

# THE YEAR IN TRADE

1994

OPERATION OF THE TRADE  
AGREEMENTS PROGRAM

46TH REPORT



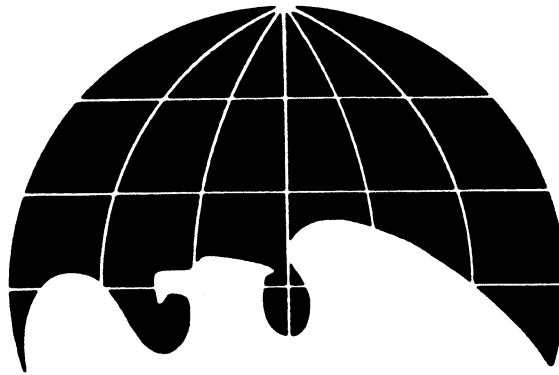
USITC Publication 2894  
JULY 1995



# **THE YEAR IN TRADE:**

## **OPERATION OF THE TRADE AGREEMENTS PROGRAM**

**46th REPORT  
1994**



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**UNITED STATES**

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**INTERNATIONAL**

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**TRADE COMMISSION**

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**USITC PUBLICATION 2894  
JULY 1995**

**Prepared in Conformity With  
Section 163(b) of the  
Trade Act of 1974**

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# List of Frequently Used Abbreviations and Acronyms

ACP	African, Caribbean, and Pacific
AD	Antidumping
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATPA	Andean Trade Preference Act
BIT	Bilateral Investment Treaty
CBERA	Caribbean Basin Economic Recovery Act
CFTA	United States-Canada Free-Trade Agreement
CVD	Countervailing Duty
EU	European Union
FTA	Free-Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
HTS	Harmonized Tariff Schedule
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ITA	International Trade Administration
MFA	Multifiber Arrangement
MFN	Most Favored Nation
NAFTA	North American Free-Trade Agreement
OECD	Organization for Economic Cooperation and Development
SAA	Statement of Administrative Action
SDRs	Special Drawing Rights
SITC	Standard Industrial Trade Classification
TAA	Trade Adjustment Assistance
TRIMs	Trade-Related Investment Measures
TRIPs	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
URA	Uruguay Round Agreements
URAA	Uruguay Round Agreements Act
USITC	U.S. International Trade Commission
USTR	United States Trade Representative
WTO	World Trade Organization



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# INTRODUCTION

## Purpose and Organization of the Report

The annual *Year in Trade, Operation of the Trade Agreements Program* report is one of the principal means by which the U.S. International Trade Commission (USITC) provides the U.S. Congress with factual information on trade policy and its administration. The report also serves as a historical record of the major trade-related activities of the United States to be used as a general reference by government officials and others with an interest in U.S. trade relations. This report is the 46th issue in a series to be submitted under section 163(b) of the Trade Act of 1974 and its predecessor legislation.<sup>1</sup> The trade agreements program includes “all activities consisting of, or related to, the administration of international agreements which primarily concern trade and which are concluded pursuant to the authority vested in the President by the Constitution” and Congressional legislation.<sup>2</sup>

The report consists of the present introduction, five chapters, a statistical appendix, and an index. Chapter 1 focuses on activities of the General Agreement on Tariffs and Trade (GATT), including the Uruguay Round of trade negotiations and the creation of GATT’s successor organization, the World Trade Organization (WTO). Chapter 2 discusses developments in regional fora, including Asia-Pacific Economic Cooperation (APEC), the Summit of the Americas, and the North American Free-Trade Agreement (NAFTA). Chapter 3 covers multilateral activities outside the GATT, and chapter 4 describes bilateral relations between the United States and its major trading partners—Canada, the European Union (EU), Japan, Mexico, China, Taiwan, and Korea. Chapter 5 discusses the administration of U.S. trade laws, regulations, and programs. The report covers the 1994 calendar year, and, although occasionally, early 1995 events. The sections below summarize major trade activities during the year and describe the international economic environment within which U.S. trade policy was conducted, including economic conditions in the United States and its major trading partners.

## Summary of 1994 Trade Agreements Activities

The year 1994 was marked by the passage of U.S. legislation implementing the historic Uruguay Round Agreements (URA), the entry into force of NAFTA, and announcements of two important regional trade initiatives, one in the Western Hemisphere and the other in the Asia-Pacific region. Other subregional economic integration arrangements not involving the United States were also active, including the European Economic Area Agreement and Mercosur in Latin America. The United States and its major trading partners continued to disagree over a variety of issues, including agriculture, intellectual property rights, and market access. In response to improving political relations, the United States ended its trade embargo against Vietnam and joined other nations when the United Nations imposed and later lifted a comprehensive trade embargo against Haiti. The Coordinating Committee on Multilateral Export Controls, a remnant of the Cold War, was also abolished. Major trade events during the year are listed in figure A, at the end of this section.

The URA provided for significant reductions in tariffs and nontariff barriers to trade in goods. More newsworthy, however, was the extension of world trade rules to traditional areas not previously fully disciplined, such as agriculture and textiles, as well as to areas not previously covered, including services, investment, and intellectual property rights. In addition, the URA created the WTO, the successor organization to the GATT Secretariat, to oversee the agreements. After participants in the Uruguay Round of trade negotiations signed the resulting agreements on April 15, attention shifted to securing passage of national measures to implement them. Debate over the U.S. implementing legislation focused on such issues as the renewal of fast-track legislation, the impact of the agreements on U.S. sovereignty, and funding for revenues lost from tariff cuts. Although these debates initially raised doubts about timely Congressional passage, the implementing bill was signed into law on December 8, 1994. As of yearend, 81 countries had

ratified the URA, ensuring the entry into force of the WTO on January 1, 1995.

Several noteworthy opportunities for expanded regional trade were achieved in 1994. On January 1, NAFTA entered into force. The agreement between the United States, Canada, and Mexico provides for phased elimination of tariff and of most nontariff barriers to trade in both industrial and agricultural products, protection of intellectual property rights, and the reduction of impediments to investment and services trade. Trade between the three NAFTA partners increased during NAFTA's first year; trade between the United States and Mexico alone rose 24 percent, resulting in a near balance in bilateral trade. This contrasts with Mexico's large trade deficit with Europe and Asia, which contributed to its peso crisis and ultimately overshadowed positive trade results of NAFTA during its first year. On the policy side, 1994 was characterized by the emergence of numerous technical issues related to start-up operations, including implementation of NAFTA commitments and the establishment of NAFTA-related institutions and working groups. Late in the year, the United States, Canada, and Mexico formally invited Chile to join NAFTA and agreed to begin negotiations to that end in early 1995.

In addition, at a historic summit of western hemispheric leaders, hosted by the United States in Miami in December, participants called for the creation of a free-trade area of the Americas by 2005. Latin American nations have been particularly active negotiating and establishing subregional market-opening and trade-creating agreements, such as the Group of Three, the Southern Common Market (Mercosur), and the Association of Caribbean States, which could act as "building blocks" for expanding trade in the Hemisphere. In another area of the world, members of APEC set a long-term goal of achieving free and open trade and investment in the Asia-Pacific region by the year 2020.

As in previous years, the bilateral trade agenda covered a large variety of topics. New concerns emerged and old ones continued, but a number of disputes were resolved. Particularly noteworthy were four sectoral agreements reached with Japan under the Framework Agreement, committing Japan to open its markets in insurance, flat glass, and, in the area of government procurement, telecommunication equipment and services, and medical equipment and services. Other accomplishments included a new agreement controlling U.S. imports of Chinese textiles and apparel, an agreement with Canada that sharply reduced wheat shipments to the U.S. market for a

period of 1 year, and an interim accord granting compensation to the United States for withdrawal of previously negotiated trade concessions when three new countries joined the EU. Additional developments reducing trade frictions included a temporary resolution to the longstanding U.S.-Canadian lumber dispute, President Clinton's decision to delink the issue of China's human rights record from the annual renewal of its most-favored-nation status, and the completion of a series of talks between the United States and Korea designed to strengthen bilateral economic cooperation. The main focus of the talks with Korea was the means to improve Korea's climate for foreign investment.

Other areas of disagreement were not resolved. The level of protection of intellectual property rights (IPR) was an issue with Taiwan, Korea, and particularly China; in June, the United States Trade Representative (USTR) initiated a so-called Special 301 investigation with regard to practices in China. Agricultural issues also remained in the forefront. In October USTR launched a section 301 investigation to determine whether the EU's banana import regime discriminated against U.S. banana marketing and distribution companies and whether a new Framework Agreement between the EU and four Latin American countries would compound any such discrimination. USTR also initiated a section 301 investigation on Korea's market access practices regarding the importation of U.S. beef and pork. Other unresolved issues involved efforts to open Japan's market to U.S. automobiles and auto parts and to open Korea's market to imported automobiles. Market access issues also remained a major sticking point in negotiations to conclude both China's and Taiwan's accession to the GATT in time to become founding members of the WTO on January 1, 1995.

Other noteworthy achievements during 1994 were the negotiation of a number of bilateral investment treaties (BITs) based on a new prototype treaty and the conclusion of a major plurilateral shipbuilding agreement. After nearly 5 years of negotiations, seven members of the Organization for Economic Cooperation and Development (OECD) reached an agreement that eliminates subsidies and other trade-distorting practices in the shipbuilding sector. The agreement enters into effect on January 1, 1996, and will cover 80 percent of world shipbuilding.

Some of the highlights related to the administration of U.S. trade laws, regulations, and programs in 1994 are listed below:

- At yearend, there were no import relief measures in effect under safeguard laws—sections 201 and 406 of the Trade



Act of 1974. Commerce completed two investigations under section 232 of the Trade Expansion Act of 1962 (national security), and the USITC completed one investigation (wheat) and suspended another (peanut butter and paste) under section 22 of the Agricultural Adjustment Act. The level of investigative activity remained about average during 1994 under antidumping and countervailing duty laws and section 337 of the Tariff Act of 1930.

- Under the new NAFTA-related trade adjustment assistance program, preliminary data covering fiscal year 1994 (Jan.-Sept. 1994) indicate that 10,345 workers were certified eligible to receive benefits.
- Duty-free imports under tariff preference programs (Generalized System of Preferences, Caribbean Basin Economic

Recovery Act, and Andean Trade Preference Act) reached 3.2 percent of total U.S. imports in 1994.

- The U.S. legislation implementing the URA made changes effective January 1, 1995, to a number of laws and programs, including antidumping and countervailing duty laws, section 337 of the Tariff Act of 1930, and section 201 of the Trade Act of 1974. Changes also affected the Agricultural Adjustment Act, the Meat Import Act of 1979, and the Multifiber Arrangement.
- This legislation also established specific principles applicable to rules of origin for U.S. imports of textiles and apparel. The legislation requires that the rules be changed to be based on the country of assembly rather than on the country of cutting.

## Figure A Selected Trade Events, 1994

### JANUARY

Jan. 1	NAFTA enters into force, starting the gradual phaseout of tariff and other trade barriers between Mexico, the United States, and Canada.  European Economic Area (EEA) enters into force, linking the EU and five members of the European Free Trade Association in the world's largest free-trade area.
Jan. 17	U.S. and China reach an agreement to cut back growth of China's textile and apparel exports to the United States and to place restrictions on Chinese silk exports for the first time. China agrees to U.S. demands for provisions to fight textile fraud in the revised agreement.
Jan. 18	Japan's Prime Minister Morihiro Hosokawa announces an action plan to open Japan's construction market to more foreign bidders.
Jan. 24	Clinton administration announces trade initiative focusing on big emerging markets.
Jan. 28	A binational trade panel decision under the United States-Canada Free-Trade Agreement (CFTA) finds that the USITC failed to demonstrate that subsidized Canadian softwood lumber exports are injuring U.S. producers.

### FEBRUARY

Feb. 3	President Clinton lifts the U.S. trade embargo against Vietnam.
Feb. 25	USTR Michael Kantor terminates a 9-month-long "Special 301" investigation into Brazil's intellectual property regime.

### MARCH

Mar. 3	President Clinton signs an Executive Order reinstating the trade provision known as Super 301.
Mar. 12	The United States and Japan reach a formal agreement regarding cellular phone service.
Mar. 14	The United States and Russia reach an agreement that will allow specified quantities of Russian uranium to enter the United States provided they are matched with purchases of newly mined U.S. products.

**Figure A-Continued**  
**Selected Trade Events, 1994**

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**MARCH—Continued**

- Mar. 23 USTR Michael Kantor announces that the United States and other countries have agreed to form a permanent trade and environment committee within the new World Trade Organization (WTO).
- Mar. 29 Japan announces that it is discontinuing its 13-year-old voluntary export restraint on automobiles to the United States on March 31, the end of its fiscal year 1993. Shipments had fallen well short of restraint levels.
- Mar. 31 The United States and its Western allies formally terminate the Coordinating Committee on Multilateral Export Controls (COCOM).
- 

**APRIL**

- Apr. 1 Hungary becomes the first former communist bloc nation to apply for EU membership.
- Apr. 6 The United States formally launches an extraordinary challenge to the CFTA binational panel ruling on softwood lumber.
- Apr. 11 United States announces that it will ban the importation of certain wildlife products from Taiwan. The sanctions were imposed in response to a finding that Taiwan had not taken sufficient measures to stop illegal trade in products of endangered species.
- Apr. 13 The United States and the EU reach an agreement to further open their respective public utility procurement markets, except for telecommunications.
- Apr. 15 The United States and more than 100 other countries sign a historic agreement to reduce tariff and nontariff barriers to world trade in goods and services and to establish the WTO to supersede the GATT in 1995, capping 8 years of negotiations under the GATT Uruguay Round.
- Apr. 22 Mexico's financial system officially opens to foreign competition.
- 

**MAY**

- May 4 European Parliament ratifies EU membership for Austria, Sweden, Finland, and Norway, paving the way for accession on January 1, 1995.
- May 12 Mexico, Colombia, and Venezuela (the so-called Group of Three) conclude negotiations on a free-trade pact that provides for the phaseout of tariff and certain other barriers and the establishment of a dispute settlement mechanism.
- May 21 United Nations imposes a comprehensive trade embargo against Haiti.
- May 26 President Clinton announces that he will renew most-favored-nation status for China and permanently delink China's trade status from human rights issues with the exception of the freedom-of-emigration requirements of the Trade Act of 1974.
- 

**JUNE**

- June 7-8 The Organization for Economic Cooperation and Development holds its annual ministerial meeting.
- June 30 USTR Michael Kantor initiates a "Special 301" investigation of China's intellectual property rights enforcement practices.
- 

**JULY**

- July 1 USTR announces results of the 1993 review of the U.S. Generalized System of Preferences (GSP) program; ten additional products become eligible.
- July 9 Leaders at the 20th annual Group of Seven (G-7) summit in Naples, Italy, agree to maintain momentum toward further trade liberalization, but put off acceptance of a U.S. proposal to launch a new round of multilateral trade talks. For the first time, Russia attends the summit.

**Figure A-Continued**  
**Selected Trade Events, 1994**

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**JULY—Continued**

- July 24 The Association of Caribbean States is formally established as 37 Caribbean nations sign a regional cooperation agreement.
- July 26 The United States and Japan agree to extend the 1991 transpacific semiconductor trade agreement for an additional 5 years.
- July 31 The White House names Japan under title VII of the 1988 Trade Act for discriminating against U.S. suppliers of telecommunications and medical equipment and services.
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**AUGUST**

- Aug. 2 The United States and Canada announce a 1-year understanding on wheat trade.
- Aug. 3 The Extraordinary Challenge Committee dismisses the U.S. challenge on softwood lumber from Canada on the grounds that the standards for an extraordinary challenge have not been met.
- Aug. 4 Argentina, Brazil, Paraguay, and Uruguay sign common market accord (Mercosur) designed to boost trade and prosperity in the region. Negotiations of such difficult issues as rules of origin and common external tariffs continue.
- Aug. 16 The United States and Japan sign an agreement aimed at ensuring U.S. inventors quicker processing of their patent applications and overall improved protection of U.S. intellectual property rights.
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**SEPTEMBER**

- Sept. 27 President Clinton transmits to Congress draft legislation implementing the Uruguay Round Agreements.
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**OCTOBER**

- Oct. 1 The United States and Japan reach verbal understandings under the Framework talks for telecommunications and medical equipment and services, flat glass, and insurance.
- USTR self-initiates a section 301 investigation on barriers to access the auto parts replacement market in Japan.
- Six members of the Gulf Cooperation Council (GCC) agree to drop their secondary and tertiary boycotts against Israel.
- Oct. 16 All U.S. and United Nations sanctions against Haiti are terminated in conjunction with the restoration to power of President Jean-Bertrand Aristide.
- Oct. 17 USTR initiates a section 301 investigation of the EU banana import regime.
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**NOVEMBER**

- Nov. 1 The United States lifts the August 1993 ban on exports of U.S.-built satellites to be launched by China.
- Nov. 11 The United States and Japan sign a Framework Agreement on insurance.
- Nov. 15 The second annual APEC Leaders Meeting is held in Bogor, Indonesia. Leaders agree to the goal of attaining free and open trade and investment among members no later than 2020.
- European Court of Justice rules that the EU Commission has competence to negotiate and conclude international agreements on behalf of the member states in the area of goods trade, but must share competence with member states in the areas of services trade and trade-related intellectual property issues.

**Figure A-Continued**  
**Selected Trade Events, 1994**

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**NOVEMBER—Continued**

Nov. 22	USTR initiates a section 301 investigation on Korean practices related to the importation of U.S. beef and pork.
Nov. 28	Norway votes for the second time in a referendum not to join the EU. (The first referendum was in 1972.)
Nov. 29	The U.S. House of Representatives passes H.R. 5110, the Uruguay Round Agreements Act (URAA), by a margin of 288 to 146.

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**DECEMBER**

Dec. 1	The U.S. Senate passes S. 2167, the URAA, by a margin of 76 to 24.
Dec. 8	President Clinton signs the URAA into law as Public Law 103-465.  January 1, 1995, is confirmed as the date for entry into force of the WTO.
Dec. 9-11	Summit of the Americas countries agree to complete negotiations by 2005 to establish hemispheric free trade. United States, Canada, and Mexico announce intent to begin negotiations to expand NAFTA to include Chile.
Dec. 12	The United States and Japan announce a Framework Agreement on flat glass.
Dec. 20	The unexpected devaluation of the peso triggers a financial crisis in Mexico and adversely affects the financial markets of other countries.
Dec. 21	The United States, EU, Japan, Korea, Finland, Norway, and Sweden sign the Agreement Respecting Normal Competitive Conditions in the Commercial Shipbuilding and Repair Industry, culminating 4 and 1/2 years of negotiations in the OECD.
Dec. 26	The United States and EU agree on a 6-month interim package that compensates the United States for the effects of EU enlargement to include Austria, Finland, and Sweden.
Dec. 30	United States, EU, Canada and other countries deposit URA ratification documents with GATT Secretariat in Geneva.
Dec. 31	China suspends implementation of the 1992 U.S.-China market access agreement by not lifting nontariff barrier restrictions scheduled to be eliminated at the end of 1994.

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## **The International Economic Environment and World Trade in 1994**

World output grew by 3.5 percent in 1994, compared with less than 1 percent in 1993.<sup>3</sup> The relatively strong growth rate reflected healthy economic recoveries in a number of countries, including the United States and Canada, as well as the EU. In the EU, a gradual recovery was under way in several member countries based on a rebound in the U.S. economy and on the consequent rise in foreign demand for EU exports. In Japan, the economy began to recover in 1994, but remained weak largely because of the continued poor performance of business investment. Inflation remained low in all of these countries.

Growth prospects improved in several developing and emerging economies in 1994 as a result of economic stabilization programs, including monetary and fiscal restraints and trade and investment liberalization policies. In Latin America (including Mexico and the countries of the Caribbean, Central America, and South America), economic activity rose by 3.7 percent in 1994 and inflation was moderate, although unemployment remained high.<sup>4</sup> Economic activity continued to expand in 1994 in the Pacific Rim, particularly in China, Korea, Taiwan, Singapore, and Thailand. A ranking of world economies by size shows that in 1994, 6 of the 12 largest economies were those of emerging economies: China, India, Brazil, Russia, Mexico, and Indonesia.<sup>5</sup> Table 1 shows economic indicators for the United States and selected U.S. trading partners.

**Table 1**  
**Comparative economic indicators of the United States and major trading partners, 1993-94**

Country	Real GDP		Inflation rate		Unemploy-ment rate <sup>1</sup>		Govt. budget balance <sup>2</sup>		Merchandise trade balance		Current account balance																																																																																																																																																																																																				
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994																																																																																																																																																																																																			
	— Percent change from —																																																																																																																																																																																																														
	previous year																																																																																																																																																																																																														
G-7 countries:													United States	3.1	4.0	2.7	2.7	6.8	6.1	-3.4	-2.0	-132.0	-152.0	-1.7	-2.1	Canada	2.2	3.7	1.7	0.9	11.2	10.5	-7.1	-6.2	11.0	15.0	-3.5	-3.2	Japan	0.1	1.0	1.0	0.8	2.5	2.9	-0.2	-2.0	145.0	138.0	3.1	2.8	Germany	-1.1	2.8	3.9	2.6	8.9	10.0	-3.3	-2.7	39.0	43.0	-1.1	-0.7	United Kingdom	2.0	3.5	3.5	2.6	10.2	9.4	-7.7	-6.8	-20.0	-20.0	-1.7	-2.1	France	-0.7	2.2	2.1	1.8	11.7	12.3	-5.8	-5.7	12.0	14.0	0.9	1.4	Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6
United States	3.1	4.0	2.7	2.7	6.8	6.1	-3.4	-2.0	-132.0	-152.0	-1.7	-2.1	Canada	2.2	3.7	1.7	0.9	11.2	10.5	-7.1	-6.2	11.0	15.0	-3.5	-3.2	Japan	0.1	1.0	1.0	0.8	2.5	2.9	-0.2	-2.0	145.0	138.0	3.1	2.8	Germany	-1.1	2.8	3.9	2.6	8.9	10.0	-3.3	-2.7	39.0	43.0	-1.1	-0.7	United Kingdom	2.0	3.5	3.5	2.6	10.2	9.4	-7.7	-6.8	-20.0	-20.0	-1.7	-2.1	France	-0.7	2.2	2.1	1.8	11.7	12.3	-5.8	-5.7	12.0	14.0	0.9	1.4	Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6													
Canada	2.2	3.7	1.7	0.9	11.2	10.5	-7.1	-6.2	11.0	15.0	-3.5	-3.2	Japan	0.1	1.0	1.0	0.8	2.5	2.9	-0.2	-2.0	145.0	138.0	3.1	2.8	Germany	-1.1	2.8	3.9	2.6	8.9	10.0	-3.3	-2.7	39.0	43.0	-1.1	-0.7	United Kingdom	2.0	3.5	3.5	2.6	10.2	9.4	-7.7	-6.8	-20.0	-20.0	-1.7	-2.1	France	-0.7	2.2	2.1	1.8	11.7	12.3	-5.8	-5.7	12.0	14.0	0.9	1.4	Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																										
Japan	0.1	1.0	1.0	0.8	2.5	2.9	-0.2	-2.0	145.0	138.0	3.1	2.8	Germany	-1.1	2.8	3.9	2.6	8.9	10.0	-3.3	-2.7	39.0	43.0	-1.1	-0.7	United Kingdom	2.0	3.5	3.5	2.6	10.2	9.4	-7.7	-6.8	-20.0	-20.0	-1.7	-2.1	France	-0.7	2.2	2.1	1.8	11.7	12.3	-5.8	-5.7	12.0	14.0	0.9	1.4	Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																							
Germany	-1.1	2.8	3.9	2.6	8.9	10.0	-3.3	-2.7	39.0	43.0	-1.1	-0.7	United Kingdom	2.0	3.5	3.5	2.6	10.2	9.4	-7.7	-6.8	-20.0	-20.0	-1.7	-2.1	France	-0.7	2.2	2.1	1.8	11.7	12.3	-5.8	-5.7	12.0	14.0	0.9	1.4	Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																				
United Kingdom	2.0	3.5	3.5	2.6	10.2	9.4	-7.7	-6.8	-20.0	-20.0	-1.7	-2.1	France	-0.7	2.2	2.1	1.8	11.7	12.3	-5.8	-5.7	12.0	14.0	0.9	1.4	Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																	
France	-0.7	2.2	2.1	1.8	11.7	12.3	-5.8	-5.7	12.0	14.0	0.9	1.4	Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																														
Italy	-0.7	2.2	4.4	3.4	10.4	11.7	-9.6	-9.7	34.1	44.0	1.3	2.0	EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																																											
EU	-0.3	2.5	3.8	3.0	11.2	11.8	-6.3	-6.1	63.9	87.0	0.2	0.2	OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																																																								
OECD Europe	-0.1	2.3	3.6	2.9	10.7	11.6	-6.5	-6.0	21.0	39.5	0.3	0.7	Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																																																																					
Mexico	0.6	2.9	9.8	7.0	3.5	3.7	-21.0	-23.0	-17.8	-19.9	-6.2	-6.6	Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																																																																																		
Total OECD	1.3	2.8	3.4	3.5	8.0	8.2	-4.2	-3.8	-9.4	-33.9	0.1	0.1		Billion dollars												China	13.2	11.8	13.0	24.3	(3)	(3)	(3)	(3)	-12.2	5.3	-6.9	4.8	Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																																																																																															
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Korea, Rep. of	5.6	8.3	4.8	6.4	(3)	(3)	(3)	(3)	1.9	-2.0	0.4	-4.0	Taiwan	5.9	6.2	2.9	4.1	(3)	(3)	(3)	(3)	11.5	11.0	6.7	5.6																																																																																																																																																																																						
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<sup>1</sup> Percent of total labor force.

<sup>2</sup> As a percent of Gross Domestic Product (GDP).

<sup>3</sup> Not available.

Note.—Trade and current account balances for China, Korea, and Taiwan are in billion dollars. Also, 1994 statistics are preliminary.

Source: OECD Economic Outlook, No. 56, 1994; IMF, International Financial Statistics, Feb. 1995; China & North Asia Monitor, No. 2, Feb. 1995.

World trade grew at a much faster rate than output in 1994, according to recently released WTO estimates.<sup>6</sup> The WTO reported that the volume of world merchandise exports grew by 9 percent in 1994, the fastest rate since 1976, far outstripping the 4-percent rise in 1993. The value of world merchandise exports rose by 12 percent in 1994 to a record \$4.0 trillion. A jump of about 20 percent in trade in office machines and computer and telecommunications equipment boosted world trade growth. Exports in this category accounted for 11 percent of world goods exported by value. Trade in commercial services (transportation, travel, and other private services and income) increased 6 percent to \$1.1 trillion during the year, reversing a trend over the past decade in which services trade growth on average outpaced merchandise trade growth. In 1994, the United States ranked first in terms of services exports, followed by France and Germany. The United States also ranked first in terms of services imports, followed by Germany and Japan.<sup>7</sup>

By region, merchandise trade recovered sharply in Western Europe and continued to strengthen in North America, Asia, and Latin America in 1994. In North America, exports rose in value by 11.2 percent, whereas imports grew by 13.8 percent. Latin America's exports soared 14.9 percent in value in response to higher demand in the United States and other industrial countries, as well as to increased intraregional trade. Economic recovery in Latin America spurred imports by 16.5 percent, representing the highest rate of growth in imports among regions. Western European exports and imports rose in value by 11.7 and 11.1 percent, respectively, after posting negative rates in 1993. In Central and Eastern Europe, imports rose by 9.5 percent and exports increased by 19.4 percent, buoyed by Western Europe's economic recovery. The value of Asia's exports and imports each grew by more than 15 percent; exports from China alone surged by 32 percent. The United States, Germany, and Japan remained the world's leading merchandise exporters, as well as importers.<sup>8</sup>

## *United States*

In 1994, the United States posted the largest annual increase in real gross domestic product since the 1990-91 recession (see table 1).<sup>9</sup> Consumer spending, particularly on durable goods, rose briskly, encouraged by a favorable consumer credit environment and rising employment. Real nonresidential fixed investment rose by a strong margin, bolstered by moderately rising

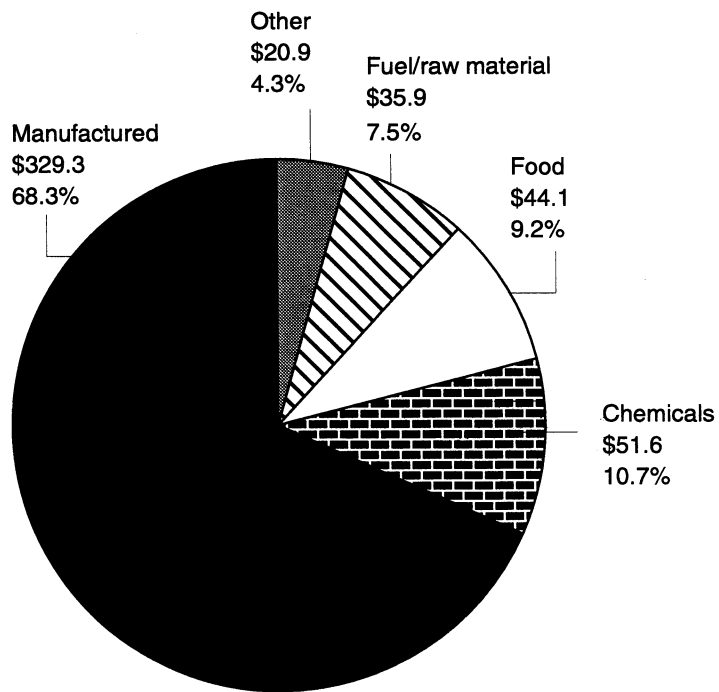
long-term interest rates, lower unit labor costs, improved labor productivity, and higher capital returns. Investment in producers' durable equipment particularly escalated. The rise in spending on consumer durables and producers' durable equipment, combined with a partial rebound in housing, propelled the economic recovery in 1994.<sup>10</sup>

Real Federal government spending decreased, reflecting a large decline in national defense spending. As in the previous year, the decline in government spending shifted funds toward the private sector for use in short-term projects, increasing the sector's liquidity and encouraging bank lending at relatively moderate interest rates. The strengthening of economic activity led to a decline in the unemployment rate to its lowest level in 3 years.<sup>11</sup> Despite strong economic growth, inflation remained restrained because of the expanding industrial base generated by a surge in new investment, as well as of the Federal Reserve's tight monetary policy.

