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. It is important to improve the linkage between trade and development by providing developing countries with the tools to maximize trade opportunities. "As partners with developing countries, and particularly the least developed, we share the goal of reducing poverty and building their capacity for trade," said U.S. Trade Representative Rob Portman in his opening speech to the December 2005 WTO Ministerial in Hong Kong.

Countries that participate in international trade grow out of poverty faster than those that do not. The evidence for this proposition is clear. World Bank research shows that per capita real income grew three times faster in the 1990s for developing countries that most increased their participation in globalization through trade than for the rest of the developing countries. Absolute poverty rates for globalizing countries also have fallen sharply over the last 20 years. The World Bank also finds that trade barrier elimination in conjunction with related development policies would lift tens of millions of people from poverty by 2015. Developing countries that generate growth through trade will be less dependent on official aid over time.

But many countries, particularly the least developed ones, are not active in international trade because they lack the capacity to take advantage of trade opportunities. The United States is committed to assisting developing countries in building this capacity by providing more aid for trade than any other country in the world. Many developing countries also lack a framework for appreciating the benefits generated by agreements to reciprocally lower trade barriers that will vitally serve their development interests. Furthermore, they may need assistance to implement their trade commitments in a full and timely manner, and to build the human and institutional capacity needed to take full advantage of the opportunities to spur economic growth and combat poverty that their participation in the global, rules-based trading system create.

Aid to build trade capacity is about giving countries, particularly the least trade active, the opportunity to participate in negotiations, so they can make decisions about the benefits of trade. It is about assisting them in implementing their obligations so they can export and attract foreign investment. And it is about addressing broader transition issues, so rural areas, small businesses and women entrepreneurs benefit from ambitious reforms in trade rules that are being negotiated in the WTO and other trade agreements.

The United States currently is the largest single-country provider of trade related assistance, which includes trade-related physical infrastructure assistance. Total U.S. funding for TCB activities in FY2005 was $1.34 billion, up 46 percent from $921 million in FY2004 (more than doubling since FY2001). In 2005, TCB was distributed as follows:

Asia: $144 million, up 8.6 percent from FY2004 ($133 million).
Central and Eastern Europe: $73 million, up 1.4 percent from FY2004 ($72 million).
Former Soviet Republics: $80 million, up 27 percent from FY2004 ($63 million).
Latin America and Caribbean: $523 million, up 124 percent from FY2004 ($233 million).
Middle East and North Africa: $244 million, up 30 percent from FY2004 ($187 million).
Sub-Saharan Africa: $199 million, up 10 percent from FY2004 ($181 million).

In anticipation of a successful WTO Doha Development Round, the United States has been, and will continue to be, an active participant in the Aid for Trade Initiative that aims to help the least trade active countries participate in the global trading system. The United States looks forward to contributing to the Aid for Trade discussion, as it does to the Integrated Framework Task Force in order to operationalize these efforts. In December 2005, the U.S. Trade Representative announced that the United States will more than double its grant contributions to Aid for Trade, from $1.3 billion in 2005 growing to $2.7 billion annually by 2010, subject to developing countries prioritizing trade in their development plans and the President's budget request being approved. U.S. cumulative spending in 2001-2005 totaled over $4.2 billion in grants and it is likely, given recent growth in U.S. trade-related assistance, that cumulative spending will more than double over the next five years.

Coherence. Coherence refers to the work being done to ensure consistency in global economic policy making among donors, including the WTO, World Bank, the International Monetary Fund, and regional development institutions, which provide an increasingly broad range of TCB assistance. An important element of this work involves coordination with regard to technical assistance activities. For this reason, the United States closely coordinates with these and other donors, whether on initiatives like the Development Aspects of Cotton, the Integrated Framework, or TCB working groups in FTA negotiations 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 U.S. government's efforts build on its longstanding commitment to help all countries benefit from the global trading system, including through mechanisms such as: the Integrated Framework and Millennium Challenge Corporation; contributions to the WTO's Annual Trade-related Technical Assistance program, including the Doha Development Agenda's Global Trust Fund; assistance to countries acceding to the WTO; targeted assistance for developing countries participating in U.S. preference programs such as the new five-year, $200 million African Global Competitiveness Initiative helping Africa benefit from the African Growth and Opportunity Act; and TCB working groups that are integral elements of free trade negotiations, including the completed Central American-Dominican Republic FTA, and the ongoing free trade negotiations with Panama, the Andeans, SACU and Thailand. TCB assistance is helping countries work with the private sector and non-governmental organizations to transition to a more open economy, prepare for FTA and WTO negotiations, and implement their trade obligations.

