers of commerce around the country.

c. Consultations Regarding Specific Trade Issues

USTR initiates consultations with particular states and localities on issues arising under the WTO and other U.S. trade agreements, and frequently responds to requests for information from state and local governments. Topics of interest included the WTO Government Procurement Agreement (GPA), GATS issues, FTA negotiations, NAFTA investment issues and others. On the issue of voluntary coverage of state government procurement under the GPA and FTAs, USTR consults extensively with governors' offices and other state officials. USTR also prepares periodic facts sheets to explain the benefits and specific provisions of trade agreements.

3. Public and Private Sector Outreach

It is important to recognize that the advisory committee system is but one of a variety of mechanisms through which the Administration obtains advice from interested groups and organizations on the development of U.S. trade policy. In formulating specific U.S. objectives in major trade negotiations, USTR also routinely solicits written comments from the public via notices in the *Federal Register*, consults with and briefs interested constituencies, holds public hearings, and meets with a broad spectrum of private sector and non-governmental groups.

a. 2007 Outreach Efforts

The 2007 trade agenda provided many opportunities for USTR to conduct outreach to, and consultations with, diverse trade policy stakeholders including the advisory committees, state and local governments, private sector and non-governmental groups.

i. World Trade Organization

Throughout 2007, USTR continued to solicit advice from cleared advisors, business and agriculture sectors, state governments, and other domestic stakeholders and the general public regarding U.S. objectives for the DDA in areas such as agriculture, non-agriculture market access and services. USTR also conducted outreach and consultations with advisors and domestic stakeholders on WTO accession negotiations for Ukraine, Cape Verde, and Russia, for example. USTR developed timely WTO Fact Sheets for posting to the public website and disseminated these broadly to interested parties.

ii. Bilateral Trade Agreements

In 2007, USTR briefed and facilitated consultations with advisory committees and other stakeholders on free trade agreement negotiations, such as Peru, Colombia, Panama, and Korea. This included advisory committee meetings, teleconference briefings on the progress of negotiations, issuing public fact sheets, and making materials widely available on the USTR website. Advisory committee reports on concluded FTAs, as required under the Trade Act of 2002, were delivered to President Bush, USTR, and Congress, and made public on USTR's website well in advance of congressional consideration of the FTAs to enable informed public discussion.

iii. Monitoring and Compliance Activities

USTR briefed and facilitated consultations with advisors, state officials and other stakeholders on trade disputes such as the WTO civil aircraft subsidies case, the EU biotechnology case, China's treatment of U.S. automotive parts, the Antigua and Barbuda Internet gaming services case and other items. Other issues of interest to advisors and domestic groups included follow-up to USTR's Top to Bottom Review of US-China Trade Relations and report entitled "U.S.-China Trade Relations: Entering a New Phase of Greater Accountability and Enforcement."

iv. Public Trade Education

USTR continues its efforts to promote and educate the public on trade issues. USTR has participated in educational efforts regarding U.S. trade activities and their benefits through speeches, publications, and briefings. In 2007, USTR continued its fact sheet and e-mail service, called Trade Facts, to update interested parties on important U.S. trade initiatives and explain the benefits and provisions of trade agreements. This service provides USTR press releases, fact sheets, and background information to advisors and to the general public. USTR's Internet homepage also serves as a vehicle to communicate to the public. During 2007, USTR disseminated a bimonthly electronic newsletter, Trade Talk, to provide regular and timely trade agenda updates to advisors, state and local governments, other stakeholders and the public. Subscription to the newsletter is free and interested parties may subscribe at http://www.ustr.gov.

D. Policy Coordination

The U.S. Trade Representative has primary responsibility, with the advice of the interagency trade policy organization, for developing and coordinating the implementation of the U.S. trade policy, including on commodity matters and to the extent they are related to trade, direct investment matters. Under the Trade Expansion Act of 1962, Congress established an interagency trade policy mechanism to assist with the implementation of these responsibilities. This organization, as it has evolved, consists of three tiers of committees that constitute the principal mechanism for developing and coordinating U.S. Government positions on international trade and trade-related investment issues.

The Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC), administered and chaired by USTR, are the subcabinet interagency trade policy coordination groups that are central to this process. The TPSC is the first line operating group, with representation at the senior civil servant level. Supporting the TPSC are more than 80 subcommittees responsible for specialized issues. The TPSC regularly seeks advice from the public on its policy decisions and negotiations through *Federal Register* notices and public hearings. In 2007, the TPSC held a public hearing on China's Compliance with WTO Commitments (September 27, 2007). The transcript of this hearing is available in USTR's Reading Room.

Through the interagency process, USTR requests input and analysis from members of the appropriate TPSC subcommittee or task force. The conclusions and recommendations of this group are then presented to the full TPSC and serve as the basis for reaching interagency consensus. If agreement is not reached in the TPSC, or if particularly significant policy questions are being considered, issues are referred to the TPRG (Deputy USTR/Under Secretary level).

Member agencies of the TPSC and the TPRG consist of the Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, Energy, Health and Human Services, and Homeland Security, the Environmental Protection Agency, the Office of Management and Budget, the Council of Economic Advisers, the Council on Environmental Quality, the International Development Cooperation Agency, the National Economic Council, and the National Security Council. The U.S. International Trade Commission is a non-voting member of the TPSC and an observer at TPRG meetings. Representatives of other agencies also may be invited to attend meetings depending on the specific issues discussed.