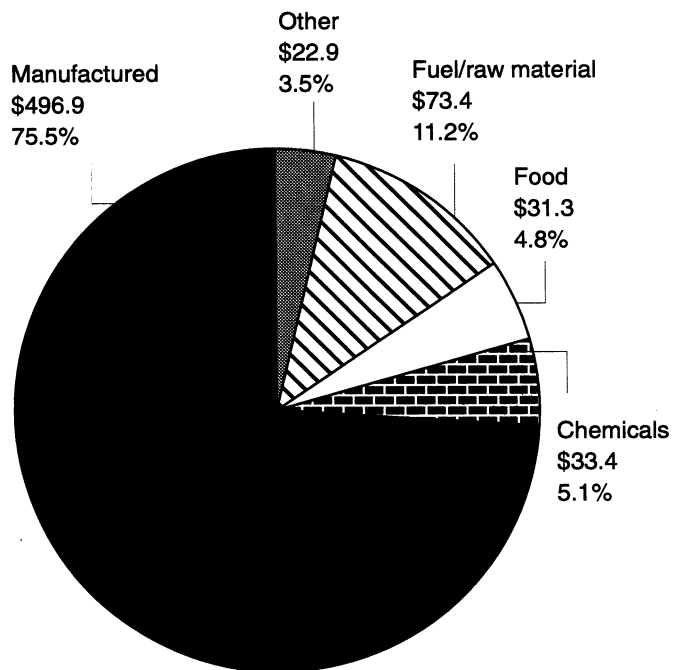
In the foreign sector, the United States ranked as both the world's largest merchandise exporter and the world's leading exporter of services. Merchandise exports rose by 10 percent to an all-time high of \$503 billion, but imports also increased considerably by 13.5 percent to \$669 billion.<sup>12</sup> The strengthening of domestic demand combined with less robust growth abroad led to a larger increase in imports than in exports and, thus, to a widening of the 1994 merchandise trade deficit. The U.S. bilateral merchandise trade deficits with Japan, China, Taiwan, Canada, and the EU all widened. Japan and China together accounted for 54 percent of the total U.S. merchandise trade deficit. Figure B shows U.S. exports and imports with the world by aggregate product sectors. Figure C shows U.S. merchandise exports, imports, and trade balances with major trading partners. Appendix A lists leading U.S. exports to and imports from major U.S. trading partners.

The U.S. trade surplus in services increased slightly to \$60.0 billion in 1994, from \$56.9 billion in 1993.<sup>13</sup> U.S. services trade grew in almost every category. Total U.S. trade in services reached \$330.6 billion in 1994, a \$17.8 billion increase over 1993. U.S. exports of services in 1994 reached \$195.3 billion. Of this total, exports of services to the EU were \$58.4 billion; the United Kingdom, \$19.3 billion; Eastern Europe, \$1.8 billion; Canada, \$15.7 billion; Latin America and other Western Hemisphere nations, \$29.7 billion; Japan, \$31.2 billion; Australia, \$4.1 billion; and other countries in Asia and Africa, \$38.8 billion.

**Figure B**  
**U.S. merchandise trade with the world, by product sectors, 1994**



**U.S. Exports**  
*(billion dollars and percent)*

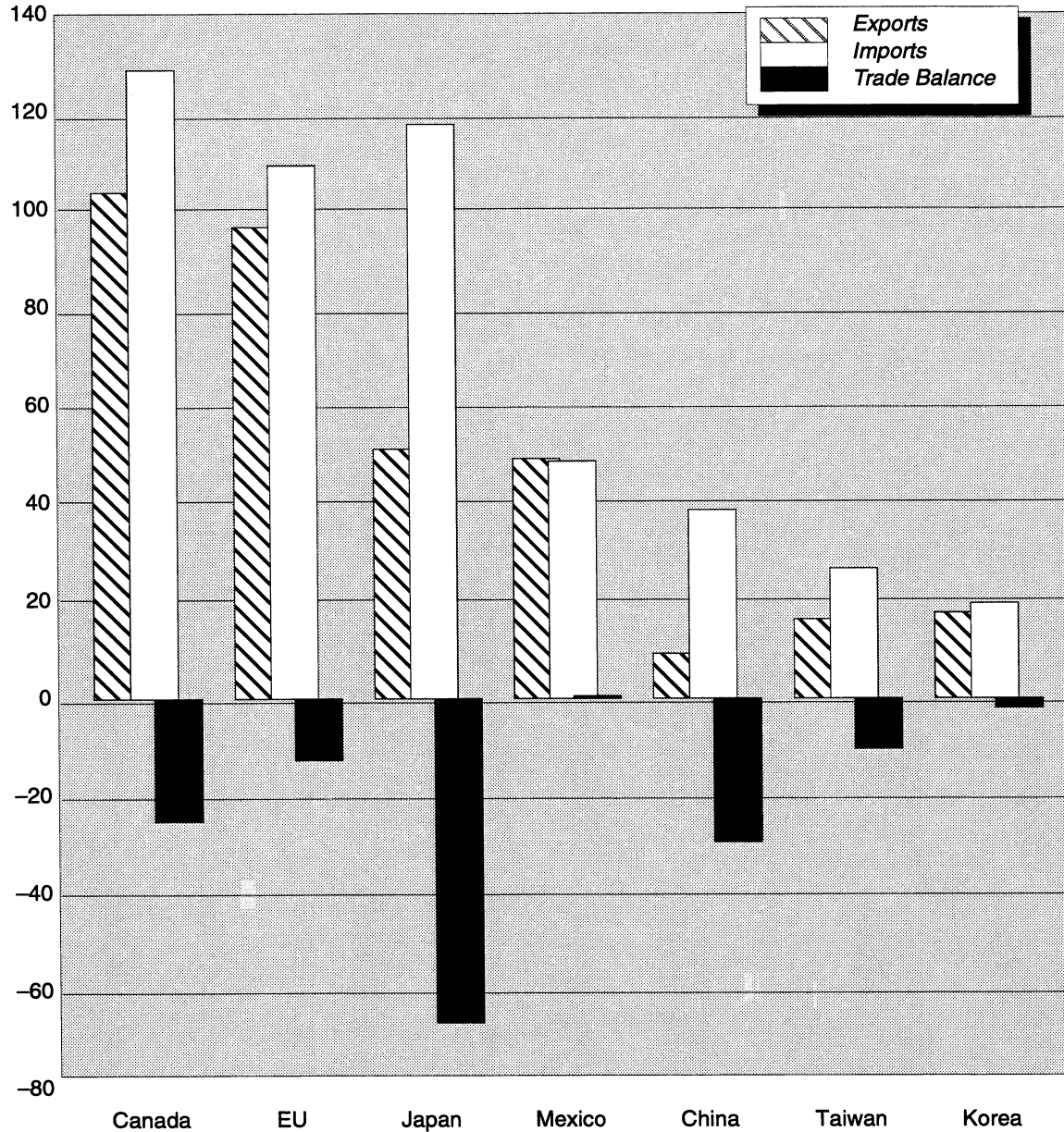


**U.S. Imports**  
*(billion dollars and percent)*

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Figure C**  
**U.S. merchandise exports, imports, and trade balance (customs value basis) with major trading partners, 1994**

*Billion dollars*



<i><b>Major trading partners</b></i>	<i><b>Exports</b></i>	<i><b>Imports</b></i>	<i><b>Trade balance</b></i>
Canada	103.6	128.7	-25.1
EU	96.5	109.1	-12.6
Japan	51.1	117.5	-66.4
Mexico	49.1	48.6	0.5
China	9.2	38.6	-29.4
Taiwan	16.2	26.6	-10.4
Korea	17.5	19.5	-2.0

Source: Compiled from official statistics of the U.S. Department of Commerce.



The U.S. current account deficit grew in 1994 for several reasons, including the increased merchandise trade deficit, a shift in net investment income from a surplus in 1993 to a deficit in 1994, and an increase in net transfers. Net inflows of foreign capital into the United States rose. Both U.S. purchases of foreign assets and securities and purchases by foreigners of U.S. portfolio assets expanded. The following tabulation shows U.S. trade and current account balances with the world (in billions of dollars, seasonally adjusted).<sup>14</sup>

	1993	1994
Merchandise exports .....	456.9	502.6
Merchandise imports .....	589.4	669.1
Balance on merchandise trade ....	-132.6	-166.5
Balance on services .....	56.9	60.0
Balance on goods and services ...	-75.7	-106.4
Balance on investment income ....	4.0	-15.2
Balance on goods, services, and investment income .....	-71.8	-121.5
Unilateral transfers .....	-32.1	-34.1
Balance on current account .....	-103.9	-155.7
Net capital inflows (+), outflows (-) .....	-82.8	-188.9
U.S. assets abroad, net, outflow (-) .....	-147.9	-125.7
Foreign assets in the U.S., net, inflow(+) .....	230.7	314.6

## Canada

The growth of Canada's real output in 1994 was well above the 1993 rate but unemployment remained high.<sup>15</sup> The upturn in Canada's economic activity was generated by a marked increase in exports benefiting from strongly reviving demand in the United States. Inflation subsided because of decreased government and consumer spending and of substantial gains in productivity. Canada's growing exports resulted in a merchandise trade surplus in 1994, which in turn reduced Canada's current account deficit from \$23.8 billion in 1993 to \$18.1 billion in 1994. Excess payments of investment income over receipts, particularly to U.S. investors, accounted for the bulk of the current account deficit.<sup>16</sup>

Canada is the United States' largest trading partner, accounting for about one-fifth of both U.S. exports and imports. Indeed, two-way trade was the largest recorded between any two countries in 1994. The United States recorded a 35-percent increase in its merchandise trade deficit with Canada. U.S. exports to Canada rose 12.8 percent, but imports increased 16.5 percent. U.S. exports to Canada, 87 percent of which consisted of manufactured goods,<sup>17</sup> rose in 9 of 10

Standard Industrial Trade Classification (SITC) sections (table A-1). Manufactured goods accounted for 71 percent of total U.S. imports from Canada. The U.S. trade surplus in services with Canada declined slightly in 1994 to \$6.3 billion, reflecting both a decrease in U.S. exports and an increase in U.S. imports of services.

## European Union

Following a severe recession in 1993, the European Union (EU) entered a period of recovery in 1994, propelled by the revival of U.S. economic growth. However, stubbornly high levels of unemployment throughout the EU persisted and weakened income growth and aggregate demand, dampening the overall recovery. Maintaining noninflationary growth compatible with low rates of unemployment is still a challenge to the EU, in part because of the rules of the Exchange Rate Mechanism (ERM). Monetary expansion to increase employment has been constrained by the ERM, which was established to stabilize exchange rates by anchoring EU currencies to the German mark. Under the ERM, participants have had to maintain their currencies' parities roughly aligned with the German mark, which requires them to maintain higher interest rates in line with German rates. Similarly, fiscal policy has been constrained by the inability of EU governments to effectively increase their spending because of high budget deficits. Economic and monetary union, scheduled for no later than January 1, 1999, requires participants to reduce their budget deficits to 3 percent and their public debts to 60 percent of GDP. However, in 1994 EU countries' aggregate budget deficits, except for Luxembourg, averaged over 6 percent, and gross public debt averaged over 83 percent of GDP, according to OECD data. EU countries with the highest percentages were Belgium, with a gross public debt of 142.0 percent of GDP; Greece, 120.8 percent; Italy, 123.2 percent; and Ireland, 88.2 percent of GDP.<sup>18</sup>

EU world exports and imports of goods and services rose in 1994, yielding higher merchandise trade and current account surpluses, despite an excess of payments of investment income over receipts. In 1994, the EU was the United States' second largest trading partner, accounting for about 18 percent of total U.S. trade. The United States registered a trade deficit with the EU for the second year in a row; Germany, Italy, France, Denmark, and Luxembourg accounted for this trade deficit. Over 80 percent of U.S. exports to and imports from EU markets consisted of manufactured goods; the remainder consisted of food, fuel, and raw materials (table A-4). U.S. exports of services to the EU increased more rapidly than U.S.

imports, yielding a higher U.S. services trade surplus (\$8.0 billion) with the EU in 1994.

## *Japan*

In 1994, economic recovery in Japan was largely due to rising personal incomes and consumption, expanding housing construction, and to steadily rising public investment. Japan's industrial production rose in 1994 following a substantial decline in 1993. Unemployment increased slightly, but remained well below other industrial countries' rates. Japan's total exports of goods increased in 1994, although imports grew more rapidly yielding a smaller merchandise trade surplus. The current account surplus was estimated to have declined slightly to \$129.3 billion from a record high in 1993 due to the rising value of the yen, which encouraged increased Japanese demand for services, particularly for travel.<sup>19</sup>

The U.S. merchandise trade deficit with Japan rose nearly 11 percent in 1994, accounting for 37.8 percent of the total U.S. deficit. Likewise, U.S. exports to and imports from Japan increased almost 11 percent in 1994. U.S. exports increased in 8 of 10 SITC sections, and imports increased in 7 sections (table A-7). Sixty-three percent of U.S. exports to Japan consisted of manufactured goods; 35 percent consisted of food, fuel, and raw materials. In contrast, nearly 98 percent of U.S. imports from Japan consisted of manufactured goods. In 1994, U.S. exports of services to Japan accelerated faster than imports, reaching a total of \$31.2 billion, a \$3.7-billion increase over the previous year. Imports from Japan were \$15.5 billion, resulting in a U.S. trade surplus in services of \$15.7 billion.

## *Mexico*

In December 1994, the Mexican economy suffered a severe financial crisis and a considerable depreciation of the peso after support of the currency could no longer be maintained. Analysts consider Mexico's large current account deficit (an estimated 6.6 percent of the 1994 GDP) the major cause of the crisis. Other contributing factors were Mexico's exchange-rate management policy and heavy reliance on short-term credit. For more details on Mexico's economic performance in 1994, including the peso crisis and its implications, see the Mexico section of chapter 4 of this report.

Under the first year of the North American Free-Trade Agreement, Mexico's total trade with the United States grew by 24 percent. U.S. exports

increased 22 percent, U.S. imports grew 26 percent, and the bilateral trade was almost balanced. U.S. exports to Mexico rose in 9 of the 10 SITC sections (table A-10). Approximately 82 percent of U.S. exports to Mexico was manufactured goods and the remainder consisted of food, fuel, and raw materials. Approximately 77 percent of U.S. imports consisted of manufactured goods, and the remainder consisted of food, fuel, and raw materials.

## *China*

The rapid growth of the Chinese economy continued in 1994. Industrial production remained strong, increasing overall by 18 percent from its value the previous year. The growth in this sector was led by a 28-percent rise in the output of foreign-funded enterprises,<sup>20</sup> whereas the output of state-owned enterprises grew by only 5.5 percent. The primary problems in China's economic performance during 1994 were the high rate of increase in the consumer price index, the slow growth of agricultural production, and the serious inefficiency of many state-owned industrial enterprises.<sup>21</sup> Future correction of problems in the state sector will be particularly difficult since the required reforms could result in massive urban unemployment and widespread social unrest.<sup>22</sup>

The increase in China's exports in 1994 was a major factor stimulating the overall growth of the economy. Preliminary Chinese statistics show that exports expanded by 31.9 percent to \$121.0 billion, and imports rose by 11.2 percent to \$115.7 billion, turning a \$12.2 billion deficit in 1993 into a \$5.3 billion surplus in 1994. The export growth rate was significantly higher than any recorded in recent years. A limited breakdown of exports by category indicates that the largest increase was in shipments of machinery and electronic goods. The exports of foreign-funded enterprises increased by nearly 38 percent to \$34.7 billion in 1994, representing 28.7 percent of the export total.

U.S. exports to China increased by 6.5 percent and imports from China expanded by 22.7 percent in 1994, widening the U.S. bilateral deficit by 28.9 percent.<sup>23</sup> The U.S. trade deficit with China accounted for 16.7 percent of the total U.S. deficit. In 1994, U.S. exports to China increased in 4 of 10 SITC sections, and imports increased in 8 sections (table A-13). Eighty-one percent of U.S. exports to China consisted of manufactured goods, and the remainder consisted of food, fuel, and raw materials and other goods. By contrast, 96 percent of U.S. imports from China consisted of manufactured goods.

## ***Taiwan***

In Taiwan, intraregional direct investment and intraregional trade flows stimulated output growth. Exports declined as a result of a large increase in wages and of the appreciation of the Taiwan dollar. The subsequent easing of Taiwan monetary policy resulted in weakening the New Taiwan dollar and in improving the prospects for increased exports, particularly with mainland China. The U.S. bilateral trade deficit with Taiwan increased in 1994 by 10.1 percent as exports grew by 4.2 percent and imports by 6.4 percent. U.S. exports to Taiwan increased in 8 of 10 SITC sections, whereas imports increased in 7 sections (table A-16). Approximately 75 percent of U.S. exports to Taiwan consisted of manufactured goods, and the remainder of food, fuel, and raw materials and other goods. In contrast, 97 percent of U.S. imports from Taiwan consisted of manufactured goods.

## ***Korea***

In the Republic of Korea, output continued to grow in 1994 largely because of the growth of intraregional trade and intraregional investment flows. Korea's trade balance shifted from a surplus in 1993 to a deficit in 1994 because of buoyant private consumption and business investment growth. As a result, the current account deficit grew sharply compared with the level of the previous year. However, increasing demand in Europe and South East Asia, as well as the opening of new markets in the former Soviet Union, increased Korea's exports of semiconductors and automobiles. U.S. exports to Korea increased by 22 percent over the previous year and imports increased by 15 percent, resulting in a 22-percent lower trade deficit with Korea in 1994. U.S. exports to Korea increased in 9 of 10 SITC sections, and imports increased in 7 sections (table A-19). Approximately 73 percent of U.S. exports to Korea in 1994 consisted of manufactured goods, and the remainder of food, fuel, and raw materials and other goods. In contrast, 97 percent of U.S. imports from Korea consisted of manufactured goods.

## ENDNOTES

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<sup>1</sup> Section 163(b) of the Trade Act of 1974 (Public Law 93-618, 88 Stat. 1978) states that "the International Trade Commission shall submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program."

<sup>2</sup> Executive Order No. 11846, Mar. 27, 1975.

<sup>3</sup> Services and construction output are not included. World Trade Organization (WTO), "World Trade Growth in 1994 Highest in Almost Two Decades; Gains Broadly Based Across Most Regions," press release No. 8, Mar. 28, 1995.

<sup>4</sup> United Nations Economic Commission for Latin America and the Caribbean (ECLAC), *Preliminary Overview of the Economy of Latin America and the Caribbean, 1994*, LC/G.1846 (Santiago, Chile: ECLAC, Dec. 20, 1994), p. 1.

<sup>5</sup> "Emerging-Market Indicators," *The Economist*, Jan. 14-20, 1995, p. 98.

<sup>6</sup> WTO, "World Trade Growth in 1994 Highest in Almost Two Decades; Gains Broadly Based Across Most Regions," press release No. 8, Mar. 28, 1995.

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> Council of Economic Advisers, *Economic Report of the President*, Feb. 1995, p. 51. See also U.S. Department of Commerce, Bureau of Economic Analysis, "Gross Domestic Product: Fourth Quarter 1994 (Advance)," *United States Department of Commerce News*, BEA 95-03, Jan. 27, 1995, p. 3.

<sup>10</sup> Council of Economic Advisers, *Economic Report of the President*, Feb. 1995, pp. 49-60.

<sup>11</sup> U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings," Jan. 1995, p. 11.

<sup>12</sup> U.S. Department of Commerce, Bureau of the Census, "U.S. Merchandise Trade in Goods and Services, March 1995," *U.S. Department of Commerce News*, CB-95-96, FT-900 (95-03), May 18, 1995, exhibit 1, p. 4. These data are on a balance-of-payments basis, seasonally adjusted.

<sup>13</sup> For services trade data, see U.S. Department of Commerce, Bureau of Economic Analysis, "U.S. International Transactions, Fourth Quarter and Year 1994," *Survey of Current Business*, Mar. 1995, pp. 69-70 and 94-97.

<sup>14</sup> U.S. Department of Commerce, Bureau of Economic Analysis, "U.S. International Transactions, Fourth Quarter and Year 1994," *Survey of Current Business*, Mar. 1995, p. 56.

<sup>15</sup> Statistics Canada, *Canadian Economic Observer*, various monthly issues in 1994-95.

<sup>16</sup> Statistics Canada, "Canadian Balance of International Payments," *Canadian Economic Observer*, May 1995, table 17, p. 30.

<sup>17</sup> In this section, "manufactured goods" are defined to include SITC codes 5 through 8 (see, for example, table A-1).

<sup>18</sup> *OECD Economic Outlook*, No. 56, Dec. 1994, pp. A32 and A36.

<sup>19</sup> *OECD Economic Outlook*, No. 56, Dec. 1994, and Institute of Fiscal and Monetary Policy, Ministry of Finance, Japan, *Monthly Finance Review*, Jan. 1995, No. 259.

<sup>20</sup> Consisting mainly of equity joint ventures, contractual or cooperative joint ventures, and wholly foreign-owned enterprises.

<sup>21</sup> Unless otherwise noted, the data on China's economy and trade are from Foreign Broadcast Information Service, "Statistical Communique of the State Statistical Bureau of the People's Republic of China on the 1994 National Economic and Social Development," *Daily Report: China*, Mar. 7, 1995, pp. 41-47.

<sup>22</sup> *China and North Asia Monitor*, vol. 2, No. 2 (Feb. 1995), p. 4.

<sup>23</sup> Based on data compiled by the U.S. Department of Commerce. The U.S. and Chinese statistics on bilateral trade differ significantly, reflecting mainly the difference in the way each country treats transshipments of merchandise through Hong Kong.

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# CHAPTER 1

## Uruguay Round Implementation and Ongoing Negotiations

### Introduction

The Uruguay Round Agreements (URA) were formally signed at a special ministerial meeting held under the auspices of the General Agreement on Tariffs and Trade (GATT) on April 15, 1994. Ministers at the meeting also decided that member countries would aim to have both the agreements and the World Trade Organization (WTO), created to carry out the agreements, enter into force in early 1995. Multilateral activity in 1994 focused on securing passage of national measures to implement the URA, and this goal was achieved. By late December, all of the major developed countries had passed the legislation or taken the other steps necessary to permit final ratification of the URA and their entry into force on January 1, 1995. The process of selecting the first Director-General of the WTO went less smoothly, however; it was not until March 1995 that governments could agree on Renato Ruggiero to take the position. Negotiations on issues left unfinished at the end of the Uruguay Round also continued in 1994. Regular GATT activity slowed in anticipation of the change to the WTO, although accession negotiations intensified.

This chapter discusses the formal signing of the URA, preparations for establishing the WTO, the status of implementation of the agreements, and key aspects of the U.S. implementing legislation. It also describes ongoing services negotiations and regular GATT activities during the year.

### Marrakesh Ministerial Conference

At the conclusion of the Uruguay Round in December 1993, participants agreed to hold a special

ministerial session to sign the Uruguay Round Agreements in Marrakesh, Morocco, on April 12 to 15, 1994. Of the 125 countries that participated in the Round, 111 countries signed the *Final Act*<sup>1</sup> at the ministerial. This act committed signatory governments to submit the *Agreement Establishing the World Trade Organization* and its Annexes (WTO Agreement) to their Parliaments or other appropriate bodies or officials for approval, and to complete the ratification process within 2 years of signing.

In addition to the *Final Act*, Ministers approved three further decisions. The decision entitled "Trade and Environment" established the standing Committee on Trade and Environment under the WTO.<sup>2</sup> The second, "Organizational and Financial Consequences flowing from the Implementation of the Agreement Establishing the World Trade Organization," considered staff and resource needs for the WTO. The third, "Decision on the Establishment of the Preparatory Committee for the World Trade Organization," established a Preparatory Committee (PrepCom) to lay the groundwork for the entry into force of the WTO.

The PrepCom was charged with considering (1) how to set out future issues concerning trade and the environment, (2) financial and administrative arrangements for the WTO, and (3) WTO rules of procedure. The PrepCom was also "to discuss suggestions for the inclusion of additional items on the agenda of the WTO's work programme."<sup>3</sup> This last item represented the ministerial compromise resulting from the debate over whether to mention internationally recognized labor rights ("worker rights") in the Marrakesh declaration, an idea advocated by the United States and France but opposed staunchly by many developing countries because of its potential for protectionist abuse.<sup>4</sup>

# Uruguay Round Agreements Act

## *Introduction*

Following the Marrakesh Ministerial Conference, the U.S. administration and Congress drafted implementing legislation, and in late November and early December 1994, the legislation was passed by a wide margin.<sup>5</sup> On November 29, the House of Representatives passed H.R. 5110, the Uruguay Round Agreements Act (URAA), by a margin of 288 in favor and 146 against. On December 1, the Senate passed an identical bill (S. 2467) by a margin of 76 for and 24 against. Both houses followed “fast-track” procedures, meaning that no amendments were permitted and that Members of Congress could vote only for or against the proposed legislation. The bill was signed into law December 8, 1994, as Public Law 103-465, exactly 1 year after President Clinton signed the North American Free-Trade Agreement (NAFTA) implementing bill.<sup>6</sup> Passage of implementing legislation by the United States cleared the way for other countries to ratify the agreements so that the WTO could come into being on January 1, 1995. The Japanese Parliament (the Diet) approved the agreements on December 8;<sup>7</sup> the European Union (EU) completed its approval process on December 22, 1994.<sup>8</sup>

In the United States, debate over the implementing legislation initially raised doubts about timely congressional passage. Debate focused on issues such as the renewal of fast-track legislation, the impact of the agreements on U.S. sovereignty, and funding for revenues lost from tariff cuts under the URA. Early in the debate, the administration sought to include renewal of fast-track authority in the implementing legislation. However, the administration’s fast track proposal, tabled in June, also included negotiating objectives relating to labor standards, and trade and the environment. Inclusion of these objectives proved controversial. To expedite passage of the URA legislation, in September the administration announced that it would not include fast-track renewal authority in its draft implementing bill.

Once these issues appeared to be resolved satisfactorily<sup>9</sup> between the Congress and the administration, the President formally transmitted the implementing legislation to Congress on September 27, 1994.<sup>10</sup> However, the formal vote on the legislation was delayed when Senator Ernest Hollings (D-South Carolina), chairman of the Senate Commerce Committee and an opponent of the agreement, insisted

that the full 45 days allowed under fast-track rules for study of the bill would be necessary before his committee would report it out for a vote. Although a congressional vote on the bill had been anticipated in early October, this action delayed the vote until after midterm elections. Following the threat by the President to recall the Senate after the midterm elections, both the House and Senate set dates for an expedited debate and vote on the bill—November 29 and December 1, respectively.

Further doubts about timely passage of U.S. implementing legislation briefly arose when congressional midterm elections in November shifted control of both the House of Representatives and the Senate to the Republican Party—for the first time since 1948. However, subsequent discussions between the President and Republican leaders resulted in agreement on additional U.S. monitoring of the implementation of the agreements’ dispute settlement provisions, which helped ensure congressional acceptance (see section below on the Dole plan).

## *Overview of the Implementing Bill*

The URAA contains eight titles with various subtitles and provisions, as follows:<sup>11</sup>

### Title I—General Provisions relating to the Uruguay Round Agreements

- Approves the agreements and the Statement of Administrative Action (SAA).<sup>12</sup>
- Explains the relationship of the agreements to Federal and State law.
- Authorizes the U.S. tariff modifications agreed to in the agreements.
- Sets out consultation, notice, and report requirements during dispute settlement.
- Sets out U.S. objectives for areas where negotiations have been extended, including financial services, basic telecommunications, and trade in civil aircraft.<sup>13</sup>

### Title II—Antidumping and Countervailing Duty Provisions

- Amends U.S. antidumping (AD) and countervailing duty (CVD) laws to conform to the URA.

### Title III—Additional Implementation of Agreements

- Amends U.S. import safeguards law to conform with the URA.<sup>14</sup>
- Establishes how the United States intends to employ section 301 (including “special” and “super” 301) law on foreign trade barriers and unfair trade practices.<sup>15</sup>
- Amends U.S. law that pertains to unfair import practices in violation of intellectual property rights.<sup>16</sup>
- Authorizes the phaseout of bilateral textile import quotas and amends existing U.S. law to conform to other parts of the URA related to textiles and clothing.
- Amends U.S. law to include the new coverage, thresholds, and timeframes of the GATT Government Procurement Agreement negotiated under the URA.
- Amends U.S. law to implement the GATT Agreement on Technical Barriers to Trade (TBT).<sup>17</sup>

### Title IV—Agriculture-related Provisions

- Implements agricultural provisions of the URA, such as converting commodity import restrictions under section 22<sup>18</sup> to tariff equivalents as part of the “tariffication” process in the URA.

### Title V—Intellectual Property

- Amends U.S. laws concerning copyrights, trademarks, and patents to implement the Agreement on Trade-Related Intellectual Property Rights (TRIPs).

### Title VI—Related Provisions

- Extends the U.S. Generalized System of Preferences (GSP) until July 31, 1995<sup>19</sup> and U.S. customs users fee rules to meet obligations under the URA.

### Title VII—Revenue Provisions

- Enacts the “pay-as-you-go” procedures required by the Budget Enforcement Act of 1990 for the URAA.

### Title VIII—Pioneer Preferences

- Requires the Federal Communications Commission (FCC) to issue licenses for personal communications services (PCS) provided over the public broadband communications spectrum.<sup>20</sup>

## Selected Subjects of the URAA

Several of the amendments made to U.S. trade laws by the URAA are described in further detail below, including amendments to the U.S. antidumping and countervailing duty laws, section 337 of the Tariff Act of 1930, and the U.S. escape clause (safeguard) law. U.S. legislation relating to U.S. sovereignty and the WTO is also described in this section. The URAA implementation of textile and apparel rules of origin is described in chapter 5.

### *Changes to U.S. Antidumping and Countervailing Duty Laws*

The URAA amended U.S. antidumping and countervailing duty laws in several respects to bring them into conformity with the Uruguay Round Antidumping Agreement<sup>21</sup> and the Agreement on Subsidies and Countervailing Measures (hereafter Subsidies Agreement). These two agreements set out substantive and procedural rules for the conduct of antidumping and countervailing duty investigations. Unlike the predecessor codes negotiated during the Tokyo Round, the new agreements are binding on all WTO members.