1. The Integrated Framework (IF)

The Integrated Framework (IF) is a multi-agency (including the WTO, World Bank, IMF, UNCTAD, UNDP, and the International Trade Center), multi-donor program aiming to mainstream trade into national development plans and coordinate trade-related technical assistance to the least developed countries (LDC) to assist them in enhancing their trade opportunities. The IF provides a coordination mechanism for assistance to the LDCs. It involves a diagnostic assessment and action plan prepared by the World Bank and formally approved by the country seeking assistance. Multilateral and bilateral donors then implement the action plan by either giving money to the IF Trust Fund or supporting programs in the field themselves (as the United States does through its development assistance programs).

The IF is prepared exclusively for the benefit of the LDC, with the goal of getting the least trade active countries more involved. Of the 50 LDCs, 28[1] are in the program.

The United States is a strong supporter of the IF and currently serves as one of two bilateral donor coordinators in the Integrated Framework Working Group (IFWG). As bilateral donor coordinator in the IFWG, the United States is spearheading efforts to improve the IF process so that the delivery of assistance flows even more smoothly. The United States is active in the recently established task force[29] which will examine three elements to accelerate the IF process: (1) increases in resources for follow-up; (2) building the in-country capacity of countries in order to benefit from the IF; and (3) strengthening IF governance to improve monitoring and dissemination of best practices.

In September 2005, the United States initiated and organized an IF simulation exercise in Addis Ababa, Ethiopia to advance the objectives of facilitating practical problem-solving, promoting the dissemination of best practices, and helping maintain the momentum of the IF in each country. Public and private sector representatives from 17 LDCs, 12 donor countries, and five multinational corporations came together to identify best practices and concrete steps for strengthening the IF process in each participating country. The United States provided financial support for this event, as did the United Kingdom, Norway, and Denmark. In addition, the USAID missions in Mali and Mozambique are currently serving as IF donor facilitators in the field, and several other missions have offered to assume this role in other IF countries. The United States has contributed funds for the past few years to the Integrated Framework Trust Fund to Finance Diagnostic Trade Integration Studies (DTIS) and Window II projects (transitional projects that bridge the time it takes donors to operationalize programs). Further, 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 FY2005 bilateral TCB assistance was $133 million to the IF countries. Many of these countries also benefit from part of the $136 million in regional funding provided by the United States.

2. Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC), established by the United States in 2004, provides a significant new source of bilateral assistance for trade capacity building efforts by eligible countries. The purpose of the MCC is to ensure that the President'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. When trade is prioritized by the country, USTR is working to improve integration of trade into the development plans of eligible

[1] Current IF countries are Angola, Benin, Burkino Faso, Burundi, Cambodia, Chad, Djibouti, Ethiopia, the Gambia, Guinea, Lao PDR, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Uganda, Yemen and Zambia.

[29] Members are the United States, United Kingdom, Sweden, Canada, Japan, Norway and the European Community, Nepal, Tanzania, Lesotho, Zambia, Senegal and Benin. The Canadian WTO Ambassador serves as the Chair.

and threshold countries so that each countrys MCC agreement taps into the potential for trade to spur economic growth and reduce poverty.
By giving eligible countries the opportunity to identify their own priorities and develop their own proposals for reducing poverty and spurring economic growth, MCC enables countries to address long-term development obstacles, including in the area of trade.

In 2005 and into 2006, this program will continue to increase significantly U.S. contributions to TCB, channeling funds to LDCs that demonstrate a strong commitment to investing in their people, ensuring political justice, and encouraging economic freedom. The MCC is funded at $4.25 billion for fiscal years 2004-2006. The MCC Board has approved "compacts" with seven countries: Armenia, Cape Verde, Georgia, Honduras, Madagascar, Nicaragua and Vanuatu. These compacts have a significant trade focus. Current compacts range from $66 million to over $300 million in grant funding, and recent proposals are for similarly large or even larger amounts. The most recent compacts with Armenia and Vanuatu were approved for about $236 million and $66 million, respectively, over five years. The MCC is currently working on compacts with 16 other countries.

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 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 and supports the WTO's trade-related technical assistance.

Global Trust Fund: In May 2005, the U.S. Trade Representative announced that the United States would contribute approximately $1 million for trade-related assistance to the WTO. The latest contribution brought total U.S. contributions to the WTO Doha Development Agenda's Global Trust Fund to almost $5 million since the launch of negotiations in November 2001. In addition, the United States has provided developing countries access to three tools provided by the WTO/UNCTAD's International Trade Centre to help them to participate in the negotiations: Market Access Map, Product Map, and Trade Map.

WTO and Trade Facilitation: The United States spent $367 million in FY2005 on trade facilitation activities, up from $278 million in FY2004. In doing so, the United States has looked to support the WTO discussions by providing assistance to developing countries that seek help in responding that tracks the regulatory proposals being made by members in the Negotiating Group on Trade Facilitation.

WTO and Services: One area of particular development potential for developing countries is services. According to the World Bank, the services industry represented 54 percent of the GDP in low-and middle-income countries in 2000, up from 46 percent in 1990. To support requests for support in this area, the United States has reached an agreement with the WTO/UNCTAD's International Trade Centre in Geneva extending a grant that would fund services capacity assessments in four countries: Uganda, Zambia, Nigeria, and Tunisia.

The United States previously funded services capacity assessments for Bangladesh, Indonesia, Kenya, and Rwanda. In FY2005, the U.S. government spent $26 million on activities that support services trade development.

WTO and NAMA: The United States provides all least developed countries that are members of the WTO with free access to Market Access Map, a web-based tariff analysis tool of the WTO/UNCTAD's

International Trade Centre that provides a comprehensive source of tariffs and market access measures applied at the bilateral level by 170 importing countries to the products exported by 239 countries and territories. LDCs can use Market Access Map to simulate tariff reductions or find products and markets that are important in the current WTO Doha Development Agenda trade talks and where they can be especially competitive.

WTO Accession: The United States also supports countries that have acceded or are in the process of acceding to the WTO. For example, USAID has provided WTO accession and implementation services to Nepal (which officially became a WTO member in 2003), Cape Verde, Saudi Arabia (which officially became a member in December 2005), Ethiopia, Ukraine and a number of other countries in Eastern Europe and the former Soviet Union. In 2005, the United States provided accession support to Iraq and Afghanistan.

4. TCB Initiatives Regarding Africa, Including Cotton

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.

New African Global Competitiveness Initiative: In July 2005, the United States announced the African Global Competitiveness Initiative (AGCI) to build sub-Saharan Africa's capacity for trade and competitiveness. The AGCI will provide $200 million in funding over five years to (1) expand African trade with the United States under the African Growth and Opportunity Act (AGOA) trade preference program, with other international trading partners, and regionally within Africa, and (2) promote export competitiveness of sub-Saharan African countries. AGCI is assisting with trade capacity development by supporting four regional USAID-funded Regional Hubs for Global Competitiveness – in Botswana, Kenya, Ghana and Senegal – to help African countries diversify trade, remove key barriers to expanding growth, and thus maximize the benefits of greater participation in global markets.

African Growth and Opportunity Act (AGOA): AGOA, enacted in 2000, is a progressive 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 Chapter for more information on AGOA.) As part of the AGOA Acceleration Act of 2004, the President in 2005 presented a major report to Congress that identifies sectors with the greatest export potential in each of the 37 AGOA-eligible countries. It also identifies domestic and international barriers and makes recommendations for technical assistance to reduce those barriers.