U.S. antidumping and countervailing duty laws (19 U.S.C. 1671 et seq.) are administered by the U.S. Department of Commerce (Commerce) and the U.S. International Trade Commission (the Commission or USITC). Petitions are filed with both Commerce and USITC. In general, if Commerce finds dumping or a countervailable subsidy, and if the USITC finds that a domestic industry is materially injured or threatened with material injury, or the establishment of an industry is materially retarded, by reason of such dumped or subsidized imports, then Commerce issues an antidumping duty or a countervailing duty order. An antidumping duty or countervailing duty equal to the margin of dumping or the amount of subsidy, as appropriate, is collected on the imported merchandise subject to the order.<sup>22</sup>

One of the major U.S. goals in the antidumping and countervailing duty negotiations was to improve

the transparency of foreign proceedings to help protect U.S. exporters from arbitrary actions by foreign governments, particularly as more countries adopt such laws. Many of the changes reflected in the Uruguay Round antidumping and countervailing duty agreements reflected provisions in existing U.S. law. Thus, U.S. law was already largely consistent, both substantively and procedurally, with both agreements. Nonetheless, the URAA made several changes to U.S. law and procedure in order to conform them to the Antidumping and Subsidy Agreements' new provisions. Some of the more significant changes are described below.

## Antidumping Law

### *Fair comparisons*

The URAA established a new "fair comparison" methodology that deducts an amount for the importer's profit from the U.S. price and provides for a level of trade adjustment in the foreign market. This methodology compares domestic with foreign market price by avoiding or adjusting for differences between sales that affect price comparability. The basic fair comparison requirements of the Tokyo Round antidumping agreement were carried over in the new agreement, but article 2.4 of the new WTO Antidumping Agreement sets out in much greater detail the methodology that countries should use to calculate normal value, export price, and any necessary adjustments in order to achieve the required "fair comparison." The URAA brings U.S. law into conformity with the agreement by setting out the various adjustments for export price and constructed export price that Commerce must make.<sup>23</sup>

### *Sunset reviews*

The URAA requires antidumping and countervailing duties to be revoked after 5 years unless a determination is made (in a "sunset" review) that revocation would likely lead to a continuation or recurrence of dumping or subsidization and injury. The act also contains special rules for reviewing the approximately 400 "transition" orders, findings, and suspended investigations that existed on the date the WTO entered into force with respect to the United States. These reviews are required by the WTO Antidumping and Subsidies Agreements, which for the first time set a time limit on the imposition of antidumping and countervailing measures.

The URAA requires Commerce and the USITC to conduct a sunset review no later than 5 years after: (1) the issuance or finding of an antidumping or countervailing duty order, (2) the suspension of an investigation, (3) the injury determination in a countervailing duty proceeding under new section 753 of the Tariff Act of 1930, or (4) a prior 5-year or changed circumstances review.<sup>24</sup> Reviews are initiated automatically, and determinations are made on an orderwide rather than a company-specific basis.<sup>25</sup> If no domestic interested party responds to the notice of initiation of a review, Commerce within 90 days after initiation of a review issues a final determination revoking the order or terminating the suspended investigation. If interested parties provide "inadequate responses" to a notice of initiation, Commerce and the USITC conduct an expedited review based on the facts available. To reduce the burden on all parties, foreign interested parties (including foreign governments) may waive their participation in a Commerce sunset review, and in such cases Commerce will conclude that revocation or termination would be likely to lead to continuation or recurrence of dumping or countervailable subsidies with respect to the submitter. Also, the USITC is permitted, in consultation with Commerce, to group 5-year reviews together when appropriate.

Under special rules for reviewing transition orders, findings, and suspended investigations, Commerce and the USITC may not begin their reviews earlier than 18 months before the fifth anniversary of the entry into force of the WTO<sup>26</sup> (January 1, 1995). Commerce and the USITC have 18 months in which to complete each review and must complete all reviews no later than 18 months after the fifth anniversary of the entry into force of the WTO. However, Commerce may not revoke or terminate a transition order before such fifth anniversary date, unless the petitioner requests an accelerated review.<sup>27</sup>

### *Duty absorption*

The URAA requires an examination of "duty absorption" during administrative reviews, if requested. Duty absorption may occur when the merchandise of a foreign producer or exporter subject to antidumping duties is sold in the United States through a related importer, providing an opportunity to absorb these duties by reducing or eliminating the importer's profit. Upon request, Commerce must determine during the second and fourth administrative reviews whether antidumping duties have been absorbed by a foreign producer or exporter whose merchandise is sold in the United States through a



related importer. Commerce must notify the USITC of its findings, and the USITC must take such findings into account when conducting 5-year sunset reviews.<sup>28</sup>

### *Comparing U.S. and foreign market prices*

The URAA requires that Commerce compare U.S. and foreign market prices on an average-to-average basis in investigations, while providing a preference for average-to-individual comparisons in reviews. The Uruguay Round Antidumping Agreement generally requires that comparisons during investigations be average-to-average,<sup>29</sup> but allows average-to-individual comparisons when the pattern of export prices (or constructed export prices) differs significantly among purchasers—i.e., where “targeted dumping” may be occurring.<sup>30</sup> Targeted dumping refers to a situation where an exporter sells at a dumped price to particular customers or regions, but at higher prices to other customers or regions.

### *Startup production*

The URAA established a special adjustment for startup production costs, since a firm may experience unusually high costs when it is “starting up” a new product or new production facilities. The WTO Antidumping Agreement includes a new requirement that cost calculations—for both constructed value and cost of production—be adjusted “appropriately” for startup operations. Commerce is to make this adjustment only if (1) a company is using new production facilities or producing a new product that requires substantial additional investment, and (2) production levels are limited by technical factors associated with the initial phase of commercial production.<sup>31</sup>

### *Captive production*

The URAA established a special provision for captive production. The provision addresses situations in which vertically integrated U.S. producers sell a significant volume of their domestic production to U.S. customers (the merchant market) and transfer internally a significant volume of their production of that same product for further internal processing into a distinct downstream article, i.e., into captive production. When determining market share and factors affecting financial performance of the domestic industry in such instances, the URAA has directed the USITC to focus primarily on the merchant market if

three specified conditions are met. Although not required by the Antidumping or Subsidies Agreements, the United States regards this provision as consistent with the agreements.<sup>32</sup>

### *Anticircumvention*

The URAA made certain changes to the anticircumvention provisions in U.S. law. Negotiators were unable to agree on a specific text in the Uruguay Round regarding circumvention of antidumping orders (or of countervailing duty orders). Nevertheless, the URAA amended U.S. law to address circumvention when carried out through so-called “screwdriver” assembly operations, either in the United States or in a third country.<sup>33</sup> Rather than focus, as previously, on the difference in value between the subject merchandise and its imported components, the URAA shifted the focus of U.S. anticircumvention inquiries toward the nature of the process performed, specifically, whether the process of assembly or completion in the United States (or a third country) is minor or insignificant, and whether the value of the parts imported into the United States (or a third country) is a significant proportion of the total value of the finished product.

## **Countervailing Duty Law**

### *Definitions*

The URAA incorporated into U.S. law the Subsidies Agreement’s definitions of “countervailable subsidy” and “specificity,” which largely reflected existing U.S. law or practice. (Subsidies pertaining to agriculture are addressed separately under the WTO Agreement on Agriculture.) The Subsidies Agreement defines for the first time in any GATT agreement the term “subsidy” and requires that a subsidy, in order to be “actionable,” must be “specific” to an enterprise or industry (or group thereof) within the jurisdiction of the granting authority.<sup>34</sup> (Government assistance that is both generally available and widely and evenly distributed throughout the jurisdiction of the subsidizing authority is not considered to be an actionable subsidy.)

### *Injury investigations for section 303 orders*

The URAA established rules for injury investigations where such investigations were not previously required. Under the WTO Subsidies

Agreement, all countries are entitled to an injury test in countervailing duty investigations. Prior to the Uruguay Round, generally only countries belonging to the GATT Subsidies Code were entitled to an injury test in U.S. countervailing duty investigations. The URAA provides for an injury test for outstanding CVD orders under former section 303 of the Tariff Act of 1930 where no injury test was provided. In general, a domestic industry seeking continuation of such a countervailing duty order must request a USITC injury investigation within 6 months of the date on which the country whose merchandise is subject to the order becomes a WTO member. If no request is received, Commerce will revoke the order and refund with interest any estimated duties collected. In conducting its investigations, the USITC is to perform a prospective analysis similar to that required in sunset injury reviews.<sup>35</sup>

### *“Dark amber” subsidy disciplines*

The URAA implemented the Subsidies Agreement’s stricter disciplines on so-called “dark amber” subsidies. The agreement categorizes subsidies generally into prohibited, permitted but actionable, and nonactionable—known as “red light,” “yellow light,” and “green light” subsidies, respectively. Article 6.1 of the agreement further delineates four types of yellow-light subsidies, known as “dark amber” subsidies, that are automatically presumed to cause harm to other countries’ industries. Under the URAA, Commerce is required to notify USTR when, during an investigation, it has reason to believe that a “dark amber” subsidy is involved. In such situations, Commerce is to recalculate those subsidies that it investigates in CVD proceedings, using a cost-to-the-government method to determine whether there is reason to believe that the merchandise in question benefits from subsidies in excess of 5 percent ad valorem. As with prohibited (red light) subsidies, the United States Trade Representative (USTR) is to evaluate the information in order to decide whether to initiate a WTO dispute settlement proceeding; USTR would take this action under authority provided in section 301 of the Trade Act of 1974.<sup>36</sup>

### *Nonactionable subsidies*

The URAA implemented the three categories of nonactionable (green light) subsidies in article 8 of the Subsidies Agreement. Three types of nonactionable subsidies are permitted under the Subsidies Agreement—for research, for regional development, and for certain environmental improvements. Under

the URAA, Commerce is to ensure that (1) foreign governments do not abuse the limited privilege accorded by the Subsidies Agreement to use green light subsidies, and (2) the United States takes full advantage of its rights under article 8 of the Subsidies Agreement. USTR is to provide Commerce with subsidy notifications and accompanying information; Commerce will in turn analyze the material, have USTR seek additional information as appropriate, and notify USTR should it believe that a violation of article 8 exists. U.S. industry may submit to Commerce for evaluation information it may have concerning possible violations. USTR is to invoke procedures available under article 8 if it determines the conditions and criteria for a nonactionable subsidy program are not being met. Under article 8 procedures, a WTO member may request a review of the subsidy by the Secretariat, request the Committee on Subsidies and Countervailing Measures to review the findings of the Secretariat, and may request that the determination of the Committee be submitted to binding arbitration.

### *Challenging green light subsidies*

The URAA authorizes the USTR to take action under section 301 where green light subsidies are found to cause “serious adverse effects.” Article 9 of the Subsidies Agreement allows a WTO member to challenge a green light subsidy that has serious adverse effects on a domestic industry. U.S. industry may submit to Commerce for evaluation information it may have concerning the existence of serious adverse effects. If Commerce makes an affirmative determination, it must notify USTR. If USTR subsequently determines that there is reason to believe that a subsidy program is causing serious adverse effects, USTR (unless the domestic industry concerned objects) is to invoke the procedures of article 9 and request consultations. If no mutually satisfactory solution is reached within 60 days, USTR is to refer the matter to the WTO Subsidies Committee. Should a foreign country not comply within 6 months with a recommendation made by the Subsidies Committee, USTR is to make a determination under section 304 of the Trade Act<sup>37</sup> as to what action to take under section 301 of the Trade Act to carry out the permitted retaliation.<sup>38</sup>

### *Expiration of green light provisions*

The URAA provides for the automatic expiration of the green light provisions of U.S. countervailing duty law 5-1/2 years after the WTO Agreement enters into force. It also sets out procedures to be followed if

the green light provisions in U.S. law are to be extended.<sup>39</sup>

## ***Changes to Section 337***

Under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), the USITC conducts investigations into certain alleged unfair practices in import trade. Most complaints filed under this provision involve allegations of patent infringement, trademark infringement, or misappropriation of trade secrets.<sup>40</sup> The URAA amends section 337 to address, among other things, a 1988 GATT panel report that found certain procedural aspects of section 337 violated U.S. national treatment obligations under article III of GATT 1947. The panel report, adopted in November 1989, cited four areas where section 337 proceedings at the USITC against imported goods differ from proceedings in U.S. Federal district courts in infringement actions brought against domestically produced goods:

- Section 337 imposes time limits on the USITC, but imposes none on Federal district courts;
- Counterclaims are not permitted at the USITC, but are permitted in district courts;
- A right holder may seek relief against domestically produced goods only in district court, while relief against imported goods may be sought at both the USITC and district court, creating the possibility that actions could be maintained against imported products simultaneously in two separate fora; and
- General exclusion orders are available remedies at the USITC, but not available in district court proceedings.

The URAA addressed all four of these areas. First, it amended section 337 to eliminate the time limits on section 337 investigations. Instead, it directs that the USITC complete investigations at the earliest practicable time and that the USITC set target dates for completion of investigations. Second, it amended section 337 to permit counterclaims, although once a counterclaim is raised, the respondent must file a notice of removal of the counterclaim with a district court of proper venue. Third, to ensure that a respondent in a section 337 proceeding is not required to defend its products at the same time in a Federal

district court action, the URAA amended title 28 of the U.S. Code to require a Federal district court hearing an infringement case to stay its proceedings with respect to any claim that involves the same issues pending before the USITC, if requested to do so by a respondent in a section 337 case. When a district court dissolves its stay after the section 337 proceeding is completed, the USITC record may be offered as evidence in the court's proceedings to the extent permitted under the Federal Rules of Evidence and Federal Rules of Civil Procedure.<sup>41</sup> Fourth, taking note of the fact that the GATT panel had noted that there might sometimes be objective reasons why general exclusion orders are necessary, the URAA amended section 337 to authorize the USITC to issue limited exclusion orders unless the USITC determines that a general exclusion order is necessary to prevent circumvention of a limited order, or there is a pattern of violation of section 337 and it is difficult to identify the source of the infringing products. This change was viewed as a codification of past USITC practices.

## ***Changes to Section 201***

The URAA amended sections 201-204 of the Trade Act of 1974<sup>42</sup> to implement the changes required to conform the U.S. safeguards law with the new WTO Agreement on Safeguards. Because U.S. law was already largely consistent with the Agreement on Safeguards, relatively few changes were required.

In addition to certain technical changes, the URAA made two significant changes to sections 201-204. First, it revised the critical circumstances provision in section 202(d) of the Trade Act to speed up the time for making a critical circumstances determination and implementing provisional relief, and revised the statutory definition of critical circumstances to conform with the definition in Article 6 of the Safeguards Agreement.<sup>43</sup> Under the revised time schedule, if an industry, in a petition filed under section 202(a), alleges that critical circumstances exist, the USITC must determine within 60 days of the filing of the petition whether such circumstances exist and, if so, transmit a recommendation for provisional relief to the President. The President then has 30 days in which to decide what if any provisional relief action to take. Any provisional relief generally would remain in effect pending completion of a full 180-day USITC investigation, which would commence after the critical circumstances phase, and any review by the President of USITC recommendations made as a result of the full investigation. To accommodate the limitation on such measures in article 6 of the agreement, amended

section 202(d) provides that the period of provisional relief may not exceed 200 days.<sup>44</sup>

Second, the URAA added a new section 202(i) to the Trade Act that requires the USITC to promulgate regulations to provide access to confidential business information under protective order to authorized representatives of interested parties who are parties to an investigation under section 202. The Statement of Administrative Action approved by the Congress as part of the URAA stated that it was expected that the USITC regulations would generally follow the appropriate provisions in section 777 of the Tariff Act (relating to administrative protective orders issued in the course of antidumping and countervailing duty investigations) and the regulations issued by the USITC thereunder.<sup>45</sup>

## ***Sovereignty and the WTO Dispute Settlement Review Commission***

A key issue for many members of Congress in deciding whether to vote for or against U.S. implementing legislation was how U.S. laws and sovereignty might be affected by the agreements. Some members of the public expressed concern that the WTO would unacceptably infringe on U.S. Federal, State, or local sovereignty. Indeed, negotiations in the Round had involved a number of issues subject to an admixture of Federal, State, and local control in the United States. For example, U.S. States are the primary regulators of services. Also, U.S. Federal obligations agreed in the Uruguay Round concerning product standards will now extend to the sub-Federal (i.e. State) level.

Concern focused on the dispute panel process under the Dispute Settlement Understanding (DSU). Concern was expressed that dispute settlement panels, which would be closed to outside representation and participation, might serve as “secret tribunals” that would order changes in U.S. law. Concern was also expressed that new international standards in the URA, applicable at both national and sub-Federal level, could give rise to WTO actions undercutting or overriding U.S. environmental standards at the Federal, State, or local level that provide greater environmental protection or are considered more appropriate to the circumstances. Still others warned that the United States would be outvoted on important issues where each country, no matter how small, would have one vote equal to that held by the United States.<sup>46</sup>

The USTR sought to allay such concerns during congressional debates.<sup>47</sup> Moreover, U.S. implementing legislation states that dispute panels will have no authority to order changes in any Federal, State, or local law or regulation. Section 102 of the implementing legislation states as follows:

No provision of any of the Uruguay Round Agreements, nor the application of any such provision to any person or circumstance, that is inconsistent with any law of the United States shall have effect.

USTR officials also pointed out that concerns that the United States will be outvoted on important issues is contradicted both by GATT tradition to operate by consensus and by the WTO itself. For example, article 2:4 of the Dispute Settlement Understanding states that “Where the rules and procedures of this Understanding provide for the DSB [dispute settlement body] to take a decision, it shall do so by consensus.” The article states that a consensus exists “if no Member, present at the meeting of the DSB when the decision is taken, formally objects.”

The Statement of Administrative Action that accompanied the implementing legislation provides a description of the significant actions needed to implement the agreements into U.S. law and, as such, represented an “authoritative expression” by the administration of its views regarding the interpretation and application of the URA for purposes of U.S. international obligations and domestic law.<sup>48</sup> The SAA makes clear that the WTO will have no power to change U.S. law and that U.S. law will take precedence in any situation where there is a conflict between U.S. law and any of the agreements. In the case of a ruling in dispute settlement proceedings, only the U.S. Congress and U.S. administration will have the power (1) to decide whether to implement such a dispute panel recommendation, (2) to decide how to implement it, and (3) to order any change of U.S. law.<sup>49</sup> Should a State-level practice be the subject of a WTO dispute, the U.S. administration agreed to involve the States in an indirect manner and to work with the States concerned to bring them into conformity with U.S. obligations under the URA.

Nonetheless, an additional safeguard was agreed in late November 1994 as the administration aimed to ensure passage of the bill in the Senate. The WTO Dispute Settlement Review Commission—often called the “Dole plan” for its sponsor, Senator Robert Dole (R-Kansas)—was announced November 23, 1994. Under a bill introduced in the new Congress, S. 16, the commission will consist of five Federal appellate judges, each of whom will serve for a term of 4 years that will be appropriately staggered. The commission

members would be appointed by the President after consultation with the congressional leadership.

The commission will review only final dispute settlement reports, that is, reports adopted after panel consideration or after Appellate Body consideration.<sup>50</sup> The commission will consider whether a panel or the Appellate Body:

- Exceeded its authority or terms of reference (or failed to apply article 17.6 on standard of review in the case of the Uruguay Round Antidumping Agreement);<sup>51</sup>
- Added to the obligations or diminished the rights that the United States assumed under the agreements; or
- Acted arbitrarily or capriciously, or otherwise departed from the procedures set out for panels and the Appellate Body in the agreements.

In light of the above points, the commission will determine whether these actions materially affected the outcome of the report.

The commission will have 120 days from the report's adoption to issue a determination. Following an affirmative determination, Congress may pass a joint resolution that calls upon the President to negotiate new dispute settlement rules to correct the problem identified by the commission. If the commission makes three affirmative determinations within any 5-year period, Congress may pass a joint resolution withdrawing approval of the WTO Agreement.<sup>52</sup>

## **Paying for the Uruguay Round**

The Budget Enforcement Act of 1990<sup>53</sup> established a "pay-as-you-go" mechanism to ensure that any new legislation passed by the Congress does not increase the deficit. Under this act, new legislation that increases mandatory spending or decreases Federal receipts for any year through FY 1998 triggers automatic mandatory spending cuts unless the costs of legislation are offset.<sup>54</sup> Whereas House of Representatives' rules require a full offset for revenues lost over a period of 5 years, the Senate's rules require a full offset for revenues lost over a 10-year period.

Although virtually all sides agreed that the short-term costs of lost tariff revenues were likely to be

small relative to the revenue gained due to the long-term dynamic benefits of the agreements in terms of greater economic growth, jobs, and exports, this procedural difference between the two houses heightened concerns for passage of the bill in the Senate.<sup>55</sup> The net shortfall in Federal tax revenue was estimated by the Office of Management and Budget to be about \$12 billion over the next 5 years<sup>56</sup> and by the Congressional Budget Office (CBO) to be \$11.5 billion over 5 years and \$31.8 billion over 10 years.<sup>57</sup>

Options examined in an effort to balance this revenue shortfall included: reduced spending on agriculture; further reduction of the section 936 tax exemption for investments made in Puerto Rico; reduced tax write-offs on such items as industrial inventories held, percentage depletion allowances, advertising, meals, and foreign source income preferences; as well as increased passenger fees for cruise ships.<sup>58</sup> A variety of revenue measures were agreed in September by House and Senate conferees just sufficient to cover the 5-year \$12 billion shortfall required under House procedural rules.<sup>59</sup> However, the Senate could only account for the revenue shortfall over the 10-year period required under its procedural rules by voting for a waiver of the budget rule—a more difficult hurdle requiring a super majority of 60 votes compared to a simple majority required to pass a trade agreement. Nonetheless, prior to the 76 to 24 vote in favor of the URAA, the Senate voted 68 to 32 to approve a budget waiver.<sup>60</sup>

## **Establishing the WTO**

### ***Implementation Conference***

At their meeting in Marrakesh, Ministers agreed to hold a subsequent conference to determine whether a critical mass of countries would be in a position to implement the WTO on January 1, 1995, as agreed. At the Implementation Conference of the Preparatory Committee for the WTO, held on December 8, 1994, the committee chairman—Mr. Peter Sutherland—proposed and it was so agreed that the committee confirm January 1, 1995, as the date of entry into force of the WTO, based on the committee's understanding that members were committed to making every effort to conclude their ratification processes by that date.<sup>61</sup>

The conference also adopted several decisions to provide for the orderly transition from the GATT to the WTO. It adopted the decision on "Transitional Co-Existence of the GATT 1947 and the WTO Agreement," which provides for a 1-year co-existence of the two institutions to allow time to settle

outstanding disputes. However, the decision provides that the CONTRACTING PARTIES (that is, the Contracting Parties acting as a collective body) may, in the event of unforeseen circumstances, extend the termination date of GATT 1947 for up to 1 additional year.<sup>62</sup> Moreover, the conference invited members of the Tokyo Round Agreement on Antidumping Practices and Agreement on Subsidies and Countervailing Measures to maintain their dispute-settlement mechanisms for a period of 2 years after the WTO begins operations, because antidumping and countervailing duty cases are often more complicated technically and thus can take longer to resolve than cases arising under the General Agreement.<sup>63</sup> Finally, the decision provides further time to GATT Contracting Parties to complete the ratification process and still qualify as so-called founding members of the WTO.

The decision on “Avoidance of Procedural and Institutional Duplication” aims to minimize duplication while the GATT 1947 and the WTO co-exist. Thus, the decision considers notifications to and meetings of a WTO body—for example the Committee on Subsidies and Countervailing Measures—to automatically meet notification and meeting requirements under procedural rules for GATT 1947. Joint meetings will follow WTO rules of procedure, although members of the GATT 1947 bodies are free to hold separate meetings as appropriate.

The decision on “Participation in Meetings of WTO Bodies by Certain Signatories of the Final Act Eligible to Become Original Members of the WTO” enables countries eligible to become original WTO members, but unable to complete their domestic approval process, to participate in the WTO while completing the ratification procedures. More specifically, the decision allows countries that were Contracting Parties to GATT 1947 as of the Implementation Conference to function as WTO members but without decision-making rights in WTO bodies (except the Textiles Monitoring Body) during the first 7 months the WTO is in force, that is, through July 31, 1995.

The “Transfer Agreement between GATT 1947, ICITO and the WTO” and the agreement’s annex containing the “Transfer of Assets, Liabilities, Records, Staff and Functions from the Interim Commission of the International Trade Organization to the World Trade Organization” provide the formal basis to transfer the day-to-day operations from the GATT to the WTO. The Interim Commission of the International Trade Organization (ICITO) is the official entity that has provided support services to the GATT

Secretariat since 1947. The ICITO Executive Committee agreed at the Implementation Conference to continue to provide these services until the appointment—by June 30, 1995—of the WTO Secretariat staff, at which time the ICITO will cease to exist. The annex to the transfer agreement transfers all assets and liabilities of the GATT 1947 and the ICITO to the WTO as of the entry into force of the WTO.

## *Quad Countries and Acceptance of the WTO*

The Japanese Parliament (the Diet) approved the URA on December 8, 1994, allowing Japan to deposit its instruments of ratification in Geneva several weeks later. Having ratified or otherwise approved the agreements in their respective bodies, Canada, the EU, and the United States also deposited their instruments of ratification, all within minutes of one another, on December 30. This membership of the “quadrilateral” (often abbreviated “quad”) countries ensured that the WTO would have a sufficient “critical mass” of the world’s major trading nations to begin WTO operations.<sup>64</sup>

At the same time, the United States also notified its acceptance of the International Bovine Meat Agreement<sup>65</sup> and its withdrawal from the Tokyo Round agreements on (1) technical barriers to trade, (2) subsidies and countervailing measures, (3) customs valuation, (4) antidumping, and (5) import licensing procedures. Prior to the URA, these five agreements<sup>66</sup> were voluntary plurilateral agreements. All five were the subject of negotiations during the Uruguay Round and, with changes agreed to during the Round, are now part of GATT 1994 and are applicable to all WTO members.<sup>67</sup>

As permitted under GATT Article XXXV (nonapplication of the agreement between particular Contracting Parties), the United States also duly notified the Director-General that it did not consent to apply the WTO Agreement and the multilateral trade agreements in annexes 1 (concerning goods, services, and intellectual property) and 2 (concerning dispute settlement rules) between the United States and Romania.<sup>68</sup>

## *Status of URA Ratification*

Countries that had attached their market-access schedules to GATT 1994 by the entry into force of the WTO are considered “original members,” although this designation confers no additional benefits. Least developed country members (LLDCs)<sup>69</sup> had until April

15, 1995 to submit their schedules. If ratification was not complete by the WTO entry into force, governments could still accept the WTO for a 2-year period provided they had lodged their market-access schedules by the appropriate deadlines. Failing these deadlines, governments must undergo the formal accession process to the WTO.<sup>70</sup>

Eighty-one countries had ratified the agreements by the entry into force of the WTO on January 1, 1995, as listed in table 1-1. Thirty-eight countries were also in the process of ratifying the WTO Agreement, and nine least developed countries had accepted the WTO subject to verification of their schedules of market-access commitments.

## ***Choosing a WTO Director-General***

The WTO is slated to be an institution on a par with the other multilateral Bretton Woods institutions

created after the Second World War, such as the International Monetary Fund and the World Bank. Thus, choosing the first WTO Director-General was an important event in 1994. In the past, the post of Director-General of the GATT has also served as the chair for the Trade Negotiating Committee (TNC), which typically coordinates the recurrent “rounds” of multilateral trade negotiations that take place under the auspices of the GATT. From 1980 through June 1993, Arthur Dunkel of Switzerland served as GATT Director-General as well as TNC chairman for the majority of the 1986-1993 Uruguay Round. Starting July 1, 1993, Peter Sutherland of Ireland was appointed GATT Director-General and served as the TNC chairman presiding over the conclusion as well as the Marrakesh Ministerial signing of the URA. Once the Round was concluded, Mr. Sutherland stated his intention to step down but agreed to remain on as interim Director-General until a successor could be chosen.

**Table 1-1**  
**Countries that have ratified the URA, as of Jan. 1, 1995**

Antigua and Barbuda	Italy	Suriname
Argentina	Japan	Swaziland
Australia	Kenya	Sweden
Austria	Korea	Tanzania
Bahrain	Kuwait	Thailand
Bangladesh	Lesotho	Uganda
Barbados	Luxembourg	United Kingdom
Belgium	Macau	United States
Belize	Malawi	Uruguay
Botswana	Malaysia	Venezuela
Brazil	Malta	Zambia
Brunei Darussalam	Mauritania	
Canada	Mauritius	
Chile	Mexico	
Colombia	Morocco	
Costa Rica	Myanmar	
Cote d'Ivoire	Namibia	
Czech Republic	Netherlands	
Denmark	New Zealand	
Dominica	Nigeria	
European Communities	Norway	
Finland	Pakistan	
France	Paraguay	
Gabon	Peru	
Germany	Philippines	
Ghana	Portugal	
Greece	Romania	
Guyana	Saint Lucia	
Honduras	Saint Vincent and the Grenadines	
Hong Kong	Senegal	
Hungary	Singapore	
Iceland	Slovak Republic	
India	South Africa	
Indonesia	Spain	
Ireland	Sri Lanka	

Source: GATT, “The World Trade Organization is launched with 81 Members,” *News GATT/WTO*, GW/13, Jan. 4, 1995.

During 1994, the following three men were most widely recognized as leading candidates to head the WTO, although GATT Contracting Parties were unable to achieve the necessary consensus<sup>71</sup> to support any one in time for the entry into force of the WTO on January 1, 1995: Renato Ruggiero, former trade minister of Italy; Carlos Salinas de Gortari, former President of Mexico; and Kim Chul-su, former trade minister of South Korea. By the end of 1994, member support had split largely along regional lines. Not until March 1995 did consultations lead to a consensus to support Renato Ruggiero as the first Director-General of the WTO, following the withdrawal of Carlos Salinas as a candidate. As part of the consultations regarding the appointment of Mr. Ruggiero, an understanding was reached to create a fourth Deputy Director-General post.<sup>72</sup>

## Services Negotiations

Progress during the Uruguay Round on negotiations regarding services was slower than those concerning goods. By the close of the Round on December 15, 1993, negotiators had reached agreement on the services framework under the General Agreement on Trade in Services (GATS) and, by the signing of the WTO Agreement in April 1994, had also agreed on commitments to be lodged in over 90 national schedules. However, it was agreed that negotiations would continue in certain service sectors where countries considered more specific rules and liberalized commitments desirable. These negotiations are scheduled to conclude by July 1, 1995, for financial services and movement of natural persons; by April 30, 1996, for basic telecommunications; and “no later than June 1996” for maritime transport services. Resultant rules and commitments are to be incorporated into sectoral annexes attached to the GATS framework and national schedules.