Trade capacity building is an important element of AGOA implementation. 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 in maximizing their AGOA benefits. AGOA implementation is a major focus of the four regional trade hubs cited above. For example, Animal and Plant Health Inspection Service (APHIS) experts have been posted to each of the hubs to assist African countries in meeting U.S. food safety standards. The hubs also conduct seminars and workshops designed to help African businesses make the most of AGOA's trade opportunities. For example, in October 2005, the Eastern and Central Africa Hub organized a sub-regional AGOA workshop in Ethiopia focused on bolstering AGOA exports in several specific product sectors.

In FY2005, the United States provided $150.3 million in trade-related technical assistance to AGOA beneficiary countries, up 53 percent ($98.0 million) from FY2004 ($98.0 million).

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 six percent annual agricultural growth rate. The United States committed in September 2005 that USAID, as part of the Presidential Initiative to End Hunger in Africa, will program approximately $200 million in fiscal year 2006 for the first year of a five-year effort from 2006 to 2010 to support African leaders' implementation of the CAADP. USAID expects similar commitments over each of the next five years. USAID will work 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 benefits, the framework and efforts to support it will directly enhance Africa's ability to benefit and participate in global trade and world trade agreements in agriculture.

Cotton: In 2005, 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 (C-4) and Senegal — in the cotton sector. The Millennium Challenge Corporation (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 U.S. commitment to double aid to Africa by 2010 and the United States providing critical leadership on a multibillion landmark debt relief package for, among other countries, the C-4 and Senegal.

The MCC provides key countries like Benin, Burkina Faso, Mali and Senegal with access to United States' largest, most flexible and most sought-after grant facility – the Millennium Challenge Account. The MCA allows eligible countries to use an unprecedented amount of money in whatever way they determine. They can use it specifically for cotton. The proposals so far have targeted infrastructure, which should help the cotton sector.

West Africa Cotton Improvement Program (WACIP): In November 2005, the United States launched the West Africa Cotton Improvement Program (WACIP) and announced an initial $7 million in aid to help improve production, transformation, and marketing of cotton in five countries: Benin, Burkina Faso, Chad, Mali, and Senegal. The WACIP is designed to help: (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 C-4 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.

Additional U.S. assistance and activities related to cotton included:

A high-level U.S. delegation comprised of officials from USDA, USAID, the Department of State and the National Cotton Council traveled to Bamako, Mali, January 11-13, 2005, to discuss a preliminary assessment of problems and issues with respect to the cotton sectors for the West African countries. Comments from the ministers will guide assistance that can be offered by USAID within the next three years.

USDA has conducted several education exchanges including a cotton classing program in June 2005 and a soils management training program in July 2005.

USAID, in collaboration with the National Cotton Council (NCC), sponsored four West African entomologists to receive field training at Tuskegee University.

The National Cotton Council is working with USDA and USAID to establish a cotton ginning "school" in West Africa.

USDA and USAID provided support for a 2005 biotechnology conference in which several West African agricultural ministers participated.

5. Free Trade Agreement Negotiations

Although the WTO and the Integrated Framework are priorities, they are only part of the U.S. TCB effort. In order to help our FTA partners participate in negotiations, implement the rules, and benefit over the long-term, USTR has created TCB working groups in free trade negotiations with developing countries. USAID, its field missions, and a number of other U.S. Government assistance providers actively participate in those working groups, 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 and, representatives from the private sector and international institutions such as the Inter-American Development Bank and the World Bank to join in building the trade capacity of the countries in each region.

Trade capacity building is also a fundamental feature of bilateral cooperation in support of the completed Free Trade Agreement with Central America and the Dominican Republic (CAFTA-DR), and the U.S. - Peru Trade Promotion Agreement, and our planned free trade agreements with the SACU countries (for Botswana, Lesotho, Namibia, and Swaziland), with the Andean TPA negotiating countries (Colombia, Ecuador and Peru, as well as FTA observer Bolivia), and with Thailand.

A. Africa - Southern African Customs Union (SACU)

The cooperative group supporting the U.S.-SACU FTA underscores the Administration's position that providing SACU with demand-driven assistance will ultimately result in an agreement that is beneficial for all involved. TCB in the SACU process has included:

Buying computers for Botswana, Lesotho, Namibia, and Swaziland (collectively, BLNS) Trade Ministries to better facilitate intra-SACU coordination.

Hiring and supporting a Trade Capacity Building Facilitator in each BLNS Trade Ministry to work with the negotiators, other ministries, the private sector, and civil society to identify needs and coordinate assistance.

Using BLNS experts to support workshops and studies in areas such as general trade policy, services, tariff setting, rules of origin, and environmental negotiations.

Supporting each countries completion of an in-depth TCB needs assessments for each individual country.

United States TCB funding for SACU countries in FY2005 was $10.3 million, up almost 72 percent from FY2004 ($6.0 million). Additional TCB support for SACU comes in the form of significant regional funding.

B. Andean Countries

The free trade negotiation with the Andean countries includes a working group on Trade Capacity Building, which has met as often as the negotiating groups. The TCB Working Group continues to address a broad range of assistance requested by the Andeans, including programs for small and medium enterprises and rural farmers, programs for food safety inspectors and customs officials, in order for the countries to implement the obligations of the agreement and to more broadly benefit from the opportunities created by the free trade agreement. The United States provided $94.8 million in TCB assistance to the Andean countries in FY2005, up from $81.8 million in FY2004.

The Inter-American Development Bank (IDB), the World Bank (WB), the Andean Regional Development Bank, the OAS and ECLAC, have joined the governments in the working group on Trade Capacity Building in order to improve coordination and effectiveness of assistance aimed at alleviating poverty. Facilities from the IDB and WB could total over $2 billion over the next five years in support of the free trade agreement.

In December 2005, the United States and Peru concluded their work on the free trade agreement. The United States will continue in 2006 to negotiate with Colombia and Ecuador in an effort to broaden the trade agreement. The concluded agreement with Peru includes the creation of a Committee on TCB to build on work done during negotiations. The other Andean partners and the United States also envision the creation of a TCB Committee upon completion of further agreements.

The Committee on TCB would continue to work with the Andean partners on TCB assistance as thye work to further refine and implement their national TCB strategies. This committee will continue to foster critical assistance in promoting economic growth, reducing poverty, and adjusting to liberalized trade.

C. Central America

In 2005, the United States signed the Free Trade Agreement with Central American and the Dominican Republic (CAFTA-DR). The United States and other international institutions worked with the Central American countries in 2005 on mutual goals through the CAFTA-DR TCB Working Group. U.S. government assistance to the TCB Working Group for these countries has increased from almost $72 million in FY2004 to over $388 million in FY2005.
This increase in funding, particularly given other fiscal demands faced this year is attributable in part to the creation of the TCB Committee and its efforts throughout the year. The existence of the TCB Committee provides Congress with a tangible mechanism to support, which facilitated Congress's decision to set aside $40 million for labor and environment programs in the Central American countries in FY2006.

The TCB Working Group held a CAFTA Committee meeting in April 2005. The TCB Working Group continued to work on requests for assistance, 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. Plans are underway for the TCB Working Group to hold another CAFTA-DR Committee meeting in the first quarter of 2006.

D. Thailand

In recognition that it is in each country's interests to have a sustainable free trade agreement, the United States and Thailand created a TCB working group to complement the free trade negotiations. Cooperation between the two countries on small business issues as well as on general trade capacity building issues has been of particular importance. SMEs have been the focus of the over 50 projects that have been agreed to so far during the TCB working group efforts during the negotiations. Like the agreement itself, the projects are broad ranging and comprehensive. The TCB projects are demand driven and focused on the priority areas identified by Thailand. Over the next year, the group will look to draw in private sector and other partners in cooperation efforts. The United States provided about $3 million in TCB assistance to Thailand in FY2005.