### *Framework Agreement and Services Annexes*

The GATS framework agreement sets out overall principles and rules designed to help govern world trade in services. The framework, along with the national schedules of commitments, include basic obligations regarding:

- Total coverage, where participants agree to include in principle all traded services and their suppliers;
- National treatment, where foreign firms supplying services are treated no less

favorably than domestic firms supplying services;

- Most-favored-nation treatment (MFN), where foreign firms supplying services are treated no less favorably than any other foreign firms supplying services;
- Transparency, where regulations governing services trade will be published and administered impartially, and will include “enquiry points” where foreign service firms can secure information on necessary national qualifications, authorizations, etc.;
- Payments transfers, where there will be no restrictions on the international transfer of payments for services on current account except temporarily for reasons of balance-of-payments difficulties;
- Progressive liberalization, where services negotiations will take place at 5-year intervals and can only improve on (not re-open) previous commitments;<sup>73</sup>
- Market access, where specific commitments granting foreign service suppliers access to domestic service markets—as well as limits on this access—will be clearly set out in national schedules; and
- Dispute settlement, where a procedure for resolving disputes between GATS participants concerning trade in services would be available for the first time.

National schedules record the specific commitments that each country will make concerning market access and national treatment to be afforded to foreign service suppliers. These schedules are attached to the framework agreement. Any general limitations or specific exemptions imposed by a country on these commitments are also lodged in these schedules. Separate annexes follow the framework agreement and national schedules and are focused on rules specific to an individual service sector or aspect of trade in services. These annexes cover (1) exemptions to MFN obligations in trade in services, (2) rules governing the movement of persons supplying services, (3) air-transport services, (4) financial services, (5) maritime transport services, and (6) telecommunications.<sup>74</sup>



A number of ministerial decisions in the URA created negotiating and other working groups to conduct the ongoing negotiations. The negotiating groups covering natural persons, financial services, maritime transport, and basic telecommunications met in 1994, but none concluded their discussions. Although a working group on professional services was provided for as part of the URA, no substantive talks in this area took place in 1994. Finally, no multilateral discussions concerning air-transport services occurred during 1994.<sup>75</sup>

### ***Movement of Natural Persons***<sup>76</sup>

At the conclusion of the Uruguay Round in 1993, participants agreed to provide temporary entry for management and specialist personnel during the ordinary conduct of business providing services. Countries also agreed to commitments that will allow temporary entry subject to national immigration laws but that will not apply to natural persons seeking access to the employment market in a member country, to citizenship, or to residence on a permanent basis.<sup>77</sup>

In 1994, the Negotiating Group on Movement of Natural Persons, which is charged with reaching further commitments to liberalize the movement of natural persons, met in multilateral session to discuss progress made to date in bilateral discussions. Although countries reported useful discussions during the year, no conclusions were reached.<sup>78</sup> The group is to conclude its negotiations by July 1, 1995.<sup>79</sup>

### ***Financial Services***

At the conclusion of the Round, participants reached agreement on four accords in financial services: (1) the Annex on Financial Services, (2) the Second Annex on Financial Services, (3) the Decision on Financial Services, and (4) the Understanding on Commitments in Financial Services. Participants agreed to continue negotiations covering financial services through June 1995 to secure commitments in areas that include banking, insurance, and securities.<sup>80</sup>

The Annex on Financial Services contains provisions that permit financial authorities—such as central banks or monetary authorities—to take prudential measures deemed necessary for the protection of investors, depositors, policy holders, or fiduciaries, to ensure the integrity and stability of the financial system. In authorizing such prudential action, member countries seek to reassure financial agents that liberalization of trade in financial services—even when based upon such widely recognized principles as MFN

and national treatment that predominate in trade in goods—will not endanger sound financial practice.

### **Scheduled Conclusion for Financial Services Talks**

The Second Annex on Financial Services and the Decision on Financial Services are temporary provisions intended to apply between the entry into force of the WTO on January 1, 1995, and the scheduled conclusion of financial services negotiations by July 1, 1995. Under the decision, member countries agreed to trade financial services on an MFN basis for the first 6 months of operation of the WTO, at the end of which time, participants are free to “improve, modify or withdraw” commitments without the usual penalty requiring due compensation. Once these modifications are complete, negotiators will update each country’s schedule and list of MFN exemptions in the Annex on Article II Exemptions.<sup>81</sup> The second annex provides the timeframe for these adjustments, authorizing GATS members to revise their financial services commitments 4 months after the WTO agreement enters into force and to complete this revision within 60 days, that is, before July 1, 1995. During this 6-month period, the second annex effectively suspends MFN exemptions taken by participants at the end of the Round.<sup>82</sup> For example, the United States currently has in place an exemption from the MFN obligation for financial services (excluding insurance), which is conditional upon the breadth and openness of commitments undertaken by other participants during the January-June 1995 period, when negotiations on commitments are to be completed. As agreed in December 1993, the United States will suspend application of its exemption during the initial 6-month period of the operation of the WTO, that is, from January through June 1995. Thus, the two provisions taken together aim to minimize the number of MFN exemptions notified at the end of the period and provide the broadest coverage possible by the scheduled conclusion of negotiations.

In 1994 and into 1995, the United States and the EU have continued to hold bilateral talks with roughly 15 countries in an effort to reach a multilateral agreement that covers as broad a range of financial services as possible. These countries include Japan and Korea, but also other South and Southeast Asian countries, such as Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, Taiwan, and Thailand. They also include major Latin American countries such as Brazil, Chile, and Venezuela. All of these countries maintain major market access or national treatment barriers in the area of financial

services and, in some cases, have not included whole areas of financial sector activity for negotiation.<sup>83</sup>

## **Controversy Over “Conditional” MFN Approach**

During the Round, repeated difficulty inducing sufficiently broad offers led U.S. negotiators to adopt a negotiating tactic that withheld the application of MFN treatment for financial services from countries that had not made sufficient commitments to open their financial services markets. This two-tier approach, granting MFN treatment to some but not to others, came to be known as “conditional” MFN. The underlying concern of U.S. negotiators was that the application of unconditional MFN treatment was unlikely to provide incentive to countries where market access for financial services is less open, to remove their barriers. The two-tier approach was an alternative to withdrawing whole or partial financial service sectors from the negotiating table.

However, this approach aroused objections from other participants because of its abandonment of the traditional GATT principle of unconditional MFN that had always been applied to trade in goods. Consequently, in October 1994 at the first meeting of the Interim Group on Financial Services, the United States announced that it intended to drop its two-tier approach. Although welcoming the U.S. statement, other delegates expressed concern that the United States might reinstate this approach.<sup>84</sup>

U.S. negotiators made clear that the dropping of the two-tier approach in no way diminished the importance of their objectives, which was the attainment of a broad-based financial services agreement founded on MFN and national treatment principles that achieved full market access. Without substantive improvements in offers, the United States stated that it will not make commitments in this sector but will instead enter an exemption to U.S. MFN obligations at the conclusion of negotiations in June 1995. U.S. negotiators emphasized that minimal changes in other members’ financial services schedules will not suffice as the basis for the United States to grant MFN treatment in financial services.<sup>85</sup> At the meeting, for example, the United States announced that it is seeking a more ambitious set of agreements in the insurance area than had been achieved in December 1993 by the key countries that are major providers and consumers of insurance services.<sup>86</sup>

## **Alternative Financial Commitments**

The Understanding on Commitments in Financial Services allows participants to take on liberalization commitments based on an alternative approach to the specific commitments set out under the GATS framework agreement.<sup>87</sup> Although no commitments additional to the understanding were agreed during 1994, most OECD countries<sup>88</sup> agreed to make specific commitments on financial services starting in 1995 at a more detailed level than that generally agreed in the GATS Annex on Financial Services.<sup>89</sup> The understanding sets out principles concerning subjects where participants will take on additional obligations. The subjects in the understanding cover the (1) standstill on establishing new exceptions to these alternative commitments, (2) elimination or reduction of monopoly rights, (3) purchase of financial services by public entities, (4) application of national treatment to trade in financial services, (5) permission to establish a commercial presence regarding financial services, (6) permission to offer new financial services, (7) permission to transfer information and to process information, (8) temporary entry of personnel involved in the supply of financial services, (9) willingness to remove or limit adverse effects on other participants caused by nondiscriminatory measures related to the supply of financial services, and (10) application of national treatment to other participating members equivalent to that provided to domestic firms supplying financial services.<sup>90</sup>

## ***Maritime Transport Services***

The Negotiating Group on Maritime Transport Services (NGMTS) was created to continue talks aimed at reaching commitments to further liberalize three areas of maritime transport services: (1) international shipping, (2) auxiliary services, and (3) access to and use of port facilities. The NGMTS is scheduled to make a final report no later than June 1996. The final report shall set a date for implementation of commitments reached in these talks. Application of all exemptions to MFN treatment in the maritime sector taken at the December 1993 end of the Round will be suspended until the conclusion of these negotiations, at which time countries will be free to improve, modify, or withdraw any commitments without being required to offer compensation.<sup>91</sup> Remaining exemptions will then be listed in the GATS Annex on Article II Exemptions. During 1994, it was agreed that a questionnaire would be submitted to participants in early 1995, which includes among other items, a model schedule of commitments for the maritime transport sector.<sup>92</sup>

## *Telecommunications*

During the Round, participants came to recognize that the telecommunications sector often serves a dual function in national economies: (1) providing basic telecommunication services to its general public; and (2) providing the underlying transport network for other economic activities.<sup>93</sup> Telecommunication services commonly are grouped into two categories: basic (such as voice telephone, telex, telegraph) and value-added (such as electronic/voice mail, online/database information retrieval, data/transaction processing).<sup>94</sup> Although many countries offered commitments on value-added telecommunications at the end of the Round in December 1993, negotiations over basic telecommunications were extended for 2 years.

The Negotiating Group on Basic Telecommunications (NGBT) was established to continue negotiations aimed at liberalizing trade in basic telecommunication services. It was created in April 1994 and is scheduled to issue a final report on its progress no later than April 30, 1996.<sup>95</sup>

The markets in basic telecommunication services differ broadly among countries. In contrast to the United States, which has one of the most open and competitive telecommunications markets in the world, many basic telecommunications markets in Europe are still dominated by public or private monopolies or other “single providers”—through Post, Telephone, and Telegraph bodies (PTTs).<sup>96</sup> As part of talks in 1994 to accommodate the different perspectives on basic telecommunications services, the GATT Secretariat, in consultation with the members of the NGBT, drafted a questionnaire to serve as a common basis for the exchange of information. The questionnaire addressed the definition of basic telecommunications, market structure, competitive environment, and regulatory issues.<sup>97</sup> Responses to the questionnaire will provide the basis for further discussions, such as on establishing rules concerning interconnection, competition safeguards, transparency, and the independence of regulators from operators.<sup>98</sup>

## *Professional Services*

Key principles established in the GATS to facilitate international trade in services are particularly relevant to professional services firms. GATS article VII (recognition) provides that a member “may recognize the education or experience obtained, requirements met, or licenses or certifications granted in a particular country” and that, wherever appropriate, such recognition “should be based on multilaterally agreed

criteria.”<sup>99</sup> In addition, GATS article VI (domestic regulation) exhorts countries making specific commitments in the field of professional services to also provide “adequate procedures to verify the competence of professionals of any other Member.”<sup>100</sup>

The Decision on Professional Services in the URA, citing both articles, calls for the establishment of the Working Party on Professional Services.<sup>101</sup> Formally established under the WTO in 1995, the Working Party is to issue a report with recommendations—

On the disciplines necessary to ensure that measures relating to qualification requirements and procedures, technical standards, and licensing requirements in the field of professional services do not constitute unnecessary barriers to trade.<sup>102</sup>

Taking into account the importance of both governmental and nongovernmental bodies in regulating professional services, the Working Party is to give priority to making recommendations toward developing multilateral disciplines to give operational effect to member countries’ specific commitments in the field of accounting services.

The Working Party is to concentrate on—

- 1 Developing multilateral disciplines relating to market access so as to ensure that domestic regulatory requirements are: (i) based on objective and transparent criteria, such as competence and the ability to supply the service; (ii) not more burdensome than necessary to ensure the quality of the service, thereby facilitating the effective liberalization of accountancy services;
- 2 The use of international standards and, in doing so, it shall encourage the cooperation with the relevant international organizations as defined under paragraph 5(b) of article VI, so as to give full effect to paragraph 5 of article VII;
- 3 Facilitating the effective application of paragraph 6 of article VI of the agreement by establishing guidelines for the recognition of qualifications.<sup>103</sup>

In September 1994, the Subcommittee on Services—operating under the PrepCom—reported on its contacts with the International Federation of Accountants concerning its questionnaire on accounting practices in over 80 countries. The subcommittee said that the federation will share the results of its questionnaire as they become available, and also reported that the subcommittee made no other

contacts in 1994 concerning other professional services such as architectural, engineering, or legal services.<sup>104</sup>

## **Regular GATT Activities in 1994**

### ***GATT Council***

The Contracting Parties to the GATT held their 50th session from December 8 to 9, 1994. During 1994, the GATT Council spent much time preparing for the entry into force of the WTO. It also focused attention on the many requests for accession and observership and on reviews under the Trade Policy Review Mechanism, which during 1994 resumed a fuller schedule than during recent preceding years when efforts were devoted to finishing the Uruguay Round negotiations. However, dispute settlement activity declined as many members waited for the WTO to begin operation.

Regarding regional trade arrangements, the 1994 chairman of the GATT Council pointed out at the 50th session that biennial reporting requirements for such free-trade agreements had not been followed for quite some time, and he recommended that the GATT or WTO Council take up this matter in 1995. The report from the Committee on Trade and Development (CTD) highlighted that—even though developing countries now account for a quarter of world trade—not all regions have gained equally and that some, such as Africa, are still cause for concern.<sup>105</sup>

### ***Trade Policy Review Mechanism***

The TPRM reviewed the trade policies of 14 countries during 1994. These countries were Australia, Canada, Hong Kong, Iceland, Indonesia, Israel, Peru, Macau, Senegal, Sweden, Tunisia, Turkey, the United States, and Zimbabwe. The TPRM, which had operated provisionally since its establishment at the April 1989 Mid-Term Review of the Uruguay Round, was made permanent as a result of the Uruguay Round negotiations. A review in 1994 of the operation of the TPRM since 1989 resulted in an agreement to substitute a statement of policy by the government under review for a detailed description of its trade policies. The GATT/WTO Secretariat already develops such information in the course of its review. Another decision adopted allows more flexible scheduling for those members whose trade policies are normally reviewed every 2 years, that is, Canada, the EU, Japan, and the United States.<sup>106</sup>

## ***Dispute Settlement Panels***

Dispute-settlement cases in 1994 were nearly one-half those registered in 1993: prepanel consultations fell from 31 to 15; panels established fell from 7 to 4; panel reports completed fell from 4 to 3; and questions of implementation over adopted reports fell from 10 to 2.<sup>107</sup>

### **U.S. Tobacco Measures**

In January 1994, the GATT Council established a panel requested by Brazil to examine U.S. legislation concerning the use of imported tobacco in domestic cigarette manufacture. A number of other countries joined Brazil as participants: Argentina, Canada, Chile, Colombia, El Salvador, Guatemala, Thailand, and Zimbabwe.<sup>108</sup> At issue was U.S. legislation that imposed an assessment if a minimum of 75-percent domestic tobacco content was not used in the manufacture of cigarettes during the 1993/94 period covered in the bill. Other complaints about the legislation included an internal tax and charges levied on imported tobacco not matching the domestic content requirements, in the form of a budget-deficit assessment; a no-net-cost assessment; and a fee charged for inspecting imported tobacco. The panel report, adopted in October 1994, found the domestic-content minimum and the budget-deficit assessment to be inconsistent with U.S. obligations under GATT article III (national treatment of international taxation and regulations), but not the no-net-cost assessment<sup>109</sup> or the inspection fee.<sup>110</sup> The United States agreed to take steps to remedy the offending measures.

### **EU Common Import Regime for Bananas**

The GATT Council considered the panel report on the EU policy for importing bananas several times during 1994, but it was not adopted. The EU said that all parties must be willing to show flexibility if a solution were to be found.<sup>111</sup>

### **U.S. Tuna Product Import Restrictions**

In July 1994, the GATT Council first considered the panel report on a complaint by the EU and the Netherlands (on behalf of the Netherlands Antilles) against a U.S. import ban on tuna and tuna products not complying with the U.S. Marine Mammal Protection Act (MMPA). This report was a sequel to a

previous panel report concerning U.S. import restrictions on tuna. The earlier report was issued in response to a complaint brought by Mexico in 1991, but did not come before the GATT Council because both the United States and Mexico requested the case be withdrawn in favor of a bilateral solution. Because of the interrelationship of tuna and dolphins in the case, the 1991 panel is often known as “tuna-dolphin I” and the 1994 panel is known as “tuna-dolphin II.”

In its report, the “tuna-dolphin II” panel distinguished between the environmental objectives of the U.S. MMPA, which the panel said were not in dispute and not an issue for it to decide, and the action taken in pursuit of these objectives—the trade embargoes on tuna products. It was the latter action that was in dispute. The panel examined the case with reference to GATT article XX (general exceptions)—which permits trade measures necessary to protect plant, animal, and human health and life—and to whether it allows trade embargoes in pursuit of these goals. The panel concluded that the U.S. trade embargoes (1) did not meet the obligations of GATT article III (national treatment), (2) were contrary to article XI (general elimination of quantitative restrictions), and (3) were not justified under the exceptions in article XX.

The United States requested that the GATT Council consult on holding an open, public meeting to discuss the panel findings because of widespread public interest in its implications, especially on the part of environmental organizations. However, Council members expressed serious reservations about this proposal. They said it would start an “unimaginable process” and that a forum that might be appropriate at more local levels of government would not necessarily work in an intergovernmental body like the GATT.<sup>112</sup>

The report was considered for adoption several times following its July discussion, and was finally forwarded to the GATT Contracting Parties at their 50th session in December. At the session, the Contracting Parties elected to send the panel report back to the GATT Council. The United States said that due to its WTO ratification efforts, it had not had sufficient time to study the report.<sup>113</sup>

## **U.S. Gasoline Standards**

In October 1994, the GATT Council established a panel at the request of Venezuela to examine U.S. standards for reformulated and conventional gasoline. Venezuela said that the new standards, adopted by the U.S. Environmental Protection Agency in December 1993, would cost them \$150 million in such shipments

to the United States, which totaled \$478 million in 1993. Venezuela charged that the standards were less favorable to imported gasoline and that a preference given to a U.S. company with an overseas refinery was inconsistent with the GATT principle of MFN treatment. Venezuela later withdrew its complaint from under GATT 1947 rules and requested consultations to bring the dispute under the WTO dispute-settlement mechanism.<sup>114</sup>

## **U.S. Automobile Taxes**

In May 1993, a panel was formed at the request of the EU to examine the consistency of U.S. legislation on taxes levied on automobiles with U.S. obligations under the GATT. In November 1994, the panel concluded that (1) the U.S. luxury tax on cars (currently those above \$32,000) is not inconsistent with GATT article III (national treatment on internal taxation and regulation); (2) the U.S. gas guzzler tax (levied on cars with fuel economy below 22.5 miles per gallon) is not inconsistent with article III; and (3) the CAFE regulation (corporate average fuel economy) is inconsistent with article III.<sup>115</sup> The panel report was forwarded to the GATT Contracting Parties at their 50th session.

At the session, the Contracting Parties elected to send the panel report back to the GATT Council. The EU said it was concerned with differences between the interpretation of GATT provisions in this panel report and the interpretation in a panel report on Japan's taxes on certain alcoholic beverages.<sup>116</sup>

## **Polish Car Import Restrictions**

In November 1994, a panel was established at the request of India to examine whether Poland's general increase in car tariffs violated GATT article I (MFN treatment) when considered in conjunction with Poland's establishment of a specific duty-free quota for EU cars. Because the quota was established before the Poland-EU Interim Agreement on Trade-Related Matters became effective, India did not believe that GATT article XXIV (free-trade arrangements) considerations applied. A panel report is tentatively expected in late summer 1995.

## **U.S. Footwear Imports**

At the GATT 50th session in December 1994, the United States announced that its Uruguay Round implementing legislation had settled a longstanding grievance by Brazil involving U.S. MFN treatment of nonrubber footwear imports.<sup>117</sup> Specifically, the legislation mandated the payment of interest on certain

monies deposited as countervailing duties on unliquidated entries of nonrubber footwear from Brazil on or prior to October 28, 1981.<sup>118</sup>

## ***GATT Committees***

### **Tariff Concessions**

The Committee on Tariff Concessions oversees renegotiation of member tariff schedules under GATT article XXVIII (modification of schedules). The committee helps balance concessions between members as they adopt the *Harmonized System (HS)* of tariff nomenclature, which went into effect in 1988. A number of developing country members held such renegotiations in 1994.<sup>119</sup>

### **Trade and Development**

The Committee on Trade and Development continued its charge in 1994 to address trade issues of particular interest to developing countries. Among the topics it considered were the implications of the Uruguay Round for developing countries and the operation of the “enabling clause”<sup>120</sup> in such areas as the GSP and various regional integration schemes such as, for example, the Association of Southeast Asian Nations.<sup>121</sup> At the end of 1994, the GATT Director-General established a Special Unit for Least Developed Countries that will operate under the committee’s auspices. This change should help extend the benefits of expanded trade liberalization to developing countries.<sup>122</sup>

### **Balance of Payments**

During 1994, the Balance-of-Payments Committee held consultations with seven countries. Full consultations—examining a country’s trade-restriction and balance-of-payments situation—were held with Israel, Poland, and the Slovak Republic. More general reviews by means of simplified consultations were held with India, Pakistan, Sri Lanka, and Tunisia.<sup>123</sup>

### **Trade and Environment**

The Committee on Trade and Environment was created under the WTO by ministerial decision at Marrakesh in April 1994, to begin once WTO operations began in 1995. In the interim, the Subcommittee on Trade and Environment was to carry out preparatory work on trade and environment issues. During 1994, the subcommittee continued the work

program originally set out by the GATT Working Group on Environmental Measures and International Trade (EMIT) in 1991. The work program of the EMIT was to focus on (1) the relation between trade provisions in existing international environmental agreements and GATT principles and provisions; (2) the “transparency” of national environmental regulations with trade effects; and (3) the trade effects of packaging and labeling requirements aimed at protecting the environment.<sup>124</sup>

In addition, the subcommittee took up (1) the relation between the provisions of the multilateral trading system and trade measures taken for environmental purposes, including those related to multilateral environmental agreements; and (2) the effect of environmental measures on market access and the benefits of removing trade restrictions and distortions, particularly where developing and least-developed countries were concerned.<sup>125</sup> In its first meeting in 1995, the full committee was to look at the issue of exports of domestically prohibited goods. The full committee is scheduled to report to ministers by January 1997, 2 years after the entry into force of the WTO. At that time, the committee is to make recommendations on its future workplan, and ministers are to review its recommendations and terms of reference.

## ***Regional Trade Arrangements—Article XXIV***

Article XXIV requires notification and review of any departures from the GATT principle of MFN treatment due to formation of regional trade arrangements, such as customs unions or free-trade agreements. In May, the council established a Working Party to review the NAFTA, which came into force at the start of 1994, for its conformity with GATT provisions.<sup>126</sup> In June, the council established a Working Party to examine the Central European Free-Trade Agreement (CEFTA) between the Czech Republic, Hungary, Poland, and the Slovak Republic for its GATT conformity. Other Working Parties were established to review free-trade agreements between the European Free-Trade Area (EFTA) members and Bulgaria, the Czech Republic, Israel, Romania, and the Slovak Republic and between Switzerland and the Baltic States (Estonia, Latvia, and Lithuania). A Working Party was also established to review a customs union between the Czech and the Slovak Republics. Working Party reports on preferential tariff arrangements were approved concerning EFTA and Turkey; EFTA and the Czech Republic; and EFTA and the Baltic States, Finland, Norway, and Sweden.

In June, Colombia—also on behalf of Mexico and Venezuela—announced to GATT members that the three countries had entered into a free-trade agreement called the “Treaty of the Group of Three.” It entered into effect in January 1995 and is expected to eliminate tariffs over 10 years.<sup>127</sup> The EU reported signing free-trade agreements with Estonia, Latvia, and Lithuania.<sup>128</sup>

At the 50th session in December, the GATT membership approved two waivers concerning MFN trade obligations: (1) for the Fourth Convention of Lomé (Lomé IV), a trade and aid pact between the EU and African, Caribbean, and Pacific (ACP) countries largely made up of former European colonies, and (2) for Germany, duty-free treatment of imports under trade arrangements between the former German Democratic Republic and its trading partners. Lastly, The Contracting Parties agreed that the Committee on Trade and Development would review the Southern Common Market (Mercosur), but that the review’s terms of reference would be under article XXIV.<sup>129</sup>

## ***Accessions and Observers—Articles XXVI/XXXIII***

Following the accession of 10 new members during 1993, an additional 14 countries joined the GATT during 1994. A further 21 applications for membership were under examination in accession working parties.<sup>130</sup> During 1994, the following countries joined (in order): Paraguay, Grenada, the United Arab Emirates, Guinea-Bissau, St. Christopher and Nevis, Liechtenstein, Qatar, Angola, Honduras, Slovenia, Guinea, Papua New Guinea, Djibouti, and the Solomon Islands.<sup>131</sup>

Of these, only Paraguay, Honduras, and Slovenia became members under the standard article XXXIII (accession) terms of accession. The others joined through the use of article XXVI:5(c) (acceptance, entry into force, and registration), which permits a country that was formerly a territory of a GATT member and that currently possesses full autonomy over the conduct of its external commercial relations to become a Contracting Party after simple notification to the GATT. (See table 1-2 for a list of the Contracting Parties to the GATT in 1994.)

Moreover, a number of countries continued to apply to join the GATT on a *de facto* basis, upon achieving commercial autonomy, following their independence. Every 3 years, the GATT Director-General names those countries that continue this

practice. A 1967 GATT recommendation grants like treatment to these countries in return. Table 1-3 lists countries that maintained a *de facto* application of the GATT in 1994.

In addition to the 25 countries reported in various stages of accession at the end of January 1995, GATT Contracting Parties have accepted these additional countries as observers: Azerbaijan, the Former Yugoslav Republic of Macedonia, Georgia, Iran, Kazakhstan, Kirghizia, Sudan, Turkmenistan, Uzbekistan, and Vietnam.<sup>132</sup> Regarding the accession of China,<sup>133</sup> the Working Party on China’s Status as a Contracting Party met at the end of June 1994 and announced that, for the first time, nearly all elements sought by Contracting Parties for inclusion in a draft protocol of accession for China were under discussion.<sup>134</sup>

## ***Tokyo Round Codes Committees***

### **Introduction**

The nine codes resulting from the 1973 to 1979 Tokyo Round of multilateral trade negotiations established additional rules and disciplines covering nontariff measures. Membership in the codes is voluntary, open to those GATT members (and in some cases to non-GATT members) willing to undertake the additional rights and obligations of each. These codes continued in operation in 1994. Changes to them as a result of the URA became effective with the entry into force of the WTO on January 1, 1995.

Under the WTO Agreement, five of these codes will be superseded by WTO agreements of the same name and become applicable to all WTO members. The rules encompassed by the Tokyo Round codes on antidumping practices, subsidies and countervailing measures, customs valuation, import-licensing procedures, and technical barriers to trade—as amended and applied through the WTO Agreement—will become binding on all WTO members. The Tokyo Round codes concerning civil aircraft, government procurement, bovine meat, and dairy products have become WTO plurilateral agreements. They will remain limited in membership to those signatories joining voluntarily.

As part of transferring its membership from Tokyo Round codes to their WTO counterparts, the United States gave notice on December 30, 1994, that it was withdrawing from the five codes that would be replaced by those applicable to all WTO members. However, for the limited purpose of resolving dispute

**Table 1-2  
Contracting Parties to the General Agreement on Tariffs and Trade (GATT) and their accession  
dates, as of Dec. 31, 1994**

<b>Country</b>	<b>Accession date</b>
Angola <sup>1</sup> .....	Apr. 8, 1994
Antigua and Barbuda .....	Mar. 30, 1987
Argentina .....	Oct. 11, 1967
Australia .....	Jan. 1, 1948
Austria .....	Oct. 19, 1951
Bahrain .....	Dec. 13, 1993
Bangladesh .....	Dec. 16, 1972
Barbados .....	Feb. 15, 1967
Belgium .....	Jan. 1, 1948
Belize .....	Oct. 7, 1983
Benin .....	Sept. 12, 1963
Bolivia .....	Sept. 8, 1990
Botswana .....	Aug. 28, 1987
Brazil .....	July 30, 1948
Brunei Darussalam .....	Dec. 9, 1993
Burkina Faso .....	May 3, 1963
Burundi .....	Mar. 13, 1965
Cameroon .....	May 3, 1963
Canada .....	Jan. 1, 1948
Central African Republic .....	May 3, 1963
Chad .....	July 12, 1963
Chile .....	Mar. 16, 1949
Colombia .....	Oct. 3, 1981
Congo .....	May 3, 1963
Costa Rica .....	Nov. 24, 1990
Cote d'Ivoire .....	Dec. 31, 1963
Cuba .....	Jan. 1, 1948
Cyprus .....	July 15, 1963
Czech Republic .....	Apr. 15, 1993
Denmark .....	May 28, 1950
Dominica .....	Apr. 20, 1993
Dominican Republic .....	May 19, 1950
Djibouti <sup>1</sup> .....	Dec. 16, 1994
Egypt .....	May 9, 1970
El Salvador .....	May 22, 1991
Fiji .....	Nov. 16, 1993
Finland .....	May 25, 1950
France .....	Jan. 1, 1948
Gabon .....	May 3, 1963
Gambia .....	Feb. 22, 1965
Germany .....	Oct. 1, 1951
Ghana .....	Oct. 17, 1957
Greece .....	Mar. 1, 1950
Grenada <sup>1</sup> .....	Feb. 9, 1994
Guatemala .....	Oct. 10, 1991
Guinea <sup>1</sup> .....	Dec. 8, 1994
Guinea-Bissau <sup>1</sup> .....	Mar. 17, 1994
Guyana .....	July 5, 1966
Haiti .....	Jan. 1, 1950
Honduras <sup>1</sup> .....	Apr. 9, 1994
Hong Kong .....	Apr. 23, 1986
Hungary .....	Sept. 9, 1973
Iceland .....	Apr. 21, 1968
India .....	July 8, 1948
Indonesia .....	Feb. 24, 1950

See footnotes at end of table.



**Table 1-2—Continued**  
**Contracting Parties to the GATT and their accession dates, as of Dec. 31, 1994**

<b>Country</b>	<b>Accession date</b>
Ireland	Dec. 22, 1967
Israel	July 5, 1962
Italy	May 30, 1950
Jamaica	Dec. 31, 1963
Japan	Sept. 10, 1955
Kenya	Feb. 5, 1964
Korea	Apr. 14, 1967
Kuwait	May 3, 1963
Lesotho	Jan. 8, 1988
Liechtenstein <sup>1</sup>	Mar. 29, 1994
Luxembourg	Jan. 1, 1948
Macau	Jan. 11, 1991
Madagascar	Sept. 30, 1963
Malawi	Aug. 28, 1964
Malaysia	Oct. 24, 1957
Maldives	Apr. 19, 1983
Mali	Jan. 11, 1993
Malta	Nov. 17, 1964
Mauritania	Sept. 30, 1963
Mauritius	Sept. 2, 1970
Mexico	Aug. 24, 1986
Morocco	June 17, 1987
Mozambique	July 27, 1992
Myanmar	July 29, 1948
Namibia	Sept. 15, 1992
Netherlands	Jan. 1, 1948
New Zealand	July 30, 1948
Nicaragua	May 28, 1950
Niger	Dec. 31, 1963
Nigeria	Nov. 18, 1960
Norway	July 10, 1948
Pakistan	July 30, 1948
Papua New Guinea <sup>1</sup>	Dec. 16, 1994
Paraguay <sup>1</sup>	Jan. 6, 1994
Peru	Oct. 7, 1951
Philippines	Dec. 27, 1979
Poland	Oct. 18, 1967
Portugal	May 6, 1962
Romania	Nov. 14, 1971
Rwanda	Jan. 1, 1966
Qatar <sup>1</sup>	Apr. 7, 1994
St. Christopher and Nevis <sup>1</sup>	Mar. 24, 1994
St. Lucia	Apr. 13, 1993
St. Vincent and the Grenadines	May 18, 1993
Senegal	Sept. 27, 1963
Sierra Leone	May 19, 1961
Singapore	Aug. 20, 1973
Slovak Republic	Apr. 15, 1993
Slovenia <sup>1</sup>	Oct. 3, 1994
Solomon Islands <sup>1</sup>	Dec. 28, 1994
South Africa	June 13, 1948
Spain	Aug. 29, 1963
Sri Lanka	July 29, 1948
Suriname	Mar. 22, 1978
Swaziland	Feb. 8, 1993

See footnotes at end of table.

**Table 1-2—Continued**  
**Contracting Parties to the GATT and their accession dates, as of Dec. 31, 1994**

Country	Accession date
Sweden .....	Apr. 30, 1950
Switzerland .....	Aug. 1, 1966
Tanzania .....	Dec. 9, 1961
Thailand .....	Nov. 20, 1982
Togo .....	Mar. 20, 1964
Trinidad and Tobago .....	Oct. 23, 1962
Tunisia .....	Aug. 19, 1990
Turkey .....	Oct. 17, 1951
Uganda .....	Oct. 23, 1962
United Arab Emirates <sup>1</sup> .....	Mar. 8, 1994
United Kingdom .....	Jan. 1, 1948
United States .....	Jan. 1, 1948
Uruguay .....	Dec. 6, 1953
Venezuela .....	Aug. 31, 1990
Yugoslavia .....	Aug. 25, 1966
Zaire .....	Sept. 11, 1971
Zambia .....	Feb. 10, 1982
Zimbabwe .....	July 11, 1948

<sup>1</sup> New member in 1994.

Source: GATT, *Analytical Index: Guide to GATT Law and Practice*, 6th edition (1994), Geneva, p. 1,064; and official GATT documents.

**Table 1-3**  
**Countries that maintain a de facto application to the General Agreement following independence and dates of independence, as of Dec. 31, 1994**

Country	Independence date
Algeria .....	July 3, 1962
Bahamas .....	June 10, 1973
Cambodia .....	Nov. 9, 1953
Cape Verde .....	July 5, 1975
Comoros .....	July 6, 1975
Equatorial Guinea .....	Oct. 12, 1968
Kirabati .....	July 12, 1979
Sao Tome and Principe .....	July 12, 1975
Seychelles .....	June 29, 1976
Tonga .....	June 5, 1970
Tuvalu .....	Oct. 1, 1978
Yemen .....	Nov. 30, 1967

Source: GATT, "De Facto Application of the GATT," *Focus*, No. 109, July 1994, p. 5; and official GATT documents.

settlement issues, the United States foresees remaining a party to the Tokyo Round codes on antidumping practices and on subsidies and countervailing measures for 2 more years.<sup>135</sup> (For membership in these agreements, see table 1-4, Signatories to the Tokyo Round agreements, as of December 31, 1994.)

## Antidumping Practices

The Committee on Antidumping Practices adopted one panel report during 1994, concerning U.S.

antidumping duties on imports of fresh and chilled salmon from Norway. The panel concluded that the U.S. duties were inconsistent with the GATT Antidumping Code provisions regarding determination of dumping.<sup>136</sup> The committee also had before it, but was unable to adopt, three other reports: (1) U.S. antidumping duties on imports of stainless steel plate from Sweden, (2) U.S. antidumping duties on imports of portland cement from Mexico, and (3) U.S. antidumping duties on imports of seamless stainless steel hollow products from Sweden.

**Table 1-4**  
**Signatories to the Tokyo Round agreements, as of Dec. 31, 1994**

[Accepted (A); accepted, subject to ratification (S); provisional acceptance (P); reservation, condition, declaration, or any combination (\*)]

	Anti-dump- ing	Subsi- dies	Import licen- sing	Civil air- craft	Stan- dards	Customs valu- ation	Gov't procure- ment	Bovine meat	Dairy pro- ducts
<b>Contracting Party:</b>									
Angola									
Antigua									
Argentina	S	S	S		S	A*		A	A
Australia	A	A*	A		A	A		A	A
Austria	A	A	A	A	A	A	A	A	
Bahrain									
Bangladesh									
Barbados									
Belgium				A	A				
Belize								P	
Benin									
Bolivia			S			S			
Botswana						A			
Brazil	A	A			A	A*		A	
Brunei									
Burkina Faso									
Burundi									
Cameroon									
Canada	A	A	A	A	A	A*	A	A	
Central African Republic									
Chad									
Chile		A	A		A				
Colombia		A*				P		A	
Congo									
Costa Rica									
Cote d'Ivoire									
Cuba									
Cyprus						A			
Czech Republic	A		A		A	A			
Denmark				A*	A*				
Djibouti									
Dominica									
Dominican Republic									
Egypt	A	A	A	A	A			A	A
El Salvador									
Fiji									
Finland	A	A	A		A	A	A	A	A
France				A	A				
Gabon									
Gambia									
Germany				A*	A*				
Ghana									
Greece				S	A				
Grenada									
Guatemala								A*	
Guinea									
Guinea-Bissau									
Guyana									
Haiti									
Honduras									

See footnotes at end of table.

**Table 1-4—Continued**  
**Signatories to the Tokyo Round agreements, as of Dec. 31, 1994**

*[Accepted (A); accepted, subject to ratification (S); provisional acceptance (P); reservation, condition, declaration, or any combination (\*)]*

	Anti-dump- ing	Subsi- dies	Import licen- sing	Civil air- craft	Stan- dards	Customs valu- ation	Gov't procure- ment	Bovine meat	Dairy pro- ducts
<b>Contracting party—Continued:</b>									
Hong Kong <sup>1</sup>	A	A	A		A	A	A		
Hungary	A		A		A	A		A	A
Iceland									
India	A	A	A		A	A*			
Indonesia		A			A				
Ireland				A	A				
Israel		A			A		A		
Italy				A	A				
Jamaica									
Japan	A	A	A	A	A	A	A	A	A
Kenya									
Republic of Korea	A	A			A	A			
Kuwait									
Lesotho						A			
Liechtenstein									
Luxembourg				A	A				
Macau									
Madagascar									
Malawi						A*			
Malaysia					A				
Maldives									
Mali									
Malta									
Mauritania									
Mauritius									
Mexico	A		A		A	A*			
Morocco					A	A*			
Mozambique									
Myanmar									
Namibia									
Netherlands				A	A				
New Zealand	A	A	A		A	A*		A	A
Nicaragua									
Niger									
Nigeria			A					A	
Norway	A	A	A	A	A	A	A	A	A
Pakistan	A	A	A		A				
Papua New Guinea									
Paraguay								P	
Peru						A			
Philippines		A*	A		A				
Poland	A	S	A			S		A	A
Portugal				A	A				
Romania	A		A	A	A	A		A	A
Rwanda					S				
Qatar									
St. Christopher									
St. Lucia									
St. Vincent									
Senegal									

See footnotes at end of table.

**Table 1-4—Continued**  
**Signatories to the Tokyo Round agreements, as of Dec. 31, 1994**

[Accepted (A); accepted, subject to ratification (S); provisional acceptance (P); reservation, condition, declaration, or any combination (\*)]

	Anti-dumping	Subsidies	Import licensing	Civil aircraft	Standards	Customs valuation	Gov't procurement	Bovine meat	Dairy products
<b>Contracting party—Continued:</b>									
Sierra Leone									
Singapore	A		A		A		A		
Slovak Republic	A		A		A	A			
Slovenia			A		A	A			
Solomon Islands									
South Africa			A			A		A	A
Spain				A	A				
Sri Lanka									
Suriname									
Swaziland									
Sweden	A	A	A	A	A	A	A	A	A
Switzerland	A	A	A	A	A	A	A	A	A
Tanzania									
Thailand					A				
Togo									
Trinidad									
Tunisia					A			A	
Turkey		A				A*			
Uganda									
United Arab Emirates									
United Kingdom				A*	A*				
United States	A	A	A	A	A	A	A	A	A
Uruguay		A						A	A
Venezuela									
Yugoslavia <sup>2</sup>	a	s	a		a	a		a	
Zaire									
Zambia									
Zimbabwe						A*			
<b>Other government entities:</b>									
Bulgaria								A	A
European Union <sup>3</sup>	A	A	A	A	A	A	A	A	A
<b>Total signatories:</b>	25	26	29	22	46	34	12	26	16

<sup>1</sup> Hong Kong, which had applied several of the Tokyo Round agreements as a territory under the auspices of the United Kingdom, changed its status under these agreements in 1986 and now applies them in its own individual capacity.

<sup>2</sup> The membership shown under Yugoslavia is for the Socialist Federal Republic of Yugoslavia (SFRY) and was excluded from the totals following the GATT Council decision of June 1993 that the Federal Republic of Yugoslavia (FRY) of Serbia and Montenegro is not the successor state to the SFRY.

<sup>3</sup> The EU is a signatory to all the Tokyo Round agreements. Because several of these agreements cover matters that go beyond the authority of the EU, individual member states can also be signatories.

Source: GATT, "Annex IV: Tokyo Round Agreements - Legal Status at 6 May 1994," *GATT Activities 1993*, Geneva, Aug. 1994, annex IV, pp. 163-168; GATT, *Analytical Index: Guide to GATT Law and Practice*, 6th edition (1994), Geneva, pp. 1057-1059; official GATT documents; and USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, Washington, DC, pp. 38-39.

## **Subsidies and Countervailing Measures**

In 1994, two panel reports were adopted and a number of other reports remained under consideration. The Committee on Subsidies and Countervailing Measures adopted reports concerning (1) U.S. countervailing duties on imports of fresh and chilled salmon from Norway and, (2) Brazil's countervailing duties on milk powder and certain types of milk from the EU. At the request of the EU, the committee established a new panel to examine U.S. countervailing duties on certain carbon steel flat products from various EU member states.<sup>137</sup>

## **Customs Valuation**

In 1994, two countries—Peru and Slovenia—joined the Agreement on Customs Valuation, bringing the total number of signatories to 34. During the year, the committee examined legislation provided by Argentina, the EU, and Mexico to administer the agreement.<sup>138</sup> Also, the Customs Cooperation Council (CCC)—which is based in Brussels, Belgium, and works closely with members of the committee—announced that it had adopted a new informal name, the World Customs Organization (WCO), to reflect its role as the single international organization dealing with customs matters between governments.

## **Import Licensing**

During 1994, the Committee on Import Licensing carried out its charge of reviewing notifications by members concerning their national import-licensing requirements and procedures. It also heard concerns from various members pertaining to the agreement, such as those about the EU import-licensing system for bananas. At the end of 1994, the Tokyo Round Agreement on Import Licensing Procedures had 29 signatories.<sup>139</sup> However, the Agreement on Import Licensing under the WTO will be applicable to all WTO members.

## **Technical Barriers to Trade**

In addition to conducting its 15th annual review of the 1979 Tokyo Round Agreement on Technical Barriers to Trade, commonly known as the Standards Code, the committee discussed marks of origin requirements and endorsed recommendations to ensure that notifications under the Standards Code would continue smoothly under the WTO until such time as the WTO Committee on Technical Barriers to Trade

could meet. As of November 1994, there were 44 signatories to the GATT TBT Agreement with Slovenia accepting membership in 1994.<sup>140</sup>

## **Government Procurement**

In 1994, work was completed on the new Agreement on Government Procurement, which was signed in Marrakesh on April 15, by Austria, Canada, the 12 member states of the European Union, Finland, Hong Kong, Israel, Korea, Japan, Norway, Sweden, Switzerland, and the United States. The new agreement will come into effect on January 1, 1996. During the balance of the year, the committee carried out statistical reviews on procurement during 1990-93 under the provisions of the current agreement, and the Interim Committee on Government Procurement—with responsibility for implementing the new agreement—began work on classification systems and rules of origin for statistical reporting under the agreement, as well as on use of information technology in national procurement systems.<sup>141</sup>

Negotiations were also completed in 1994 regarding the accession of Aruba—a possession of the Netherlands—to the GATT Agreement on Government Procurement. The Interim Committee also accepted Aruba's request for accession to the new agreement under the WTO. Aruba will become a member of the current agreement 30 days following receipt of its instrument of accession by the GATT/WTO Director-General.

During 1994, there were 12 signatories to the current Agreement on Government Procurement, which differed slightly from the signatories to the new agreement. Singapore is a signatory of the current agreement, but will not belong to the 1996 agreement; Korea is not signatory to the current agreement, but will belong to the 1996 agreement.

## **Trade in Civil Aircraft**

In 1994, the committee made technical changes to the Agreement on Trade in Civil Aircraft to revise it for its operation under the WTO as a plurilateral agreement of the same name.<sup>142</sup> These revisions take account largely of the WTO Subsidies Agreement and the unified approach to dispute settlement available through the WTO Dispute Settlement Understanding. There were 22 members in 1994.

The Subcommittee on Trade in Civil Aircraft met during 1994 to carry on talks aimed at improving and expanding the agreement's disciplines by expanding coverage of (dubbed "multilateralizing") the U.S.-EU bilateral agreement on large civil aircraft to other

participants. However, wide disagreement has clearly shown a lack of common basis for further negotiations at this time.<sup>143</sup> In addition to signatories to the agreement, the subcommittee is open to nonsignatories and had 32 participants by yearend 1994.<sup>144</sup>

### **International Dairy Arrangement**

In 1994, the Dairy Products Council adopted technical revisions to the International Dairy Arrangement to transfer its operation to the WTO as one of the four plurilateral agreements. The Council also extended the arrangement until its WTO counterpart could begin operations, following the entry into force of the WTO. There were 17 participants in the arrangement by the end of 1994.

During the year, one of the committees that carry out provisions of the arrangement suspended for 1 year

the minimum export prices set under the protocol concerning butter and anhydrous milk fat. A derogation from the minimum price provisions regarding butter and butter oil sales to the former Soviet Union was also extended in 1994 for the second time.

### **Arrangement Regarding Bovine Meat**

During 1994, participants in the Arrangement Regarding Bovine Meat agreed on technical revisions needed to incorporate it into the WTO Agreement as one of the four plurilateral agreements, and agreed to extend the arrangement until its counterpart under the WTO comes into effect.

## ENDNOTES

<sup>1</sup> Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Marrakesh, Apr. 15, 1994 (hereafter Final Act).

<sup>2</sup> The Committee on Trade and Environment is scheduled to report to ministers by January 1997, 2 years from the entry into force of the WTO. For further information, see the section on "Subcommittee on Trade and Environment" in this chapter.

<sup>3</sup> General Agreement on Tariffs and Trade (GATT), "Decision on the Establishment of the Preparatory Committee of the World Trade Organization," Apr. 14, 1994.

<sup>4</sup> Only an oblique reference appeared in the declaration after the GATT Director-General dissuaded the United States from insisting on the insertion of more specific worker-rights language: "Ministers affirm that the establishment of the World Trade Organization (WTO) ushers in a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system for the benefit and welfare of their peoples." GATT, "Marrakesh Declaration of 15 April 1994," Apr. 15, 1994, par. 2, in GATT, "The Marrakesh Declaration," *Focus*, No. 107, May 1994, p. 7.

<sup>5</sup> For a description of each of the individual agreements that make up the URA, see U.S. International Trade Commission (USITC), *The Year in Trade: Operation of the Trade Agreements Program, 45th Report, 1993*, USITC publication 2769, 1994, ch. 1. For further information on the impact of the URA on the U.S. economy, see USITC, *Potential Impact on the U.S. Economy and Industries of the GATT Uruguay Round Agreements* (investigation No. 332-353), USITC publication 2790, 1994.

<sup>6</sup> Public Law 103-465, 108 Stat. 4809, Dec. 8, 1994.

<sup>7</sup> U.S. Department of State telegram, "Japanese Ratification of GATT/WTO," message reference No. 017821, prepared by U.S. Embassy, Tokyo, Dec. 7, 1994.

<sup>8</sup> European Commission Delegation at Washington DC, Office of Press and Public Affairs, "Statement on EU Adoption of the Uruguay Round and the World Trade Organization," *European Union News*, Dec. 19, 1994.

<sup>9</sup> Sovereignty and funding issues are discussed in detail later in this chapter.

<sup>10</sup> Prior to submitting formal implementing legislation to the Congress, the administration informally submitted draft legislation that was informally "marked up" by the House and Senate committees having jurisdiction in the subject areas.

<sup>11</sup> Largely taken from U.S. House, Committee on Ways and Means, "Summary of H.R. 5110, the 'Uruguay Round Agreements Act,'" *Uruguay Round Agreements Act*, 103d Cong., 2d sess., 1994, H. Rept. 103-826, pt. 1, Oct. 3, 1994 (Washington, DC: GPO, 1994), p. 4.

<sup>12</sup> Uruguay Round Agreements Act Statement of Administrative Action, published in H. Doc. 103-316, 103d Cong., 2d Session, 1994. The Statement of Administrative Action was submitted to the Congress on September 27, 1994, in compliance with section 1103 of the Omnibus Trade and Competitiveness Act of 1988, and accompanied the implementing bill for the Agreement Establishing the World Trade Organization and the agreements annexed to that Agreement (the Uruguay Round Agreements). In enacting the URAA, Congress approved the Statement of Administrative Action (see URAA, sec. 101(a)(2), approved Dec. 8, 1994; Pub. Law 103-465, 108 Stat. 4809).

<sup>13</sup> These objectives include such goals as seeking commitments to lower barriers in markets abroad to U.S. suppliers of financial services, opening foreign markets for basic telecommunications services on a nondiscriminatory basis, and reaching multilateral and bilateral agreement to competitive opportunities for U.S. exports in the civil aircraft sector.

<sup>14</sup> See section 201 et seq. of the Trade Act of 1974, as amended.

<sup>15</sup> See section 301 et seq. of the Trade Act of 1974, as amended.

<sup>16</sup> See section 337 of the Trade Act of 1974, as amended.

<sup>17</sup> Commonly known as product standards.

<sup>18</sup> Of the Agricultural Adjustment Act of 1933, as amended.

<sup>19</sup> Statement of Administrative Action (SAA), p. 26; at U.S. Congress, *Uruguay Round Trade Agreements, Texts of Agreements, Implementing Bill, Statement of Administrative Action, and Required Supporting Statements*, 103d Cong., 2d sess., 1994, H. Doc. 103-316, vol. 1, Sept. 27, 1994 (Washington, DC: GPO, 1994), (hereafter *URAA documents*), p. 682.

<sup>20</sup> It also requires the FCC to designate the three companies to which the FCC has already awarded PCS licenses as "broadband PCS pioneers" and to charge them a portion of the value of the public broadband spectrum employed. These firms will pay the higher of (1) \$400 million plus interest, or (2) a sum equal to 85 percent of the average per capita bids for comparable PCS licenses in the 20 largest U.S. metropolitan markets in which all PCS broadband licenses remain to be awarded.

<sup>21</sup> Formally entitled the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994.

<sup>22</sup> For more information on antidumping and countervailing duty investigations, see chapter 5 of this report.

<sup>23</sup> See sections 223-224, amending the Tariff Act of 1930. For further detail, see SAA, p. 152-161; URAA documents, pp. 822-831; and U.S. Senate, Committee on Finance; on Agriculture, Nutrition, and Forestry; and on Governmental Affairs; *Uruguay*



*Round Agreements Act*, 103d Cong., 2d sess., 1994, S. Rept. 103-412, Nov. 22, 1994 (Washington, DC: GPO, 1994), (hereafter URAA Senate Report), pp. 62-76.

<sup>24</sup> See section 220(a) of the URAA, as it amends section 751 of the Tariff Act of 1930.

<sup>25</sup> The substantive standards that Commerce and the USITC must follow in making such determinations are set forth in new section 752 of the Tariff Act.

<sup>26</sup> See new section 751(c) of the Tariff Act of 1930.

<sup>27</sup> SAA, p. 209-221; URAA documents, pp. 879-891; and Senate URAA Report, pp. 45-52.

<sup>28</sup> See section 220(a) of the URAA, amending section 751(a) of the Tariff Act. For further detail, see SAA, p. 215; URAA documents, p. 885; and Senate URAA Report, p. 44.

<sup>29</sup> See article 2.4.2.

<sup>30</sup> Section 229(a) of the URAA codified the requirements in new section 777A(d) of the Tariff Act, but did not change existing Commerce practice of using average-to-individual comparisons in reviews. For further detail, see SAA, pp. 172-173; URAA documents, pp. 842-843; and Senate URAA Report, pp. 79-80.

<sup>31</sup> Section 224 of the URAA codified this requirement in new section 773(f)(1)(C) of the Tariff Act. For further detail, see SAA, URAA documents, pp. 835-836; and Senate URAA Report, pp. 75-76.

<sup>32</sup> For further discussion relating to the captive production provisions under URAA section 222(b)(2) amending section 771(7)(C)(iv) of the 1930 Tariff Act, see SAA, p. 182-183; URAA documents, pp. 852-853; and Senate URAA Report, pp. 54-56.

<sup>33</sup> See section 230 amending section 781 of the Tariff Act of 1930. For further detail, see SAA, pp. 222-224; URAA documents, pp. 892-894; and Senate URAA Report, pp. 81-82.

<sup>34</sup> Although U.S. law did not previously distinguish between actionable and nonactionable subsidies, the specificity test in article 2 of the SAA, as incorporated by URAA section 251 amending section 771(5) of the Tariff Act generally reflects preexisting U.S. law and practice. For further information, see SAA, pp. 254-266; URAA documents, pp. 924-936; and Senate URAA Report, pp. 90-96.

<sup>35</sup> For further information, see SAA, pp. 272-275; URAA documents, pp. 942-945; and Senate URAA Report, pp. 100-101.

<sup>36</sup> For further information, see SAA, pp. 278-279; URAA documents, pp. 948-949; and Senate URAA Report, p. 102.

<sup>37</sup> That is, under section 304(a)(1) of the Trade Act of 1974 as to what action to take under section 301(a)(1)(A).

<sup>38</sup> For further information, see SAA, pp. 280-281; URAA documents, pp. 950-951; and Senate URAA Report, p. 103.

<sup>39</sup> Section 282(c) applies to noncountervailable subsidies other than those covered by the Agreement on Agriculture. For further information, see SAA, pp. 284-285; URAA documents, pp. 954-955; and Senate URAA Report, pp. 104-105.

<sup>40</sup> For more information on section 337 investigations, see chapter 5 of this report.

<sup>41</sup> For further information, Senate URAA Report, pp. 119-121.

<sup>42</sup> 19 U.S.C. 2251-2254.

<sup>43</sup> Under section 202(d)(2)(A), critical circumstances exist when (i) there is clear evidence that increased imports (either actual or relative to domestic production) of the article are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article; and (ii) delay in taking action under this chapter would cause damage to that industry that would be difficult to repair.

<sup>44</sup> For further discussion, see the SAA, pp. 290-91 and the Senate URAA Report, p. 108.

<sup>45</sup> For further discussion, see the SAA, pp. 289-90 and Senate URAA Report, pp. 107-08.

<sup>46</sup> USTR, letter to Senator Robert Dole concerning the WTO, dispute settlement, sovereignty, and term of patent protection, Nov. 23, 1994, p. 2.

<sup>47</sup> An example of such concern came from the National Conference of State Legislators (NCSL) in a May 18, 1994, letter to President Clinton. The legislators expressed concern that State tax and regulatory authorities were not sufficiently protected from unjustified allegations of discrimination under WTO dispute proceedings. State officials were particularly mindful of the 1992 GATT "beer II" dispute brought by Canada against U.S. Federal and State regulations regarding the sale of beer and wine, which called into question many State tax benefits and preferences to producers, and may provide a precedent for challenging such preferences under the WTO as discriminatory. "States seek protection from international challenges in GATT bill," *Inside U.S. Trade*, May 27, 1994, pp. 11-12.

<sup>48</sup> SAA, p. 1; URAA documents, p. 656. The SAA does not generally address U.S. law or practice that remains unchanged, because much of U.S. law already conforms with and supports the requirements of the URA.

<sup>49</sup> SAA, p. 3; URAA documents, p. 659.

<sup>50</sup> For a description of the URA Dispute Settlement Understanding, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, ch. 1.

<sup>51</sup> In discussing a panel's examination of antidumping determinations made by national authorities, article 17.6 says that "the panel shall determine whether the authorities' establishment of the facts was proper and whether their evaluation of those facts was unbiased and objective. If the establishment of the facts was proper . . . even though the panel might have reached a different conclusion, the evaluation shall not be overturned." The article further describes by similar logic that "the panel shall find the authorities' measure to be in conformity with the agreement if it rests upon one of those permissible interpretations," that is, upon

interpretations made “under customary rules of interpretation of public international law.”

<sup>52</sup> USTR, letter to Senator Robert Dole, p. 2. The Senate Committee on Finance held a hearing on the bill on May 10, 1995. As of late May 1995, the bill was still pending.

<sup>53</sup> Title XIII of the Omnibus Budget Reconciliation Act of 1990, Public Law, 101-508, Nov. 5, 1990.

<sup>54</sup> Senate URAA Report, pp. 134-135.

<sup>55</sup> The benefit to the United States is calculated variously by a number of economic models and studies as an increase in U.S. national income by the years 2002 to 2005 of anywhere between \$13 and \$60 billion greater than otherwise expected in the absence of the URA. These estimates are considered conservative in many cases because the models used in these studies are rarely able to capture the dynamic effects associated with implementing the Round, which are likely to be generated to the benefit of national and world welfare. For a brief review of studies on the economywide benefits of the Uruguay Round, see USITC, *Potential Impact on the U.S. Economy and Industries of the GATT Uruguay Round Agreements* (investigation No. 332-353), USITC publication 2790, 1994, pp. 1-9 to 1-14.

<sup>56</sup> Office of Management and Budget, letter from Alice Rivlin to the Speaker of the House of Representatives and President of the Senate concerning the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, Dec. 13, 1994.

<sup>57</sup> CBO, letter to Congressman John Dingell concerning CBO review of H.R. 5110, The Uruguay Round Agreements Act of 1994, Oct. 3, 1994, pp. 7; and CBO, “How the GATT affects U.S. antidumping and countervailing duty policy,” Sept. 1994, pp. 85; as cited in *Congressional Record*, vol. 140, No. 149, Dec. 1, 1994, p. S 15273.

<sup>58</sup> Trade Reports International Group, “Administration loses out on UR budget waiver,” *Washington Trade Daily*, May 5, 1994, pp. 1-2; “Baucus calls for budget waiver for UR bill,” May 20, 1994, p. 1.

<sup>59</sup> *Congressional Record*, vol. 140, No. 143, Dec. 1, 1994, pp. S 15378 to S 15379.

<sup>60</sup> Helen Dewar, “Senate Approves GATT on Big Bipartisan Vote,” *Washington Post*, Dec. 2, 1994, p. A1.

<sup>61</sup> Preparatory Committee for the World Trade Organization, “Minutes of Meeting—Held at the International Conference Centre, Geneva, on December 8, 1995, on the occasion of the Implementation Conference,” PC/M/10, Dec. 19, 1994.

<sup>62</sup> Thus, because the WTO Agreement entered into force January 1, 1995, the legal instruments supporting GATT 1947 will end before January 1, 1996, or January 1, 1997, if postponed in light of unforeseen circumstances. See GATT, “The WTO enters into force,” *Focus*, No. 113, Dec. 1994, p. 5.

<sup>63</sup> GATT, “The WTO enters into force,” *Focus*, No. 113, Dec. 1994, pp. 1, 4.

<sup>64</sup> U.S. Department of State telegram, “United States Accepts the WTO Agreement,” message reference No. 011010, prepared by U.S. Mission, Geneva, Dec. 30, 1994.