Projects agreed to include:

Promoting Business Incubator Programs for Thai SMEs – seminar and study tour to Silicon Valley to showcase U.S. incubation centers and establish potential partnerships;
Customs Training – working on streamlining customs procedures related to advance rulings for the benefit of SMEs;
Transportation and Logistics Programs – working with Thai officials to cut down transaction costs of trade;
Services and Statistics Training – helping Thai government and business collect services statistics to better understand their negotiating interests, policies, and practices;
Providing assistance to strengthen Thai expertise on competition, government procurement, intellectual property and other specific trade areas under negotiation; and Building the capacity of the Thai Office of SME Promotion through cooperative efforts with the U.S. Small Business Administration.

B. Congressional Affairs

In 2005, USTR worked closely with the 108th Congress to move forward the President's bilateral, regional and multilateral trade agenda. Consistent with the Bipartisan Trade Promotion Authority Act of 2002, USTR held meaningful consultations before and after each round of negotiations. These consultations provided the Administration with valuable advice on agreements that were concluded and approved by the Congress in 2005.

The Congress passed the U.S.-Central America- Dominican Republic Free Trade Agreement (CAFTA-DR) in July 2005. This agreement was signed into law in August 2005.

The U.S.-Bahrain Free Trade Agreement passed the Congress in December 2005 with overwhelming bipartisan support. The implementing legislation was signed by the President on January 14, 2006.

USTR also worked closely with Congress on the successful conclusion of negotiations on agreements with Oman and Peru. The President announced his intent to enter into an agreement with Oman on October 17, 2005.

USTR continues its consultations with the Congress with respect to ongoing negotiations with Panama, Colombia, Ecuador, Thailand, the United Arab Emirates (UAE), the Southern African Customs Union (SACU) and the Free Trade Area of the Americas (FTAA).

In addition to free trade agreements, USTR maintained an ongoing dialogue with the Congress on multilateral initiatives in 2005. USTR consulted with the Congress on the WTO Doha Development Round and on legislation intended to bring United States into compliance with WTO rulings.

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, falls 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 27 advisory committees, with a total membership of more than 700 advisors. It is managed by IAPL, 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 also coordinates USTR's outreach to the public and private sector through public briefings, notification of USTR *Federal Register* Notices soliciting written comments from the public and holding of Trade Policy Staff Committees (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.

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 by the U.S. Government Accountability Office (GAO). The system consists of 27 advisory committees. Currently, there are approximately 700 advisors and membership can grow to a total of up to 1,000 advisors. Recommendations for candidates for committee membership are collected from a number of sources, including Members of Congress, associations and organizations, publications, other federal agencies, and 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.

The system is arranged in three tiers: the President's Advisory Committee for Trade Policy and Negotiations (ACTPN); four policy advisory committees dealing with environment, labor, agriculture, 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.

Recently, 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 were 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 and have had difficulty accessing documents.

USTR has introduced additional procedural innovations to improve the operation of the advisory committee system. This includes a single monthly advisory committee Chairs teleconference call for all 27 committees. This keeps Chairs appraised of ongoing developments and important dates on the trade negotiations calendar and facilitates greater transparency.

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.

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

The ACTPN consists of up to 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.

b. Policy Advisory Committees

At the second tier, the members of the four policy advisory committees are appointed by the USTR alone or in conjunction with other Cabinet officers. The Intergovernmental Policy Advisory Committee (IGPAC) is 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 Policy Advisory Committee (LAC), and Trade and Environment Policy Advisory Committee (TEPAC). Members serve two-year renewable terms or until the committee's charter expires. Each committee provides advice based upon the perspective of its specific area.

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 Commerce and Agriculture, 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.

There are six agricultural technical committees (ATACs) co-chaired by USTR and Agriculture. There are sixteen industry trade advisory committees (ITACs), which reflect a streamlined and consolidated structure instituted in 2004.