<sup>65</sup> *Ibid.*

<sup>66</sup> The Tokyo Round agreements were negotiated as nontariff measure codes of conduct, and have come to be called codes, such as the Standards Code, Subsidies Code, Customs Valuation Code, Antidumping Code, and Import Licensing Code.

<sup>67</sup> U.S. Department of State telegram, “United States Accepts the WTO Agreement,” message reference No. 011010, prepared by U.S. Mission, Geneva, Dec. 30, 1994. Section 101(d) of the URAA lists the multilateral and plurilateral agreements that the United States accepted as part of the Uruguay Round. Concerning the plurilateral agreements with voluntary membership, the URAA enacted U.S. participation in the Agreement on Government Procurement and the International Bovine Meat Agreement. The United States is not a signatory to the International Dairy Agreement. The United States is a signatory to the Agreement on Civil Aircraft, although no changes were made to this agreement as a result of the Uruguay Round. Office of the United States Trade Representative (USTR), *Uruguay Round - Final Texts of the GATT Uruguay Round Agreements Including The Agreement Establishing The World Trade Organization As Signed on April 15, 1994*, Marrakesh, Morocco (Washington, DC); URAA documents, p. 1318.

<sup>68</sup> U.S. Department of State telegram, “United States Accepts the WTO Agreement,” message reference No. 011010, prepared by U.S. Mission, Geneva, Dec. 30, 1994. Under title IV of the Trade Act of 1974, as amended, the United States must apply discriminatory rates of duty (“column 2” rates) to products from certain Communist countries. Whereas those countries cited under the legislation are generally not GATT members, Romania is a GATT member. Thus, the U.S. Government must notify the WTO that it has no authority to grant nondiscriminatory most-favored-nation (MFN) treatment to Romania.

<sup>69</sup> For purposes of the Round, the LLDCs are considered to be Benin, Burkina Faso, Burundi, Central African Republic, Chad, Gambia, Haiti, Lesotho, Madagascar, Malawi, Mali, Mozambique, Myanmar, Sierra Leone, Tanzania, Togo, Rwanda, Uganda, and Zaire.

<sup>70</sup> U.S. Department of State telegram, “Accession to the World Trade Organization,” message reference No. 068265, prepared by U.S. State Department, Washington, DC, Mar. 16, 1994.

<sup>71</sup> Where consensus is defined as meaning no objection is voiced when a decision is made.

<sup>72</sup> GATT, “Summary Record of the Meeting - Held in the Centre William Rappard, Geneva, on Thursday, 24 March 1995,” CONTRACTING PARTIES Seventh Special Session - 24 MARCH 1995, 7SS/SR/1, Apr. 21, 1995. As part of the understanding to support Renato Ruggiero as the first Director-General of the WTO and to create a fourth Deputy Director-General post, it was widely reported in the media that Mr. Ruggiero was to serve a single 4-year term and be succeeded by a non-European candidate, in addition

to which, Kim Chul-su would be chosen to fill the newly created post of Deputy Director-General.

<sup>73</sup> GATT, "The General Agreement on Trade in Services," *Focus*, No. 107, May 1994, pp. 14-15.

<sup>74</sup> The full listing found under GATS article XXIX (Annexes) is, in order, (1) Annex on Article II Exemptions, (2) Annex on Movement of Natural Persons Supplying Services under the Agreement, (3) Annex on Air Transport Services, (4) Annex on Financial Services, (5) Second Annex on Financial Services, (6) Annex on Negotiations on Maritime Transport Services, (7) Annex on Telecommunications, and (8) Annex on Negotiations on Basic Telecommunications.

<sup>75</sup> During the Round, key participants—primarily the United States and the EU—were unsuccessful in their attempts to disentangle the network of bilateral agreements that presently regulates all aspects of aviation services. As a consequence, air-transport services are not covered in general under the GATS and no multilateral discussions concerning them took place in 1994.

<sup>76</sup> "Movement of Natural Persons" refers to the temporary admission and stay of foreign nationals into the territory of another GATS member as part of a business supplying services abroad through the temporary assignment or provision of management or specialized personnel. As such, the laws of the government that grants entry to such personnel do not apply to these "natural persons" as regards issues of citizenship, permanent residence, or access to local employment markets or benefits.

<sup>77</sup> Final Act, p. 306.

<sup>78</sup> U.S. Department of State telegram, "GATS Negotiating Group on Movement of Natural Persons Meets," message reference No. 009549, prepared by U.S. Mission, Geneva, Nov. 7, 1994.

<sup>79</sup> Final Act, p. 410. At the end of June 1995, the group agreed to an extension until July 28, 1995, to submit improved offers concerning personnel movements, following the same extension agreed in negotiations on financial services, which some participants see as tied to negotiations on the movement of natural persons.

<sup>80</sup> The annex lists a dozen banking and other financial services that are covered, including deposit acceptance and lending; money and payments transmission, such as credit cards; trading in monetary instruments, securities, foreign exchange, etc.; asset and portfolio management; financial settlement and clearing services; and advisory services, such as investment research, advice, and so forth. Insurance and their related services include direct insurance (life and nonlife), coinsurance, reinsurance, retrocession, insurance intermediation (such as insurance brokers or agents) and auxiliary services such as insurance consultancy, actuarial, risk assessment, and claim settlement services. *Final Act*, p. 309.

<sup>81</sup> Final Act, p. 411.

<sup>82</sup> Final Act, p. 311; and U.S. Department of the Treasury, "Financial Services Negotiations in the Uruguay Round," National Treatment Study 1994, Dec. 1, 1994, p. 95.

<sup>83</sup> Treasury, *ibid.*, p. 98. On June 29, 1995, the United States announced that it would maintain its exemption from MFN obligations concerning trade in financial services because certain participants had not come forth with sufficiently improved offers. However, in an effort to induce other participants to stand by the financial services commitments currently offered, the EU arranged for improved offers that were tendered before July 28, 1995, to be considered favorably.

<sup>84</sup> U.S. Department of State telegram, "General Agreement on Trade in Services: Informal Group on Financial Services," message reference No. 008808, prepared by U.S. Mission, Geneva, Oct. 14, 1994.

<sup>85</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 29.

<sup>86</sup> U.S. Department of State telegram, "General Agreement on Trade in Services: Informal Group on Financial Services," message reference No. 008808, prepared by U.S. Mission, Geneva, Oct. 14, 1994.

<sup>87</sup> Final Act, p. 421.

<sup>88</sup> These talks involved the EU—which conducted negotiations as a single entity—as well as Australia, Austria, Finland, New Zealand, Norway, Sweden, Switzerland, Turkey, and the United States. Treasury, p. 96. Austria, Finland, and Sweden became members of the European Union (EU) at the start of 1995.

<sup>89</sup> USTR, *Uruguay Round of Multilateral Trade Negotiations Source Book*, Feb. 1994, p. E-6. A number of countries not party to the understanding did, nonetheless, offer more specific commitments in their national schedules.

<sup>90</sup> Final Act, pp. 421-424.

<sup>91</sup> An exemption separated from the other exemptions to be considered in the maritime sector was included at the Round's conclusion under the GATT 1994. This exemption allows specific mandatory legislation concerning the prohibited use, sale, or lease of foreign-built vessels for purposes of commercial cabotage, which was enacted prior to a country becoming a Contracting Party to GATT 1947, to continue to be considered in conformity with the General Agreement. Section 27 of the U.S. Merchant Marine Act of 1920, known as the Jones Act, states that no vessel is to transport merchandise by water between U.S. ports except in U.S. registered and built vessels that are predominately owned and crewed by U.S. citizens. Thus, the U.S. Jones Act is "grandfathered" under GATT 1994 as its 1920 creation predates the original GATT 1947.

<sup>92</sup> U.S. Department of State telegram, "Meeting of Negotiating Group Maritime Transport Services (NGMTS), October 17, 1994," message reference No. 008924, prepared by U.S. Mission, Geneva, Oct. 18, 1994.

<sup>93</sup> The Annex on Telecommunications ensures that members have agreed to provide access to and use of public telecommunications transport networks and services to GATS signatories that require the use of the public network to supply their service. This annex also stipulates that foreign firms may attach the equipment of their choice to the network or may use customized software in the process of providing its services. USTR, *Uruguay Round of*

*Multilateral Trade Negotiations Source Book*, Feb. 1994, p. E-10.

<sup>94</sup> However, not all suppliers are agreed on which services belong to which group. Another difference in scope is illustrated by the U.S. term "enhanced services" generally describing the same computer-based telecommunications services that other countries call "valued-added telecommunications services" (VAS), but which is a broader term than VAS for most countries.

<sup>95</sup> Final Act, p. 414.

<sup>96</sup> A 1982 Department of Justice consent decree that initiated the 1984 breakup of AT&T marked a major milestone in the liberalization of competition in the U.S. telecommunications market. The EU is currently making efforts to deregulate its telecommunications networks by 1998.

<sup>97</sup> U.S. Department of State telegram, "GATS: Negotiating Group on Basic Telecommunications Meets," message reference No. 06228, prepared by U.S. Mission, Geneva, July 18, 1994.

<sup>98</sup> U.S. Department of State telegram, "Negotiating Group on Basic Telephony's Third Meeting, October 24-26, 1994," message reference No. 009523, prepared by U.S. Mission, Geneva, Nov. 4, 1994; and USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 30.

<sup>99</sup> Final Act, p. 291.

<sup>100</sup> *Ibid.*, p. 290.

<sup>101</sup> *Ibid.*, p. 415.

<sup>102</sup> *Ibid.*

<sup>103</sup> *Ibid.*

<sup>104</sup> U.S. Department of State telegram, "Meeting of the Subcommittee on Services of the WTO Preparatory Committee," message reference No. 008343, prepared by U.S. Mission, Geneva, Sept. 28, 1994.

<sup>105</sup> GATT, "Chairman Pays Tribute to the GATT on the Eve of the WTO," *Focus*, No. 113, Dec. 1994, p. 2.

<sup>106</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, pp. 34-35.

<sup>107</sup> GATT, "Dispute Settlement Activity Declines as Members Await WTO," *Focus*, No. 112, Nov. 1994, p. 4.

<sup>108</sup> GATT, "Panel Established on US Tobacco Legislation," *Focus*, No. 105, Jan.-Feb. 1994, p. 3; and GATT, "Argentina Joins Tobacco Panel," *Focus*, No. 106, Mar.-Apr. 1994, p. 2.

<sup>109</sup> A charge placed on flue-cured and burley tobacco imports identical to that placed on domestic tobacco.

<sup>110</sup> A fee comparable to that levied on domestic tobacco for inspection purposes. See GATT, "Swift Action on Tobacco Dispute," *Focus*, No. 111, Oct. 1994, p. 3; USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 36.

<sup>111</sup> GATT, "Panel Report on EC Banana Import Regime Presented," *Focus*, No. 108, June 1994, p. 5. For more information, see chapter 4 of this report.

For a description of the preceding panel on the EU banana import regime, see USITC, *The Year in Trade: OTAP 1993*, USITC publication 2769, ch. 1.

<sup>112</sup> GATT, "Second Tuna Panel Presents Report," *Focus*, No. 110, Aug.-Sept. 1994, p. 6.

<sup>113</sup> GATT, "Trade Disputes," *Focus*, No. 113, Dec. 1994, p. 8.

<sup>114</sup> GATT, "US Gasoline Standards," *Focus*, No. 111, Oct. 1994, p. 3; USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 36.

<sup>115</sup> The panel found the separate fleet accounting requirement and the fleet averaging methodology to be inconsistent with GATT article III obligations, but found that the methodology was aimed primarily at fuel conservation that might possibly provide justification under the exception for conservation measures allowed under GATT art. XX when considered in conjunction with the domestic consumption restrictions already in place. USTR, *1995 Trade Policy Agenda and 1994 Annual Report* (hereafter *1995 Trade Policy*), p. 36.

<sup>116</sup> GATT, "Trade Disputes," *Focus*, No. 113, Dec. 1994, p. 8. In February 1987, the Council agreed to establish a panel at EC request to examine Japanese measures affecting imported wines and alcoholic beverages. The panel found Japanese liquor taxes to be inconsistent with GATT provisions relating to discrimination against imported products but found that Japanese labeling practices were not.

<sup>117</sup> GATT, "Trade Disputes," *Focus*, No. 113, Dec. 1994, p. 8. In April 1991, the GATT Council established a panel at Brazil's request to examine whether U.S. actions with respect to the imposition of countervailing duties on imports of Brazilian nonrubber footwear were discriminatory. In February 1992, the panel report found that the United States did not grant Brazil the benefits of an injury determination that it was due once it became a signatory of the Subsidies Code in 1980. GATT, "Brazil Lodges Complaint Against US Countervailing Duty on Footwear," *Focus*, No. 80, Apr. 1991, p. 10.

<sup>118</sup> Section 137, H.R. 5110; URAA documents, pp. 78-79.

<sup>119</sup> Countries receiving extensions in 1994 of waivers from MFN obligations while undertaking HS-related renegotiations were Argentina, Bangladesh, Bolivia, Costa Rica, El Salvador, Guatemala, Israel, Jamaica, Mexico, Morocco, Nicaragua, Pakistan, Peru, Sri Lanka, Trinidad and Tobago, and Venezuela. Members receiving extensions of waivers to complete regular art. XXVIII renegotiations were Egypt, Malawi, Senegal, Uruguay, and Zaire. GATT, "Tariff Matters," *Focus*, No. 109, July 1994, p. 6; USTR, *1995 Trade Policy*, pp. 34, 37.

<sup>120</sup> The 1965 Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries.

<sup>121</sup> USTR, *1995 Trade Policy*, p. 37.

<sup>122</sup> GATT, "Tighter GATT Focus on Needs of Developing Countries," *Focus*, No. 112, Nov. 1994, p. 8.

<sup>123</sup> USTR, *1995 Trade Policy*, p. 37; GATT, "BOP Consultations with Israel, Poland and Tunisia," *Focus*,

No. 110, Aug.-Sept. 1994, p. 7; and GATT, "BOP Consultations," *Focus*, No. 111, Oct. 1994, p. 5.

<sup>124</sup> USTR, "The GATT Working Group on Environmental Measures and International Trade," *The GATT Uruguay Round Agreements: Report on Environmental Issues*, Aug. 1994, p. 30.

<sup>125</sup> GATT, "Sub-Committee Completes Preparatory Work on Trade-Environment Issues," *Trade and the Environment*, No. TE 011, Jan. 6, 1995, p. 3.

<sup>126</sup> GATT, "Working Parties," *Focus*, No. 108, June 1994, p. 8.

<sup>127</sup> For a description of the G-3 Agreement, see Thomas Jennings, "G-3 Agreement Closer to Reality," *International Economic Review (IER)*, Jan. 1995, pp. 10-13; and Thomas Jennings and James Stamps, "Chile's Trade Agreements With Latin American Partners," *IER*, Nov. 1994, pp. 9-11.

<sup>128</sup> GATT, "Free Trade Agreements," *Focus*, No. 109, July 1994, p. 6.

<sup>129</sup> USTR, *1995 Trade Policy*, p. 34. Mercosur being an agreement entirely among developing countries, a number of developing country Contracting Parties considered the Committee on Trade and Development to be the more appropriate review body because it is more familiar with special GATT rules afforded to such countries. However, because such "special and differential" treatment rules are often less stringent than rules applied to developed country GATT members, the latter countries considered an article XXIV working party the more appropriate review body. As a compromise, it was agreed that the committee will carry out the review but under the standard review terms under article XXIV.

<sup>130</sup> According to USTR, as of Jan. 31, 1995, 25 countries were in various stages of accession negotiations to either GATT 1947 or the WTO. They were Albania, Algeria, Armenia, Belarus, Bulgaria, Cambodia, China, Chinese Taipei (Taiwan), Croatia, Ecuador, Estonia, Jordan, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, Moldova, Mongolia, Nepal, Panama, the Russian Federation, Saudi Arabia, Sudan, Ukraine, Uzbekistan, and Vietnam. USTR, GATT Affairs, "Procedures for Accession to the WTO," facsimile transmission dated Feb. 8, 1995.

<sup>131</sup> GATT, "Paraguay Becomes 115th Member of GATT," press release, GATT/1604, Jan. 6, 1994; GATT, "Grenada Becomes 116th Member of GATT," press release, GATT/1617, Feb. 16, 1994; GATT, "The United Arab Emirates Becomes 117th Member of the GATT," press release, GATT/1621, Mar. 9, 1994; GATT, "Guinea-Bissau Becomes 118th Member of the GATT," press release, GATT/1623, Mar. 21,

1994; GATT, "Saint Kitts and Nevis Becomes 119th Member of the GATT," press release, GATT/1624, Mar. 25, 1994; GATT, "Liechtenstein Becomes 120th Member of the GATT," press release, GATT/1626, Mar. 31, 1994; GATT, "Qatar Becomes 121st Member of the GATT," press release, GATT/1628, Apr. 11, 1994; GATT, "Angola Becomes 122nd Member of the GATT," press release, GATT/1629, Apr. 11, 1994; GATT, "Honduras Becomes 123rd Member of the GATT," press release, GATT/1630, Apr. 11, 1994; GATT, "Slovenia Becomes 124th Member of the GATT," press release, GATT/1650, Oct. 10, 1994; GATT, "The Republic of Guinea Becomes 125th Member of the GATT," press release, GATT/1661, Dec. 13, 1994; GATT, "Admission of Djibouti as a Contracting Party - Certification by the Director-General," L/7609, Dec. 21, 1994; GATT, "Admission of Papua New Guinea as a Contracting Party - Certification by the Director-General," L/7610, Dec. 22, 1994; and GATT, "Admission of Solomon Islands as a Contracting Party - Certification by the Director-General," L/7607, Dec. 28, 1994.

<sup>132</sup> GATT, "Accession Working Parties," *Focus*, No. 109, July 1994, p. 6; and USTR, GATT Affairs, "Procedures for Accession to the WTO," facsimile transmission dated Feb. 8, 1995, 6 pp.; USTR, *1995 Trade Policy*, p. 35.

<sup>133</sup> For further information, including 1994 developments, see the section on China in chapter 4 of this report.

<sup>134</sup> GATT, "China WP Begins Discussions on Protocol Elements," *Focus*, No. 109, July 1994, p. 3.

<sup>135</sup> USTR, *1995 Trade Policy*, p. 39.

<sup>136</sup> GATT, "Antidumping, Subsidies Committees Consider New Panel Reports," *Focus*, No. 98, Apr. 1993, p. 8.

<sup>137</sup> The 1993 panel regarding U.S. countervailing duties on certain hot-rolled lead and bismuth carbon steel products from France, Germany, and the United Kingdom, requested by the EU, continued its work in 1994.

<sup>138</sup> USTR, *1995 Trade Policy*, p. 38.

<sup>139</sup> *Ibid.*

<sup>140</sup> *Ibid.*

<sup>141</sup> *Ibid.*

<sup>142</sup> *Ibid.*, pp. 38-39.

<sup>143</sup> U.S. Department of State telegram, "GATT Aircraft Code Committee Meeting, October 21, 1994," message reference No. 009338, prepared by U.S. Mission, Geneva, Nov. 1, 1994.

<sup>144</sup> *Ibid.* For further detail concerning negotiations on trade in civil aircraft, see USITC, *OTAP 1993*, USITC publication 2769, pp. 45-47.



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# CHAPTER 2

## Regional Trade Activities

Regional trade initiatives were an important component of U.S. trade policy in 1994. The United States played an active role in the multifaceted work of the Asia-Pacific Economic Cooperation forum. A U.S.-initiated meeting among leaders in the Western Hemisphere prominently featured discussion of trade and other economic issues. The North American Free-Trade Agreement (NAFTA) entered into effect on January 1, 1994, serving as the primary U.S. vehicle for the conduct of trade relations with Mexico and Canada. Activities in all three regions resulted in commitments to further liberalize trade and investment. A review of 1994 developments follows.

### Asia-Pacific Economic Cooperation

Asia-Pacific Economic Cooperation (APEC) is an important organization for promoting open trade and economic cooperation in the Asia-Pacific region. Established in 1989 as an informal, consultative forum, the APEC 18 members are some of the most dynamic and fastest growing economies in the world.<sup>1</sup> They are also significant U.S. trading partners, with U.S.-APEC trade totaling \$747.8 billion in 1994, including imports of \$447.4 billion (or 68 percent of total U.S. imports) and exports of \$300.3 billion (or 63 percent of total U.S. exports).<sup>2</sup> The main APEC accomplishment in 1994 was setting a long-term goal of achieving free and open trade in the Asia-Pacific region by the year 2020. A variety of trade facilitation measures also progressed. The following section provides background information and a summary of 1994 developments.

#### Overview

APEC operates by consensus and its decisions are nonbinding. The APEC Chair rotates annually among the members and is responsible for hosting the annual Ministerial conference, a meeting of foreign and economic Ministers. APEC senior officials meet

regularly between the Ministerials to review APEC progress and to implement the decisions of the Ministers. The senior officials also oversee and coordinate, with the approval of the Ministers, the budgets and work programs of the 10 APEC committees and working groups. Annual informal meetings of APEC economic leaders were instituted in 1993 at President Clinton's suggestion.

During 1994, there was a broadening and deepening of APEC activities as evidenced by an increase in the number and scope of meetings, proposals, and programs. For example, in addition to four senior officials meetings (SOMs) and a sixth annual Ministerial meeting, a series of meetings took place involving APEC Ministers in charge of finance, environment, trade, and small and medium enterprises.

In general, APEC work during 1994 centered on ongoing working group efforts and the 1993 Leaders' initiatives, which identified several priorities for APEC action in the ensuing year, including<sup>3</sup>—

- To expand the economic dialog;
- To advance global and regional trade and investment liberalization;
- To involve to a greater degree the business sector in APEC activities;
- To establish education cooperation;
- To develop cooperation among small and medium enterprises (SMEs); and
- To build upon shared goals in APEC, which include improving training and skills development, advanced telecommunications and transportation systems, and enhanced protection of the environment.

Indonesia, in its role as chair of APEC in 1994, identified four priority areas for APEC during the year: human resources development, improvement of small and medium enterprises, infrastructure development, and business/private sector cooperation. Progress was made on each of these issues during 1994.<sup>4</sup>

## ***Working Group and Committee Activity***

The 10 technically oriented APEC working groups focused their activities in 1994 on a wide range of economic cooperation issues. In addition to trade promotion and trade and investment data, the groups addressed industrial science and technology, human resources development, regional energy cooperation, marine resource conservation, telecommunications, transportation, tourism, and fisheries.<sup>5</sup> The Committee on Trade and Investment (CTI), formally established at the 1993 Ministerial, is the primary vehicle for advancing APEC trade-related work.

One of the most contentious issues addressed during 1994 by the CTI was developing a set of nonbinding investment principles for consideration by the senior officials and the Ministers, as laid out in the 1993 Leaders' initiatives. An Investment Experts Group was established under CTI auspices to formulate the principles. Attaining agreement on three of the proposed principles—regarding national treatment, repatriation of profits, and performance requirements—was particularly difficult. A consensus was ultimately reached among APEC senior officials on an investment code including 12 principles. Nevertheless, the United States expressed serious reservations about the principles being proposed. Its concerns were twofold. First, the principles were weaker than those accepted by the United States in more formal agreements such as Bilateral Investment Treaties, the NAFTA, and the Uruguay Round Agreement on trade-related investment measures.<sup>6</sup> Second, the United States maintained that progress on implementing the principles would be difficult to gauge, because, as drafted, they did not set clear standards or objectives, but rather call for best efforts to move in certain general directions.

Following pressures from the other APEC members, the United States eventually agreed to the set of 12 nonbinding principles along with the other Ministers, considering them a useful first step in an ongoing APEC dialogue on investment policy. The principles cover such matters as—transparency, nondiscrimination between sources of investment, national treatment, investment incentives, performance requirements, expropriation and compensation, repatriation and convertibility, settlement of disputes, entry and sojourn of personnel, avoidance of double taxation, investor behavior, and removal of barriers to capital exports.

In addition to investment, the CTI pursued a variety of trade facilitation measures. These efforts aim to simplify, harmonize, and increase the transparency of rules and rule making and aim to lay the foundation for additional liberalization of trade and capital flows. The CTI Ad Hoc Standards Experts Group launched pilot studies on aligning standards by APEC members in several sectors and agreed to initiate discussions on mutual recognition of testing and other conformity assessment procedures.<sup>7</sup> The Ad Hoc Customs Procedures Group initiated a pilot project on paperless processing of air-express shipments. In addition, the CTI published a survey of APEC members' investment regimes.

Efforts by APEC groups other than the CTI during 1994 also should facilitate trade. The Working Group on Trade and Investment Data has made efforts in 1994 to develop a harmonized merchandise trade database for all APEC members and on the development of harmonized APEC-wide published data on services trade and on flows in foreign direct investment.<sup>8</sup> The Working Group on Trade Promotion's activities during 1994 included a seminar/training course on trade promotion, the first APEC trade fair, the establishment of the Asia-Pacific business network (APB-Net), and the collection of data useful to commercial business.

Among the trade-related sectoral initiatives that progressed during 1994 were the development of guidelines for regional harmonization of equipment certifications and for trade in international value-added network services, that were generated by the Working Group on Telecommunications and approved by Ministers at their November 1994 meeting.<sup>9</sup> Ministers also congratulated the Transportation Working Group for its work on regional transportation congestion points and for the completion of a survey on regional transport systems and services that could eventually result in upgrading the APEC transportation sector.<sup>10</sup> The Fisheries Working Group focused much of its efforts in 1994 on developing "areas of cooperation in fish harvesting and post-harvesting technologies, seafood trade, health and quality control for fisheries products, and aquaculture training and development."<sup>11</sup>

## ***Trade and Finance Ministers' Meetings***

When APEC Trade Ministers met in Jakarta on October 6, they assessed the outcome of the Uruguay Round, its implications for the Asia-Pacific region, and what actions might be appropriate to promote further regional and global trade liberalization. They requested that by November 1995, APEC supply them with a listing of all regional trade barriers that remain after



the Uruguay Round, along with recommendations for their elimination. In addition, they requested a report presenting options for a possible APEC dispute mediation mechanism by the same date. As noted below, both tasks have since been assigned to the Committee on Trade and Investment.

At their March 1994 meeting, APEC Finance Ministers agreed to further discuss areas of mutual interest, such as recent economic developments, capital flows, and financial market issues. They also instituted a plan to study regional capitalization, infrastructure financing, and bank supervision. Future meetings of Finance Deputies and Ministers were slated for March and April 1995, respectively.

### *Annual Ministerial Meeting*

The sixth APEC Ministerial meeting was held in Jakarta on November 11-12. The meeting was chaired by Minister Hartono, Coordinating Minister for Industry and Trade of the Republic of Indonesia and leader of Indonesia's delegation. The APEC Ministers endorsed the set of 12 nonbinding investment principles prepared by the CTI and asked the Committee to continue work on investment issues over the coming year. They also endorsed turning two ad hoc CTI groups—those addressing customs procedures and standards—into permanent subcommittees.

In order to strengthen APEC work on economic policy issues, the Ministers agreed to transform the current Ad Hoc Economic Trends and Issues Committee into a permanent Economic Committee to discuss growth strategies, capital flows, and other macroeconomic issues. Ministers noted that the Economic Committee's 1995 work plan will initially focus on the Committee's ongoing activities of preparing an annual economic outlook, analyzing the so-called 3Es project,<sup>12</sup> examining the links between privatization and liberalization, and studying the foreign direct investment trends of the region, industrial-technological linkages, and exchange-rate movements.

In an apparent reference to China and Taiwan, the Ministers expressed strong support for the completion of negotiations to enable non-General Agreement on Tariffs and Trade (GATT) members of APEC to become original members of the World Trade Organization (WTO). They affirmed that "these negotiations should be based on substantive and commercially meaningful commitments."<sup>13</sup>

With regard to other issues of importance to the United States, the Ministers endorsed a U.S. proposal to create an ongoing business/private sector advisory

body as recommended unanimously by the Pacific Basin Forum (PBF).<sup>14</sup> Ministers welcomed U.S. proposals for a meeting of Transport Ministers in 1995 and urged the Working Group on Telecommunications and other relevant fora to study the Global Information Infrastructure project.<sup>15</sup>

### *APEC Leaders' Meeting*

On November 15, Indonesia's President Soeharto hosted the second informal meeting of APEC Leaders in Bogor, Indonesia. APEC Leaders assessed the steps taken during 1994 to further the goals articulated at their last informal meeting, notably their commitment in the Blake Island Vision Statement to "continue to reduce barriers to trade and investment to enable goods, services, and capital to flow freely among our economies."<sup>16</sup> At the conclusion of their 1994 meeting, APEC Leaders issued the Bogor Declaration of Common Resolve, which laid out APEC plans for future economic cooperation and committed APEC to the long-term goal of achieving GATT-consistent free and open trade and investment in the Asia-Pacific region by 2020.<sup>17</sup> Even though the Bogor Declaration is nonbinding, it represents the first step towards the creation of the world's largest free-trade area.

The Bogor Declaration set two different deadlines for attaining free trade: 2010 for developed economies and 2020 for developing economies. The declaration did not identify which countries would be considered developed or developing, or the criteria on which such a distinction would be made. The phased-in timetable reflected the strong preferences of developing Asian economies for recognition of the diverse levels of economic development within APEC.

The differential timetable raised some concern that the United States could be disadvantaged if it is required to open its market fully before barriers are eliminated elsewhere in the Asia-Pacific region. However, in the Bogor Declaration, APEC Leaders stated that "we will start our concerted liberalization process from the very date of this statement."<sup>18</sup> The United States has maintained that, regardless of the end point, all APEC members should contribute from the outset to realizing the goal of open trade and investment in the region and receive benefits commensurate with their contribution.<sup>19</sup>

The actual blueprint for liberalization is to be developed during 1995, taking into account the recommendations on how to realize the APEC long-term vision through trade facilitation, trade liberalization, and technical cooperation that were made by the Eminent Persons Group (EPG)<sup>20</sup> and presented to Ministers earlier in the year, as well as the

PBF October 1994 recommendations. A core group of senior officials, under Japan's leadership as the chair of APEC in 1995, are expected to steer APEC efforts to prepare detailed proposals for implementing the Bogor Declaration's free-trade goals. The "action plan" will be considered by the APEC Leaders at their next meeting in Osaka in November 1995.