The restructuring is consistent with recommendations in a recent U.S. Government Accountability Office Report, "International Trade: Advisory Committee System Should be Upgraded to Better Serve U.S. Policy Needs" (GAO 02-876), and reflects the commitment of Commerce, USDA and USTR to improve the trade advisory committee system.

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

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.

b. Intergovernmental Policy Advisory Committee

For advice from states and localities on trade policy matters, USTR has established an Intergovernmental Policy Advisory Committee on Trade (IGPAC). It is one of the four policy advisory committees discussed above. The IGPAC is comprised of representatives from all three branches of government and associations. Appointed on a bipartisan basis, the committee 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 2005, 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.

c. 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, in 2005 the Acting U.S. Trade Representative addressed a joint plenary session of the National Conference of State Legislatures and the National Association of Attorneys General to discuss the overall trade agenda and particular issues of interest to states. USTR officials also address gatherings of state and local officials and local and regional chambers of commerce around the country.

d. 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), WTO services issues, bilateral 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.

USTR also consulted extensively with states on the WTO internet gaming services case brought by Antigua and Barbuda. The United States worked closely with state authorities throughout the dispute to mount a vigorous defense. The dispute ended with no adverse finding against any state law.

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 *Federal Register* notices, consults with and briefs interested constituencies, holds public hearings, and meets with a broad spectrum of private sector and non-governmental groups.

a. 2005 Outreach Efforts

The 2005 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 2005, USTR continued to solicit advice from cleared advisors, other domestic stakeholders, and the general public regarding U.S. objectives for the Doha Development Agenda in areas such as agriculture, non-agriculture market access, services, and trade facilitation. Prior to the WTO Hong Kong Ministerial in December 2005, USTR organized a public briefing for all interested parties on the status of negotiations, and developed extensive facts sheets which were widely disseminated and posted to the USTR website.

At the WTO Hong Kong Ministerial, IAPL planned and implemented briefings for over 100 USTR cleared advisors in attendance, as well as the private sector and U.S. NGO community to ensure that domestic stakeholders were fully informed about the status of negotiations and developments in Hong Kong. Several of the civil society briefings were audio taped and posted to the USTR website to ensure broad dissemination of information to the public.

ii. Bilateral Trade Agreements

In 2005, USTR briefed and facilitated consultations with advisory committees and other stakeholders on free trade agreements including the five Central American countries and the Dominican Republic, the conclusion of the Oman FTA, and ongoing negotiations with Thailand, the Andean countries, United Arab Emirates, Panama, southern African countries, and FTAA countries. This included frequent 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 the President, USTR, and Congress, and made public on USTR's website well in advance of congressional consideration of the FTAs to enable informed public discussion.

iv. 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, EU biotech case, EU geographical indications, Mexico beverage tax, Korea Hynix case, Antigua and Barbuda internet gaming services case, and other items. Other issues of interest to advisors and domestic groups included the Bush Administration's Strategy Targeting Organized Piracy (STOP!), the protection of U.S. intellectual property rights, and agriculture and biotechnology issues.

v. Public Trade Education

USTR continues its efforts to promote and educate the public on trade issues. USTR has participated in education efforts regarding the range of trade activities and benefits through speeches, publications, and briefings. In 2005, 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 2005, IAPL assisted in efforts to continue to improve the USTR website, including improving the organization of the website and adding a search engine, buttons, and links to make the site more user-friendly. The USTR internet address is http://www.ustr.gov.

D. Policy Coordination

The U.S. Trade Representative has primary responsibility, with the advice of the inter-agency 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, the 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 2005, the TPSC held public hearings on: the United States-United Arab Emirates Free Trade Agreement (January 12, 2005); the United States-Oman Free Trade Agreement (January 14, 2005); China's Compliance with WTO Commitments (September 14, 2005); and the Proposed Renewal of the Generalized System of Preferences (November 3, 2005). The transcripts of these hearings are available at http://www.ustr.gov/ outreach/transcripts/ index.htm

Through the interagency process, USTR assigns responsibility for issue analysis to 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 USITC 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.