Developing the plan is expected to be difficult given the concerns that some APEC members have expressed over further liberalization of such sensitive sectors as agriculture and textiles, which will already undergo substantial adjustment as a result of the Uruguay Round. A "building block" approach was identified as one method for beginning the process of liberalization. Under this approach, action on such noncontroversial subjects as customs procedures and technical standards, which are already being addressed within the committees and working groups, would form the basis for progress in other areas. The Clinton administration has pledged to "consult closely with Congress and the U.S. business community as it works with our APEC partners to develop a plan that addresses the widest possible range of barriers to the free flow of goods, services, and capital."<sup>21</sup>

The Bogor Declaration also expanded on many themes of the 1993 Leaders' Initiatives and decisions taken by APEC Ministers. APEC Leaders "reaffirmed the importance of the ratification of early establishment of the WTO and full implementation of Uruguay Round commitments."<sup>22</sup> The leaders committed to further strengthen the multilateral trading system, emphasizing their willingness to accelerate implementation of their Uruguay Round commitments. APEC members also reiterated their opposition to creating an inward-looking trading bloc, agreeing instead to not only reduce barriers among APEC members, but between APEC economies and non-APEC economies.<sup>23</sup> APEC thus continues to embrace the concept of "open regionalism," a term the U.S. administration defines as referring to plurilateral trade arrangements that (a) are fully consistent with GATT requirements, notably that such arrangements do not increase average external barriers, (b) are open to new members, and (c) permit additional unilateral or reciprocal liberalization by participants.<sup>24</sup> In addition, the Declaration of Common Resolve includes—

- A commitment to continued unilateral liberalization by APEC members;
- A standstill commitment in which APEC members agree to 'endeavor to refrain from using measures which would have the effect of increasing levels of protection'; and

- A commitment to accelerate APEC trade facilitation programs and investment efforts.<sup>25</sup>

The leaders requested that APEC Ministers and senior officials submit trade facilitation proposals on customs, standards, investment principles, and impediments to market access for them to consider at their 1995 meeting.<sup>26</sup> These issues are currently being addressed by the CTI whose work program for 1995 includes the following:

- Reviewing regional trade arrangements;
- Reporting on deregulation initiatives by member economies;
- Developing proposals on dispute mediation;
- Conducting workshops to promote effective Uruguay Round implementation by APEC economies;
- Cataloguing impediments to trade in the region;
- Encouraging investment;
- Supporting trade by small and medium sized enterprises;
- Completing the pilot phase of the tariff database and manual project;
- Simplifying customs procedures;
- Harmonizing standards and conformance procedures; and
- Examining the role of competition policy in trade.<sup>27</sup>

The United States also received support from the leaders for the development of APEC study centers that would link APEC universities (12 in the United States so far) together through electronic communications networks.

## *Future Issues and Directions*

Several issues relating to membership and organization will confront APEC in the medium term. Two years remain on the moratorium on membership adopted in 1993. However, the organization has continued to receive requests for either full membership or participation in APEC working groups

as nonmembers.<sup>28</sup> At their 1994 meeting, APEC Ministers charged senior officials with working out criteria and principles to be used in considering such applications for submission in the 1995 APEC Ministerial. In addition, some countries and groups such as Colombia, Vietnam, and the European Union (EU) have requested observer status. APEC members, under increasing pressures from nonmembers, will continue to grapple with how far and wide, geographically, to expand membership, without diluting the organization's regional focus.

Another issue with implications for the future direction of APEC is the size and scope of secretariat activities. So far, a majority of APEC Ministers have emphasized their strong preference for a small, simple secretariat with most of the substantive work being carried out by the working groups or APEC members. However, as APEC work and projects multiply, the differences in perspectives between the developed economies, which increasingly would like to see more institutionalization, and the developing economies, which would prefer APEC to remain informally structured, could become more pronounced.

At their November 11-12 Ministerial, APEC Ministers acknowledged that the original agreement establishing the APEC secretariat was coming to an end. The Ministers requested that senior officials examine the secretariat's current arrangement and functions to determine if it was fulfilling APEC's ever changing needs, and present suggestions for new arrangements at the next Ministerial Meeting. Ministers also sanctioned the creation of a special task force, to review staffing and funding of the secretariat, that will report to the next Ministerial.<sup>29</sup>

Finally, the diverse levels of economic development and differences in political systems within APEC are bound to become more visible, especially as the difficult work on liberalization of trade and investment progresses. Nontrade issues such as technology transfer, environment, development assistance, infrastructure development (especially information infrastructure), energy, and other topics may also highlight the North-South differences within APEC.

## Summit of the Americas

### *Introduction*

The United States hosted the Summit of the Americas in Miami, FL, December 9-11, 1994—the

first time inter-American leaders had so convened in more than 25 years. In attendance were the 34 democratically elected Presidents and Prime Ministers of North America, Central America, South America, and the Caribbean. Summit participants pledged to complete negotiations for a Hemispheric free-trade area—the Free-Trade Area of the Americas (FTAA)—by 2005. In addition, the United States, Canada, and Mexico formally invited Chile to join NAFTA, and agreed to begin negotiations to that end in early 1995.

The Western Hemisphere currently accounts for nearly two-fifths of the market for U.S. merchandise exports and represents the source for nearly one-third of U.S. imports of goods. U.S. trade with Latin America<sup>30</sup> has increased significantly in recent years as those countries have stabilized their economies and begun to lift longstanding barriers to trade and investment. Latin America's merchandise trade with the United States totaled \$77.2 billion in 1994, up 12 percent from 1993. The largest U.S. trading partners in Latin America in terms of two-way trade during 1994 were Brazil (\$16.5 billion), Venezuela (\$11.8 billion), Colombia (\$6.9 billion), Argentina (\$5.9 billion), the Dominican Republic (\$5.8 billion), and Chile (\$4.5 billion). U.S. exports to the region totaled \$39.5 billion in 1994, up nearly 13 percent from \$35.0 billion in 1993.<sup>31</sup>

Key developments during 1994 leading up to the Summit of the Americas and an overview of the summit plans for the FTAA and for Chile's entry into NAFTA are discussed below.

### *Pre-Summit Developments*

In signing the NAFTA implementation legislation on December 8, 1993, President Clinton called for an economic summit of the Hemisphere's leaders to "plan how to extend the benefits of trade to the emerging market democracies of all the Americas."<sup>32</sup> On March 11, 1994, President Clinton formally announced the U.S. intention to host the Summit of the Americas in early December 1994 and to address two themes: "first, how to strengthen our democracies, defend them collectively, and improve our governance; second, how to promote economic growth while advancing a strategy of sustainable development that protects the environment and alleviates poverty."<sup>33</sup>

As plans for the summit developed, the Clinton administration advanced its views of future Hemispheric economic relations by espousing the idea of open regionalism<sup>34</sup> and by issuing two reports prepared for the Congress. By endorsing open regionalism, the Clinton administration aimed to create

“a hemisphere tightly intertwined through commerce and capital flows, yet open to competition with the rest of the world.”<sup>35</sup> Administration officials considered the emergence of market-opening and trade-creating subregional trade agreements in the Hemisphere as a favorable development, describing such agreements as “building blocks” for expanding trade.<sup>36</sup>

Section 108 of the NAFTA implementing legislation required the administration to produce two reports for the Congress in 1994 on possible extension of NAFTA to other countries. The first report, *Report to the President and the Congress on Significant Market Opening*, was prepared by the United States Trade Representative (USTR) and submitted to the President and the Congress on May 1, 1994. It provided, on a country-by-country basis, information on “significant market opening” worldwide. The report singled out Chile as a “regional leader in long term macroeconomic stabilization.” Furthermore, it stated that “the United States is committed to a free-trade arrangement with Chile.” The second report, *Recommendations of Future Free Trade Area Negotiations*, was prepared by the President and submitted to the Congress on July 1, 1994. That report stated that “other than Chile, the administration is not now prepared to name specific countries as candidates for future free trade area agreements.”

President Clinton’s March 1994 announcement of the Summit of the Americas launched activity in several arenas to develop a summit agenda. The White House, the National Security Council, and the National Economic Council had lead roles in summit preparations. U.S. officials conducted two rounds of consultations with officials of other countries in the Hemisphere during spring and fall 1994 before finalizing the summit agenda. Starting on July 20, 1994, the House Foreign Affairs Subcommittee on Western Hemisphere Affairs held a series of hearings on trade and economic issues in preparation for the summit.

The two largest hemispheric regional organizations, the Inter-American Development Bank (IDB) and the Organization of American States (OAS), along with numerous private- and public-sector organizations, sponsored conferences and working group meetings during the runup to the Miami summit. In September 1994, the IDB, the OAS, and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) released a report on Hemispheric free trade.<sup>37</sup> To achieve Hemispheric economic integration, the report recommended either converging and widening existing subregional agreements or allowing the members of subregional

agreements to accede to NAFTA as a group. Anticipating that the OAS would have a prominent role in implementing any goals announced at the summit, Vice President Gore and OAS Secretary General Cesar Gaviria signed the OAS Headquarters Agreement on November 17, 1994. The agreement aimed to strengthen cooperation between the United States and the OAS by underscoring a common commitment to reduce trade barriers, strengthen democratic institutions, improve health and education, and manage natural resources wisely within the Hemisphere.<sup>38</sup>

U.S. preparation for the summit was affected by delays in the legislative approval of the GATT Uruguay Round implementing bill and debate over renewed fast-track negotiating authority.<sup>39</sup> The administration’s proposal extending fast-track negotiating authority originally was included in the draft House and the Senate versions of the GATT Uruguay Round implementing legislation (H.R. 5110 and S. 2467). However, controversy over the proposal, particularly the inclusion of labor and environmental negotiating objectives within the ambit of the authority, led the Clinton administration to drop the request for fast-track authority on September 13, 1994, in order to expedite passage of the Uruguay Round bill. This was viewed as a setback by some proponents of a Hemispheric free-trade agreement, who had come to view renewal of fast-track authority before the summit as a signal of U.S. commitment to enter into serious negotiations. Moreover, they were concerned that the failure to renew would undercut any invitations to join NAFTA that the United States, Canada, and Mexico might extend during the summit.<sup>40</sup>

Based on consultations with other invited participants, the Clinton administration finalized the agenda for the Summit of the Americas in late September 1994. The three broad themes established were as follows:

- Making democracy work: reinventing government to institutionalize representative, transparent, and responsive democratic government;
- Making democracy prosper: Hemispheric economic integration to maximize economic potential, promote greater openness in markets and capital movements, and to sustain and extend the benefits of growth; and
- Making democracy endure: sustainable development by alleviating poverty and raising standards of health and education.<sup>41</sup>

## *The Summit*

The 1994 Summit of the Americas was the first meeting of the Hemisphere's leaders since a 1967 summit held in Punta del Este, Uruguay. Unlike the situation in 1967, the 34 Western Hemisphere leaders in attendance at the Summit of the Americas all were democratically elected. Cuba was the only country in the Hemisphere not represented at the Miami summit.

The focal point of the Summit of the Americas was the signing, on December 11, 1994, of a Declaration of Principles by all 34 summit heads of state. In the Declaration, signatories "resolve to begin immediately to construct the Free Trade Area of the Americas (FTAA) in which barriers to trade and investment will be progressively eliminated, . . . to conclude the negotiations of the Free Trade Area of the Americas no later than 2005, and agree that concrete progress toward the attainment of this objective will be made by the end of this century."<sup>42</sup> The summit participants drafted a "Plan of Action" that schedules the Hemisphere's Trade Ministers to convene in June 1995 to draft a more complete plan for FTAA negotiations. USTR Michael Kantor announced that the United States will host such a meeting in Denver, CO, on June 30, 1995.<sup>43</sup> Another Ministerial convention is scheduled for March 1996, when the date will be set for the next summit meeting of the Hemisphere's heads of state. Signatories also pledged to keep their policies consistent with the provisions of the GATT/WTO, to refrain from erecting barriers to nations not included in the FTAA, and to avoid "disguised restrictions" on trade as economic integration and free trade in the Hemisphere are implemented.

In a separate joint statement also released on December 11, 1994, President Clinton, Prime Minister Jean Chretien of Canada, President Eduardo Frei of Chile, and President Ernesto Zedillo of Mexico stated their intention to begin negotiations for Chile to accede to NAFTA.<sup>44</sup> The joint statement also outlined the initial schedule for consultations among NAFTA partners and established mileposts for negotiating Chilean accession. Canadian, Mexican, and U.S. representatives met in Mexico City on December 20, 1994, to begin drafting criteria for Chilean admission into NAFTA.<sup>45</sup> According to the December 11, 1994, joint statement, the Trade Ministers of the NAFTA countries are to review the preparatory work on Chilean accession by May 31, 1995. Full accession negotiations are to occur "expeditiously thereafter," although the joint statement establishes no timetable for accession to be implemented.

## **The North American Free-Trade Agreement**

The North American Free-Trade Agreement (NAFTA) marked its first year of operation in 1994. NAFTA's entry into force resulted in the immediate elimination of duties on about one-half of U.S. exports to Mexico in terms of value and the launch of progressive reductions in remaining tariffs over a 15-year period. Nontariff barriers to trade in goods and impediments to services and foreign direct investment also started to come down. NAFTA was accompanied by agreements on labor and the environment, as well as efforts to expand cooperation on transportation issues of mutual interest.

NAFTA's first year was marked by vigorous trade and investment expansion, but some friction as progress on implementing NAFTA-related commitments proved fitful and frustration over technical obstacles to trade grew. Much of 1994 policy activity was devoted to establishing NAFTA-related institutions and resolving startup difficulties. Nevertheless, NAFTA appears to have served as a vehicle for governmental cooperation on a variety of regulatory matters and provided a valuable context for resolving both new and long-standing problems. The three NAFTA partners actively began to consider ways to expand their special trading relationship to other countries in the Western Hemisphere. Other efforts to address the pact's effect on third countries were also made. A survey of developments in each area follows.

### *Overview*

The rapid expansion of trade among NAFTA signatories in its inaugural year was consistent with recent trade patterns and testimony to the continued integration of the economy of the United States with that of Mexico and Canada.<sup>46</sup> U.S. exports to Mexico grew at twice the rate of U.S. exports to other markets (though at a somewhat slower pace than Mexico's overall imports) and Mexico's exports to the United States rose slightly faster than its exports to the rest of the world. Mexico's trade with Canada, meanwhile, expanded at an even faster clip, though from a much smaller base.<sup>47</sup> U.S.-Mexico trade in automobiles and parts, electronics, consumer goods, and agricultural commodities expanded vigorously, as did the number of successful joint ventures among North American firms.<sup>48</sup> NAFTA appears to have helped Mexico to attract foreign direct investment for much of 1994, particularly from Europe and Asia, even in the face of unsettling domestic political and economic

developments that adversely affected inflows of portfolio capital. (For more details about Mexico's trade, investment, and economic performance in 1994, see chapter 4.)

Despite some reports to the contrary,<sup>49</sup> the "good news" about the first NAFTA year was widely heralded. In a statement marking the anniversary of congressional passage of the accord, Ambassador Kantor declared that "export expansion to Mexico in 1994 alone has supported 130,000 export-related jobs in the U.S. economy—and we know these jobs pay higher than average wages."<sup>50</sup> Noting that U.S. exports to Mexico and Mexico's exports to the United States were both rising, President Clinton said of NAFTA, "It's been a good deal for us and a good deal for them. There has been no 'giant sucking sound,' except for American goods crossing the border."<sup>51</sup> The President's Council of Economic Advisors, meanwhile, noted that U.S. gains from NAFTA include an improved "ability to specialize and compete more effectively in world markets" and increased opportunities for U.S. firms as Mexico develops.<sup>52</sup>

Figures on the number of workers applying for U.S. NAFTA-related adjustment assistance suggest that,<sup>53</sup> if the Commerce Department's estimates are accurate,<sup>54</sup> the jobs supported by NAFTA-induced exports were far higher than the number of jobs lost to competition with Mexico and Canada during NAFTA's inaugural year (although there is reason to believe that some displaced workers chose to apply for other adjustment programs rather than the NAFTA Transitional Adjustment Assistance program).<sup>55</sup>

Even with overall trade and job gains, events conspired to bring divisions over NAFTA to the surface by the year's end. Other aspects of the job picture were a primary focus of such debate.<sup>56</sup> Using a disputed methodology that looked at both imports and exports,<sup>57</sup> and netted out re-exports, a staff study by the Joint Economic Committee prepared for one of its members argued in late November that during NAFTA's first 9 months, its impact on employment had "been, at best, a wash."<sup>58</sup> House Majority Leader Richard Gephardt lamented the fact that U.S. imports from Mexico had grown faster than U.S. exports and that some U.S. workers had lost jobs to competition with NAFTA partners.<sup>59</sup> Economic events in Mexico fueled such arguments, when, less than a month after the anniversary of NAFTA passage, newly sworn-in President Ernesto Zedillo was forced to abandon the peso's official rate of exchange for the dollar in light of the country's precariously low foreign exchange

reserves and widening current account deficit (see chapter 4 for details).

In January 1995 several members of the U.S. House of Representatives introduced legislation to require U.S. withdrawal from NAFTA.<sup>60</sup> No hearings have been held on the bill. The case for withdrawal was weakened when Mexico announced on February 28, 1995, that it would impose tariffs on a small number of selected imports from countries with which it has no free-trade agreement up to the levels it had bound in the Uruguay Round, and seek to negotiate bilateral quotas on textiles and apparel. Both steps were part of a larger, apparently successful, effort to stabilize the peso on foreign-exchange markets (see chapter 4 for details).

Before the peso crisis, a variety of developments had already raised tensions among the three NAFTA parties. A long series of technical problems and apparent lapses in applying the agreement, mostly involving Mexico, arose in 1994, disrupting trade and causing frustration to U.S. businesses.<sup>61</sup> U.S. and Canadian negotiators spent much of 1994 seeking to resolve long-standing disputes over commodities such as lumber, wheat, and dairy products, and began wrangling over proposed Canadian restrictions on U.S. broadcasters and magazines.<sup>62</sup> Mexico objected to several U.S. actions such as the imposition of local-content labeling requirements for automobiles, a continued embargo on Mexican tuna in accordance with the Marine Mammal Protection Act, dumping duties on Mexican cement, and the U.S. request for Mexican and Canadian agreement to extensive public participation in NAFTA dispute settlement procedures.

The peso crisis and ensuing policy response have raised some concern about the near-term prospects for U.S. trade relations with Mexico and the rest of the Hemisphere. Yet all of the measures announced by Mexico thus far to deal with the crisis appear to be consistent with NAFTA and with Mexico's other international trade obligations. Few of the stabilization measures are directly trade-related, and the trade-related measures concern a small number of consumer nondurable goods (textiles and apparel, shoes, and leather goods). Not only do Mexico's international obligations appear to have influenced the policy response of the Mexican Government in a fairly orthodox direction that includes the removal of remaining economic distortions, but they appear to have provided a more consistent framework for the conduct of U.S. trade than would otherwise exist.<sup>63</sup>

## ***Implementation of NAFTA Commitments***

Much of 1994's NAFTA-related policy activity was devoted to establishing the institutions, rules, and procedures necessary for NAFTA itself to fully function as a legal instrument.<sup>64</sup> Doing so involved both domestic and cooperative measures by the three NAFTA parties.<sup>65</sup>

On the cooperative level, Trade Ministers from the NAFTA countries met for the first time as the Free-Trade Commission on January 14, 1994. Among the topics on the agenda were the launching of committees and working groups already established under NAFTA auspices. The Ministers agreed to establish two new committees to ensure effective implementation of NAFTA's commitments, one on government procurement and another on investment and services. Each of the committees and working groups are staffed by current government employees.

Nearly all NAFTA committees and working groups began operation in 1994. Those that did not meet in 1994 had little basis on which to proceed.<sup>66</sup> Their primary activities during the year were exchanging information, setting work plans, and anticipating and addressing a variety of technical and administrative matters that arose after the agreement's inception.

The following discussion describes developments during 1994 in key aspects of the NAFTA agreement: rules of origin, customs administration, marking rules, agriculture, technical standards, services, and government procurement.

### **Rules of Origin**

The NAFTA Working Group on Rules of Origin and its Customs Subgroup held numerous meetings in 1994 in an effort to ensure consistent application of NAFTA rules of origin and work out problems identified. During 1994, NAFTA rules of origin reportedly proved cumbersome to comply with for many companies,<sup>67</sup> particularly ones where regional value-content rules apply.<sup>68</sup> In an effort to rectify such difficulties, the NAFTA Working Group on Rules of Origin is developing changes in NAFTA rules of origin for chemicals and chemical products. For certain chemicals and chemical products, the working group is proposing to replace some value-content rules with the change in tariff classification method, which is used for most products covered by the agreement.<sup>69</sup>

Meanwhile, preliminary U.S. Customs Service data on compliance with NAFTA-origin rules reportedly show a very high level of compliance for imports from

Mexico for which NAFTA preferences are claimed (only 2 percent did not comply). About one-fifth of the claims for NAFTA preferences from Canada reviewed were not in compliance, with some industries having particularly high rates of noncompliance. U.S. Customs is reportedly working on an "appropriate intervention strategy."<sup>70</sup>

### **Customs Administration**

There was some initial confusion among Mexican customs officials as to the need for NAFTA certificates of origin.<sup>71</sup> According to NAFTA, certificates of origin are only required if NAFTA treatment is claimed. Even then, the certificates do not need to be presented with every shipment as it clears customs but rather must be in the possession of the importer and made available when requested by the customs administration. Initially, some Mexican customs officials were insisting that a NAFTA certificate be presented with each shipment. Although this was not contrary to NAFTA rules, it was viewed as unnecessarily burdensome by U.S. officials.<sup>72</sup> The U.S. Government has also complained that lack of prior notification and differing interpretations of regulatory requirements by Mexico pose a problem for U.S. exporters. Meanwhile, some Mexican importers of U.S. beer, cigarettes, and footwear apparently were removed from Mexico's import registry due to lack of familiarity with re-registration requirements.<sup>73</sup>

More indirectly related to NAFTA were U.S. retailer complaints when they began to suffer side effects of Mexican actions taken in the summer of 1994 to prevent circumvention of dumping duties on textiles, apparel, and footwear from China and other East Asian suppliers. J.C. Penney, Walmart, and K-Mart, who source from the Far East, were among the retailers who found it difficult if not impossible to comply with the certificate-of-origin requirements imposed on non-NAFTA shipments to Mexico, given their use of large distribution and storage centers in the United States to serve both the U.S. and the Mexican markets. (The requirements do not apply to goods marked "Made in the U.S.A." or goods that qualify for NAFTA tariff preferences and have a NAFTA certificate of origin.)<sup>74</sup> The National Retail Federation proposed an alternate tracking system to Mexico's Commerce Ministry, SECOFI, in late October 1994,<sup>75</sup> but Mexican authorities reportedly are skeptical that the system will reliably prevent transshipments.<sup>76</sup>

U.S. retailers with stores along the U.S. border with Mexico complained that disparities in duty-free exemptions were diminishing their sales prospects with Mexican citizens.<sup>77</sup> In a December 1, letter to the

Senate Appropriations Committee, Ambassador Kantor said that cooperation among the three NAFTA customs administrations offers “the best prospects for successful resolution of such concerns.” Previous USTR and Customs comparisons pointed out that, taken as a whole, Mexico’s policy is actually more liberal than that of the United States or Canada. In late 1994, the three NAFTA parties agreed to discuss the matter within the context of several trilateral customs fora.<sup>78</sup>

## Marking Rules

NAFTA’s marking rules—which were created for use on NAFTA shipments—are used for a variety of other customs administration purposes. During the NAFTA tariff phaseouts, they are used to determine which tariff (the Canada rate or the Mexico rate) applies to goods that undergo processing in or have inputs from more than one NAFTA country. They also are used to establish whether certain textile and agricultural products qualify for NAFTA treatment. At the Free-Trade Commission meeting on January 14, 1994, Mexico and Canada took issue with the U.S. position that NAFTA does not require that marking rules by the three NAFTA parties be uniform. Rather, the United States maintained, NAFTA only requires that rules be published.

Mexico and Canada were of the view that the marking rules for all three countries should be both published and uniform. They were reportedly particularly interested in a U.S. commitment to be bound by the published rules (even if they were not uniform). Canada suggested that the problem would be obviated if the three countries voluntarily negotiated uniform marking rules. All three countries agreed on the desirability of attaining uniform rules. Currently, about 5 percent of the rules are not uniform among the parties. However, bridging the gaps is viewed as difficult. Moreover, the United States continues to insist that it needs the flexibility to unilaterally modify its marking rules, because the same rules are now being applied to all other import programs that require a determination of origin to be made.<sup>79</sup>

By the time NAFTA entered into force, the three countries had agreed on uniform regulations for chapter 4 of NAFTA and uniform standards for chapter 5. The United States had published its regulations in late 1993 as proposed interim rules. Modification of the proposed rules became a prime focus of the NAFTA Committee on Rules of Origin. By the end of 1994, the three NAFTA parties reached agreement on a set of uniform modifications to the chapter 4 regulations that will be published verbatim by each

NAFTA signatory shortly and are slated to become effective January 1, 1996.

## Agriculture

In accordance with NAFTA, Mexican import licenses were replaced with tariff rate quotas (TRQs) as of January 1, 1994. Despite the elimination of the licenses, the United States continues to express several concerns about market access as a result of Mexico’s administration of the new regime, which pertains to a variety of agricultural and other goods.<sup>80</sup>

The initial U.S. concern was that for most agricultural commodities a mechanism for allocating TRQs had not been put in place. Even after the allocation procedures were announced, the United States continued to be concerned with how Mexico allocated quotas. Among the methods Mexico employed were holding public auctions for the quota rights. U.S. officials expressed concern that auctions could add to the cost and uncertainty of doing business in Mexico and restrict trade. Mexico explained that it viewed auctions as a more transparent and fair mechanism for allocating quota rights than a first come, first served system. Based on its experience in 1994, USTR recently stated that “rights to import quotas have been auctioned at prices representing marginal or insignificant percentages of the goods’ value.”<sup>81</sup>

The United States’ main objective was ensuring that fair and transparently applied opportunities were available to fill the TRQs. At a May 10, 1994 meeting, Mexico agreed to inform the U.S. Government of quota fill rates and quota holders on a timely basis. Mexico’s TRQ administration was discussed at the November 15, 1994, initial meeting of the Committee on Agricultural Trade established by NAFTA article 706. According to U.S. trade data, most 1994 TRQs were filled.<sup>82</sup> However, a variety of restrictions have been applied to in-quota imports, information on holders of quota rights and fill rates has been difficult to obtain, and U.S. exporters continue to face similar uncertainties in 1995.<sup>83</sup>

Unlike other wood products, construction grade lumber is not subject to TRQs. However, Mexico interpreted its NAFTA commitment to provide duty-free access for such lumber as being strictly limited to the specified end use. SECOFI thus decided to impose an import-registry requirement that essentially limited duty-free import access to 30 or so construction firms. Previously, U.S. construction grade lumber was imported by distributors and other channels.



Differing interpretations of the precedence to be accorded liberalization commitments contained in NAFTA and in the Uruguay Round Agreement regarding agriculture were also evident. During 1994, these differences fueled a long-standing dispute regarding Canada's treatment of U.S. dairy, poultry, eggs, and other products. Although the Government of Canada has provided assurances to the United States regarding minimum access levels for such products,<sup>84</sup> the United States claims that NAFTA provisions calling for the gradual elimination of all existing tariffs and prohibiting any new tariffs apply as well to the high tariffs resulting from Uruguay Round tariffication. Canada maintained that it should be allowed to implement and maintain the new Uruguay Round tariffs on imports, including with respect to imports from its NAFTA partners, because those tariffs simply replace Canada's previous quantitative restrictions, which are allowed under NAFTA. The issue is particularly sensitive for Canada because of Quebec's threat of secession from Canada. Quebec farmers receive a large share of their income from the protected dairy, poultry, and egg sectors.<sup>85</sup>

Such differences also affect U.S. sugar trade. When the changes in the U.S. tariff schedule associated with the Uruguay Round were proclaimed, the United States ultimately decided to count Mexican and Canadian sugar and Canadian sugar-containing products under the global tariff-rate quotas established in the Uruguay Round. Domestic sugar producers feared that failure to do so could undermine the U.S. sugar program and set a bad precedent as NAFTA was expanded to other countries in the Hemisphere. The result of the complicated changes introduced is that Canada will face an immediate reduction in the quantity of sugar and sugar-containing products it exports to the United States, while Mexico could eventually displace other sugar suppliers to the U.S. market.<sup>86</sup>

## Technical Standards

Product standards were a source of frustration throughout 1994. The unanticipated enforcement by Mexico of product standards, and certification and labeling requirements issued March 7 and effective the following day essentially closed down the border for several days. NAFTA and the Uruguay Round Agreement on Technical Barriers to Trade both call for advanced notification of new regulatory requirements so as to minimize trade disruptions. Among other things, the March rules required that Spanish-language labels be affixed to goods prior to entry into Mexican territory, changed technical standards for over 400 products, and stipulated that product certification

would only be granted to importers and were nontransferrable.<sup>87</sup> U.S. officials immediately consulted with the Mexican authorities, resulting in the issuance on March 17 of clarification that ameliorated some problems with the March 7 rules.<sup>88</sup>

The NAFTA Committee on Standards Related Measures serves as a regular forum for vetting regulatory issues. At its June 15 meeting, the committee agreed to establish a working group on labeling. Nevertheless, new product certification rules issued by Mexico and additional Spanish-language labeling and packaging requirements proposed in July served to keep concerns over technical barriers high for the remainder of the year.<sup>89</sup> The new testing and certification rules affect 300 or so products subject to mandatory safety and performance standards and are significantly more restrictive than prior Mexican practice.<sup>90</sup> Even so, U.S. officials are encouraged by the advance notification and extended comment period Mexico provided for these measures, and report that dialogue in the NAFTA Committee on Standards has sometimes influenced Mexico's emerging policy.<sup>91</sup>

Mexican sanitary and phytosanitary requirements on grains, meat, potatoes, and tree fruits such as cherries and peaches were also a source of U.S. concern during the year.<sup>92</sup> Proposed fumigation requirements for grain sparked a series of bilateral discussions with Mexican plant health authorities in 1994.<sup>93</sup> Bilateral talks among farm officials during late June apparently resulted in improvements to new meat inspection and labeling rules before they entered into effect July 6.<sup>94</sup> The U.S. Meat Industry Trade Policy Council had expressed serious reservations about draft rules that had been issued on April 27.<sup>95</sup> At its October 6 meeting, the NAFTA Committee on Sanitary and Phytosanitary measures agreed to establish a four-person panel of scientific experts to examine Mexico's ban on imports of U.S. sweet cherries. In addition to specific problems, the United States has expressed concern about the issuance by Mexico, starting in August 1994, of a large number of new sanitary and phytosanitary import regulations that represent significant departures from current practice and have impeded U.S. agricultural exports.<sup>96</sup>

Despite such problems, work on harmonization of technical regulations and product approval procedures among the NAFTA parties began in 1994. For example, a work program on telecommunications was agreed to by the July 1, 1994, deadline established in NAFTA.<sup>97</sup> Work on harmonizing various land transportation standards was also well under way.<sup>98</sup> After consulting on September 1, members of the Automotive Standards Council agreed to begin developing a plan for addressing incompatible safety

and environmental regulations for motor vehicles in 1995.<sup>99</sup> U.S. and Mexican plant health officials made good progress on technical arrangements that should make it possible for Mexico to export avocados, apples, and peaches to the U.S. market.<sup>100</sup>

## Services

Mexico accepted and processed the first round of applications to participate in its commercial banking system. Final regulations establishing the application procedure were published in the April 21, 1994, *Diario Oficial*. A total of 102 applications were filed by U.S., European, and Japanese firms eager to exploit the opportunities created by NAFTA.<sup>101</sup> Preliminary authorizations were issued in October 1994 for foreign investments worth 6.25 percent of total investment in Mexico's banking sector. In accordance with NAFTA annex VII (B), foreign holdings were capped at 8 percent for 1994.<sup>102</sup>

Reservations for six U.S. States and all Canadian Provinces from the commitments contained in the NAFTA financial-services chapter 14 were exchanged by January 1, 1994, the deadline set in NAFTA. However, the parties agreed to a 6-month grace period during which outstanding issues with the Canadian Provincial authorities could be worked out.<sup>103</sup> At the mid-April meeting of the NAFTA Financial Services Committee, Mexico reportedly expressed concern about the extensiveness of U.S. reservations in the insurance area.<sup>104</sup> Work on developing the reservations for the remaining 44 U.S. States formally began in mid-July and was completed as scheduled by January 1, 1995. A parallel effort to specify State-level quantitative restrictions that will be exempted from NAFTA was also under way. The three parties agreed to extend the deadline for completing the list, which will become part of annex V to NAFTA chapter 12, until March 1995.

NAFTA committed Mexico to treat U.S. package delivery service firms no less favorably than Mexico's own providers in like circumstances. However, Mexico initially disagreed with this interpretation and refused to implement its NAFTA commitment until similar access was provided for Mexican firms in the United States. NAFTA recognizes no such quid pro quo: the United States specifically included courier services in its reservation list, thereby formally exempting the sector from the national treatment, most-favored-nation (MFN), and local-presence provisions of NAFTA chapter 12.<sup>105</sup> Several vain attempts at progress were made during which the United States agreed to liberalize access to the U.S. small package market for

Mexican companies.<sup>106</sup> President Clinton notified Congress on October 6 that he intends to modify a moratorium on the issuance of certificates of operating authority to Mexican owned or controlled small package carriers. However, because firms such as United Parcel Service (UPS) still do not enjoy access to the Mexican market on par with Mexican national firms, the United States has not lifted its moratorium.<sup>107</sup> Rather, the United States announced in April 1995 that it would pursue a complaint under NAFTA dispute settlement procedures. Mexico, meanwhile, issued draft regulations on small package delivery service laying out new limitations.<sup>108</sup>

The United States has thus far been unsuccessful in its efforts to secure treatment for U.S. carriers within Mexico's 20-kilometer border zone comparable to that granted by Mexico to Canada after NAFTA's entry into force.<sup>109</sup> Mexico and Canada signed a memorandum of understanding (MOU) in March 1994, granting Canadian motor carriers access to Mexican trucking terminals and facilities in the border zone, a right not enjoyed by U.S. carriers. Because the access to Canadian carriers was granted after NAFTA was implemented, Mexico is, the United States maintains, obligated by the NAFTA MFN clause to grant the United States comparable access. The United States thus requested the same rights for U.S. carriers. Although discussions have been held on the matter, to date, Mexico has not granted the United States comparable access. The United States is considering next steps.<sup>110</sup>

## Government Procurement

Implementation of NAFTA commitments regarding public procurement proceeded fairly well. During 1994, the three sides discussed creation of an electronic bulletin board to facilitate access to information regarding NAFTA-covered procurements and began the efforts called for in NAFTA to help small businesses avail themselves of contract opportunities.

For its part, the United States has been monitoring Mexico's implementation of the procedural reforms called for in NAFTA and its calculation of the amount of procurement that will be "set-aside" (exempted) from the agreement's obligations. On January 1, 1994, Mexico instituted a new government procurement law that covers purchases by Federal agencies, parastatal firms, and the Department of the Federal District (Mexico City).<sup>111</sup> Article 5 of the law requires that government procurement practices be consistent with NAFTA procurement provisions. Article 23 requires government purchasing agents to publish annual

procurement and construction plans by March 31 of each year.<sup>112</sup>

Issues unresolved at yearend included—transitional set aside reporting by Mexico's state oil company, PEMEX, and national electricity commission, CFE; concerns over U.S. legislation streamlining the Federal procurement system; a proposed U.S. concordance on construction; and revisions in the Goods Annex 1001.B-1 suggested by Canada and Mexico.<sup>113</sup>

## ***Dispute Settlement***

NAFTA creates several mechanisms for the resolution of disputes that supplement WTO dispute settlement mechanisms. One of these, contained in NAFTA chapter 19, allows private parties to appeal antidumping and countervailing duty decisions to binational panels. The panels, formed from rosters of experts maintained by each NAFTA party, are empowered to require domestic administering authorities to reconsider their decisions in light of the panel findings.<sup>114</sup> This system was first developed in the U.S.-Canada Free-Trade Agreement, and has been carried over to NAFTA with little change.

Such dispute settlement mechanisms are an important complement to the procedural guarantees and more uniform approach to the assessment of dumping and countervailing duties embodied in NAFTA. Because NAFTA provisions are modeled on current U.S. and Canadian practice, Mexico's system for administering antidumping and countervailing duty investigations will undergo the greatest change as a result of NAFTA. In 1994, Mexico had one of the world's highest levels of unfair-trade cases brought against imports by domestic industries, nearly one-third of them involving sales by U.S. firms.<sup>115</sup> Antidumping cases have quadrupled in recent years, particularly in such sectors as chemicals, metals, textiles, mineral products and paper, according to a U.S. Department of Commerce analysis of June 1994.

NAFTA also envisions that panels of experts will consider disputes concerning financial services (chapter 14) and all other obligations of the agreement (chapter 20), and that private investors will have access to a roster of arbitrators for purposes of resolving investor-state disputes (chapter 11). Separate rosters of experts for each type of dispute are called for in the agreement.

At yearend, however, the three parties had yet to formally exchange dispute settlement rosters for any of the provisions of the agreement and were not close to agreeing on the rules of procedure that would guide

dispute settlement under NAFTA chapter 20. Even so, NAFTA parties threatened to bring disagreements over various policies to NAFTA dispute settlement in 1994 and chapter 19 dispute settlement panels were formed in the absence of formal rosters.<sup>116</sup> Agreement on rules of procedure was not possible in light of the U.S. request during 1994 to open the formally closed dispute settlement process to greater public scrutiny and fairly extensive participation by nonparties.<sup>117</sup> Canada and Mexico were united in their opposition to such changes.

With respect to chapter 20, one dispute was effectively settled during the initial consultative phase of the procedure, obviating the need to convene a panel to consider the matter.<sup>118</sup> The cancellation of plans to privatize Toronto International Airport and a proposed Canadian requirement that cigarettes be sold in plain paper packaging both evoked protests by U.S. investors, though they declined to pursue investor-state dispute settlement under NAFTA chapter 11.<sup>119</sup>

In all, a total of nine chapter 19 dispute proceedings were initiated in 1994. Two were appeals of U.S. agencies' determinations, one of them by Mexico. The remaining seven were filed by U.S. producers: four were appeals of Canadian agencies' determinations, and three were appeals of Mexican agencies' determinations. One of the proceedings initiated in 1994 reached a conclusion during the year: panel review of an appeal of a Canadian decision regarding apples was terminated by consensus of the participants. In addition, six panels requested under the U.S.-Canada Free-Trade Agreement issued decisions in 1994.<sup>120</sup>

An Advisory Committee on Private Commercial Disputes was formally named on October 28, 1994, as called for in article 2022 of NAFTA. It met for the first time on November 14, 1994, initiating work on a variety of issues at the request of the NAFTA Commission. Four working groups, composed of private-sector members from each NAFTA country, were established to conduct research and analysis of issues relating to alternate dispute resolution. Their progress on these issues was to be reviewed when the full committee met in June 1995.<sup>121</sup>

## ***“Deepening” NAFTA***

The three NAFTA parties pursued negotiations on several matters during 1994 in an effort to “deepen” NAFTA commitments beyond NAFTA itself. The most notable of these involved creation of a trilateral coordinating secretariat for the NAFTA to serve as the counterpart for the secretariats for the supplemental

agreements on labor and environmental cooperation, specific provisions of NAFTA, and tariffs.

At their January 14 meeting, NAFTA Ministers mandated the establishment of a NAFTA Coordinating Secretariat (NAFTACS) to complement the National Secretariats already provided for in the agreement.<sup>122</sup> Negotiations during 1994 centered on defining its role and budget. Mexico worked vigorously throughout the year to ensure the creation of a coordinating secretariat commensurate in size and stature with the secretariats established under the supplemental agreements on the environment and labor.<sup>123</sup> As its disagreement with the United States over the functions and staffing of the proposed trade secretariat endured, Mexico refused to settle other NAFTA matters of interest to the United States.<sup>124</sup>

A MOU to establish the secretariat was initialed in August, reflecting trilateral agreement on the functions of the secretariat and the ultimate level of staffing. Although the United States finally agreed to staff the NAFTACS at 15, such matters as the schedule for reaching full staffing, whether persons on temporary leave from governmental or private employment would be eligible, and budgetary issues remain unresolved, and the MOU has yet to be formally signed.

Several of the NAFTA committees and working groups—namely those on standards-related measures, services, government procurement, trade and competition, and antidumping and subsidies—are charged by NAFTA with further developing NAFTA disciplines or taking specific steps to facilitate trade among the NAFTA parties. Most of these efforts appeared to be on track by yearend. Among their accomplishments was agreement by the Working Group on Trade and Competition to apply the 1986 Organization for Economic Cooperation and Development (OECD) recommendation on antitrust cooperation to transactions of interest to all three NAFTA partners, in recognition of Mexico's entry into the OECD.<sup>125</sup> The Committee on Government Procurement held initial discussions regarding expansion of coverage to sub-Federal entities, as required by NAFTA article 1024.

During congressional consideration of NAFTA implementing legislation, Ambassador Kantor sought and received assurances from Mexico and Canada that they would engage in early discussions on accelerating the pace of tariff elimination beyond that envisioned in NAFTA. Little progress on the issue was made in 1994. Despite considerable U.S. and Canadian business interest and a trilateral meeting on the matter held March 10,<sup>126</sup> tariff acceleration negotiations were

effectively put off until after Mexico's August 1994 presidential election. The tariff acceleration talks are set to formally resume, NAFTA Ministers announced after their June 7, 1995 meeting.

## ***Status of Supplemental Agreements to NAFTA***

Even though neither accord had a fully functioning secretariat by yearend, considerable progress was made in implementing supplemental agreements on environmental and labor cooperation that accompanied NAFTA. Progress on implementing environmental accords has generally outpaced progress on the labor agreement. There have been efforts to ensure coordination between the commissions on labor and environment and the Free-Trade Commission.<sup>127</sup> In the United States, the Cabinet-level National Economic Council played a role in ensuring a consistent U.S. policy in all three fora.

## **Agreements on Environmental Cooperation**

Three environment-related agreements supplement NAFTA. The first—the North American Agreement on Environmental Cooperation (NAAEC)—is trilateral. The other two, to establish a North American Development Bank (NADBank) and Border Environmental Cooperation Commission (BECC), are bilateral agreements between the United States and Mexico.

The NAAEC establishes a Commission for Environmental Cooperation (CEC) to oversee its operation. The CEC is composed of a Council of Ministers and a Secretariat, headed by an Executive Director, and a 15-member Joint Public Advisory Committee. Prior to the CEC formal establishment, the three countries' Environmental Ministers met on March 24, in Vancouver, Canada, to establish the CEC initial priorities.<sup>128</sup> Montreal, Canada, was named the site for the CEC secretariat on March 28, and a Mexican executive director for the CEC secretariat was named on July 6.<sup>129</sup> A meeting regarding the CEC was held in San Francisco during early July at which it was agreed that the Commission would have a staff of 31. Members of the Joint Public Advisory Committee were announced shortly thereafter. On July 26, the CEC Council, composed of the Environment Ministers of Canada, Mexico, and the United States, held its first regular public session. They approved a 1994 work plan and reviewed a tentative 1995 work plan for the CEC,<sup>130</sup> along with CEC budgets for 1994 and

1995.<sup>131</sup> A series of informal trilateral discussions about the 1995 work plan were held in the fall of 1994.

Locations of NADBank and BECC—San Antonio, Texas and Ciudad Juarez, Mexico, respectively—were announced on March 30, 1994.<sup>132</sup> NADBank's primary role is to develop financing packages for projects BECC approves. BECC, in turn, relies upon an advisory committee to recommend environmental infrastructure projects along the U.S.-Mexico border for its approval. BECC's board of directors was named and met for the first time in October 1994.<sup>133</sup> However, BECC's advisory committee was not formally named until January 13, 1995. Thus, no border environmental projects could be approved or funded in NAFTA first year. The NADBank director was named in early 1995 and the organization is now operative.<sup>134</sup>

The United States took several domestic measures to implement the environment accord. On May 13, President Clinton issued an Executive Order on how the United States intends to implement the NAAEC.<sup>135</sup> The order sets U.S. policy priorities for the CEC and explains the consultative process that will be used by the Federal Government to ensure that the interests of the States and the public are taken into account in U.S.-CEC related activity. On July 27, EPA Administrator Carol Browner announced the establishment of another two advisory boards to help her fulfill her responsibilities as a member of the CEC Council.<sup>136</sup> These boards met for the first time on September 13, and developed recommendations for Browner regarding implementation of the CEC draft 1995 work plan.

An Executive Order regarding the NADBank and BECC, and establishing the Community Adjustment and Investment Program Advisory Committee, was issued on May 13.<sup>137</sup> Among other things, the order will guide the Treasury Department in its oversight of these institutions. A U.S. appropriation of \$56 million for the NADBank's operation in fiscal year 1995 became available on October 1 (the beginning of fiscal year 1995). However, environmental groups expressed concern about planned cuts in NAFTA-related budgets at the U.S. Environmental Protection Agency and the Department of Interior for fiscal year 1995. On the chopping block were funds for technical assistance, border city sewage treatment facilities, and enforcement- and conservation-related activities.<sup>138</sup> In Mexico, the austerity measures imposed after the peso crisis and economic downturn they induced have apparently had a negative impact on Mexico's ability to pursue environmental priorities.<sup>139</sup>

## The North American Agreement on Labor Cooperation

The North American Agreement on Labor Cooperation (NAALC) establishes a Commission for Labor Cooperation to administer it and calls for the establishment of National Administrative Offices (NAOs) by each partner to carry out specified functions. The Commission for Labor Cooperation is overseen by a council (comprised of the three NAFTA Labor Ministers) and has a trilateral secretariat.

The first meeting of the council was held on March 21, 1994,<sup>140</sup> and was preceded by senior-level preparations.<sup>141</sup> The council discussed budgetary and organizational matters and agreed to conduct cooperative activities on occupational safety and health, employment and job training, productivity and quality in the workforce, and labor law and worker rights. Five joint technical seminars, two workshops, and a cooperative conference on labor law matters were held among NAFTA countries during 1994.<sup>142</sup>

Dallas was announced as the site of the NAFTA Labor Secretariat at the council's meeting in March. A Canadian was selected to be executive director of the secretariat in February 1995 and a list of permanent staff has been proposed.<sup>143</sup> The formal opening of the secretariat is slated for summer 1995.

All three NAFTA partners have established the National Administrative Offices (NAOs) for the labor agreement.<sup>144</sup> A permanent staff for the U.S. NAO has been in place since February 1995. The NAOs are each country's initial points of contact regarding NAFTA-related labor matters, and are empowered to accept public submissions and recommend consultations with NAFTA partners regarding labor law matters.

The U.S. NAO received four complaints regarding enforcement of Mexican labor law during the course of 1994.<sup>145</sup> After conducting a review of two of them, the U.S. NAO declined to recommend that the U.S. Secretary of Labor pursue Ministerial consultations under the NAALC, the next step in the complaint procedure.<sup>146</sup> In its October 12 report, the U.S. NAO explained that the complaints had not fully exhausted Mexico's own redress mechanisms and therefore it was not able to conclude that Mexico had not enforced its own labor laws, as required by the NAALC.<sup>147</sup>

Business leaders, who were eager to ensure that the NAO did not stray from its delineated role,<sup>148</sup> generally praised the decisions while complaining about the NAO's use of public hearings.<sup>149</sup> Union leaders expressed frustration with the refusal of the named corporations to participate in NAO hearings and with the difficulty of using the trilateral mechanism to

rectify laws and practices that allegedly discourage union representation.<sup>150</sup> House Majority Leader Richard Gephardt (D-MO), Majority Whip Representative David Bonior (D-MI) and 60 Members of Congress separately expressed concern about the proposed timing and location of NAO hearings, urging that every effort be made to secure wide participation.<sup>151</sup> Late in the year, the U.S. Secretary of Labor announced that a U.S. advisory panel was being created to guide U.S. implementation of the NAFTA labor accord that may help sort out such concerns.<sup>152</sup>

### ***NAFTA's Impact on the Federal-State Relationship***

Each NAFTA party saw its Federal Government's relationship with States or Provinces evolve as NAFTA matters arose. In the United States, USTR orchestrated a March 18 briefing for NAFTA state points of contact. State-level "leads" for each committee and working group established under NAFTA were named in early summer, and U.S. Government representatives to some committees such as that on land transportation made particular efforts to include sub-Federal representatives in meeting preparations.<sup>153</sup>

Despite such progress, there were some apparent communication lapses. For example, after formally requesting consultations under chapter 20 regarding Canada's collection methods for Provincial sales taxes,<sup>154</sup> USTR Michael Kantor was informed by a number of prominent U.S. Governors that proceeding with the case was inadvisable, given the similarity of U.S. State-level practices to those of the Canadian Provincial authorities.<sup>155</sup> Similar concerns had been raised earlier by the Federation of Tax Administrators.<sup>156</sup>

Mexican Federal authorities were reportedly dismayed to learn of the removal of U.S. milk from store shelves by the authorities in the Mexican State of Baja California.<sup>157</sup> The action was apparently taken in response to pressure from the State's dairy farmers in the face of rising imports.<sup>158</sup> Similar problems have been reported in the Mexican State of Sonora.<sup>159</sup>

Pacts were negotiated with Canada's 10 Provinces regarding their acceptance of NAFTA supplemental agreements on labor and environmental cooperation. After Cabinet approval, the so-called Canadian Intergovernmental Agreements were forwarded to the Provinces for signature. However, as of the end of 1994, Canada was still not eligible for its full rights under the accords because it lacked sufficient Provincial acceptance.<sup>160</sup> For example, Canada was

not eligible to submit labor-related complaints to a NAO.<sup>161</sup>

### ***Transportation Cooperation***

Effective January 1, 1994, Mexico and the United States each granted permission for the other's charter bus companies to operate international charters and tours in their territory, consistent with earlier commitments made by both parties.<sup>162</sup> As a complement to their governments' NAFTA efforts, Transportation Ministers from the United States, Canada, and Mexico met on April 29, 1994, in an effort to ensure that NAFTA success is not impeded by bottlenecks in transportation facilities or services. Ministers agreed to pay particular attention over the coming year to border infrastructure and efficiency-enhancing technology. NAFTA-related efforts to minimize regulatory barriers to automotive trade were also given impetus.

### ***NAFTA Expansion***

At their January 14, 1994 meeting, NAFTA Trade Ministers gave expansion of NAFTA to other countries a prominent place on the agenda. The subject continued to dominate NAFTA-related news throughout the year. The three NAFTA partners all appeared to agree that Chile was next in line for membership, but when and how to accomplish its inclusion was a matter of debate. Canada was particularly vocal in its support of moving quickly and following the NAFTA accession route.<sup>163</sup> Mexico also expressed a preference for accession, with protocols tailored to the applicant's level of development.<sup>164</sup>

Ambassador Michael Kantor stated at the April 15, 1994, meeting in Marrakesh that both a bilateral free-trade agreement (FTA) with Chile and NAFTA accession were still under consideration by the United States. Separately, the United States conducted bilateral investment talks with Chile.<sup>165</sup> The Clinton administration indicated that it planned to include labor and environment as part of the overall trade-negotiating package. Chile closely monitored the congressional debate over "fast track" negotiating authority.<sup>166</sup> Chile also proceeded to formally seek a free-trade arrangement with Mercosur and to renegotiate its bilateral FTA with Mexico so as to make it more compatible with NAFTA provisions.<sup>167</sup>

NAFTA Ministers formally invited Chile to enter into accession negotiations at the December 9-11 Miami Summit of the Americas. A meeting to discuss the work that is needed before Chile can join NAFTA was held among U.S., Canadian, and Mexican officials

on December 20. The technical adjustments to NAFTA that will be necessary if Chile joins will be among the topics addressed in the early months of 1995.

## ***NAFTA's Impact on Third Countries***

Countries not included in NAFTA pursued a variety of paths in 1994 in an effort to protect their interests. Some, such as Trinidad and Tobago, joined Chile in pursuing full-fledged NAFTA membership.<sup>168</sup> Others urged that their NAFTA partners take steps to provide comparable access or restore favorable access granted them under other programs or agreements. Indeed, NAFTA has been cited as an example of "open regionalism" because it does not preclude its signatories from unilaterally extending NAFTA-like benefits to other trading partners or otherwise liberalizing access to their markets.<sup>169</sup>

On May 26, 1994, the Clinton administration formally proposed to provide NAFTA parity for Caribbean textile and apparel goods in the Uruguay Round implementing bill. Known as the "Interim Trade Program," Caribbean Basin Initiative (CBI) countries would have been granted NAFTA-like tariff and quota treatment for textiles and apparel in return for commitments to provide stronger protection for U.S. investors and holders of intellectual property rights (IPR).<sup>170</sup>

Propelled by NAFTA, Mexico was the fastest growing supplier of textiles and apparel to the U.S. market in 1994. The growth in imports from CBI countries, meanwhile, was well below the rate recorded in recent years.<sup>171</sup> However, the U.S. attempt to alleviate the adverse effects of the shift in U.S. imports from Caribbean and Central American countries to Mexico as a result of NAFTA was dropped when it became apparent that it would complicate congressional approval of the Uruguay Round implementing bill.<sup>172</sup> The U.S. administration's decision brought numerous expressions of concern by leaders in the Caribbean region, along with vows by several to pursue full-fledged NAFTA membership with renewed vigor. U.S. textile and apparel trade associations had lobbied hard for the NAFTA-parity plan, arguing that it would underwrite continued U.S. employment in the industry and bolster U.S. competitiveness vis-a-vis other suppliers, matters of particular importance in light of the phase-out of the Multifiber Arrangement. NAFTA parity legislation has been reintroduced in 1995.

Meanwhile, Mexico formally signed an FTA with Costa Rica in April 1994. In June, it also inked the

so-called Group of Three accord establishing free trade between Mexico, Colombia, and Venezuela.<sup>173</sup> The deals were the most recent of a series of FTAs Mexico has signed in recent years.<sup>174</sup> Mexico also continued compensation negotiations with its fellow members of the Latin American Integration Association (ALADI).<sup>175</sup> Although article 44 of the 1980 Treaty of Montevideo requires ALADI members to extend trade concessions made to non-ALADI members to all ALADI members, Mexico was unwilling to automatically extend NAFTA benefits to its trading partners in Latin America. Negotiations during 1994 with partners such as Brazil, Argentina, Chile, and Uruguay reportedly focused on developing an interpretive protocol to article 44 that would allow an ALADI member to offer compensation in lieu of extending benefits negotiated with third countries. Brazil is reportedly eager for compensation arrangements to reach fruition soon, since it is Mexico's largest trading partner in the region.<sup>176</sup>

Countries outside the Hemisphere continued to examine NAFTA effects on their own trading interests. The OECD conducted an examination of NAFTA investment commitments against the obligations of the United States and Canada under its codes of conduct. Although welcoming NAFTA's extensive scope and liberalizing bent, the Committee on Capital Movements and Invisible Transactions (CMIT) expressed concern about two cases of discrimination previously incorporated into the U.S.-Canada Free-Trade Agreement that had been carried over into the NAFTA, one regarding the thresholds for review of foreign investors acquisitions of Canadian businesses and the other regarding Canada's restrictions on foreign ownership and market share in the financial service sector. To address the committee's concerns, Canada announced that it would apply the NAFTA thresholds for review of foreign acquisitions to all WTO members and remove its caps on foreign ownership and market share in the financial sector. The committee agreed that these steps fully responded to its recommendations.<sup>177</sup>

During its December 1993 consideration of a draft report on Mexico, the CMIT and the Committee on Investment and Multinational Enterprises had expressed some reservations about Mexico's foreign investment law. In light of an extensive liberalization of Mexico's investment law promulgated in January 1994 and Mexico's pledge to extend to all OECD countries virtually all of the benefits for foreign investors and financial services' firms it agreed to provide to the United States and Canada under the NAFTA, the OECD accepted that Mexico's commitments in the OECD are comparable to those of

its existing members and invited Mexico to join the organization on April 14, 1994.<sup>178</sup>

A GATT Working Party began an examination of NAFTA in May. Initial questions by the Working Party were forwarded to the three NAFTA signatories in late October. They were given 60 days to formally respond.<sup>179</sup>

### ***Prospects for 1995***

The peso crisis and its aftermath will certainly exert considerable influence over NAFTA-related

developments in 1995 (see chapter 4 for a fuller discussion). Meanwhile, calls for the inclusion of currency coordination mechanisms in future trade agreements may grow stronger. Negotiations on Chile accession to NAFTA appear to be proceeding as planned, as do broader efforts to accomplish free trade in the Hemisphere. Nevertheless, U.S. export prospects are considerably dimmer now than they appeared just 6 months ago and concerns about possible import surges from Mexico have been heightened. Attention to implementation of NAFTA commitments will remain an important means of ensuring that U.S. relations with its first and third-best trading partners remain on track.



## ENDNOTES

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<sup>1</sup> Current APEC members are Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand, and the United States. Chile participated in working group meetings in 1994 and became a full member of APEC at the sixth ministerial meeting in November 1994.

<sup>2</sup> Compiled from official statistics of the U.S. Department of Commerce.

<sup>3</sup> APEC 1994 Work Program Progress On Leaders' Priorities and Issues, APEC draft working paper.

<sup>4</sup> Joint Statement, Asia-Pacific Economic Cooperation Ministerial Meeting, Jakarta, Indonesia, Nov. 11-12, 1994.

<sup>5</sup> U.S. Department of Commerce, "Asia-Pacific Economic Cooperation (APEC): The Seattle Ministerial Meeting," *Business America*, prepared by Raphael Cung, Nov. 12, 1993, p. 2.

<sup>6</sup> See chapter 3 for further discussion of the U.S. Bilateral Investment Treaty (BIT) program. The United States does not have any BITs with APEC members. U.S. policy since 1991 has been to link agreement to negotiate BITs with agreement to negotiate bilateral agreements on intellectual property rights (IPR).

<sup>7</sup> As a result of agreement by the subcommittee during 1994, alignment of APEC-member standards with international standards will be studied during 1995 with respect to the electric and electronic apparatus, food, and chemical products sectors and discussions on mutual recognition will take place for the toy and food sectors.

<sup>8</sup> Joint Statement, p. 8.

<sup>9</sup> *Ibid.*, p. 9.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> Undertaken by Japan to foster understanding of the importance of concurrently attaining the 3Es: economic growth, energy security, and environmental protection in the region.

<sup>13</sup> Joint Statement, p. 3.

<sup>14</sup> *Ibid.*, p. 4. The PBF was launched in June 1994 to serve as a channel between APEC and the private sector. In October 1994, the PBF issued a report entitled *Business Blueprint For APEC*.

<sup>15</sup> *Ibid.*, p. 7.

<sup>16</sup> "APEC Economic Leaders' Vision Statement," *Dispatch*, U.S. Department of State, Bureau of Public Affairs, Nov. 29, 1993, vol. 4, No. 48, p. 833.

<sup>17</sup> APEC Economic Leaders' Declaration of Common Resolve, Bogor, Indonesia, Nov. 15, 1994, p. 4.

<sup>18</sup> *Ibid.*, p. 7.

<sup>19</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 52.

<sup>20</sup> APEC Ministers established a nongovernmental Eminent Persons Group (EPG) in 1992, chaired by C. Fred Bergsten, and consisting of representatives from member economies to develop a vision of trade in the region to the year 2000.

<sup>21</sup> Council of Economic Advisers, *Economic Report of the President*, Feb. 1995, p. 230.

<sup>22</sup> APEC Declaration of Common Resolve, p. 1.

<sup>23</sup> *Ibid.*, p. 4.

<sup>24</sup> Council of Economic Advisers, *Economic Report of the President*, Feb. 1995, p. 220.

<sup>25</sup> *Ibid.*, p. 3.

<sup>26</sup> *Ibid.*, p. 5.

<sup>27</sup> Report of the 1st APEC CTI Meeting of 1995 to the Senior Officials Meeting, Asia-Pacific Economic Cooperation, The First Senior Officials Meeting in Fukuoka for the Seventh Ministerial Meeting, Japan, 1995, Document 3-C.

<sup>28</sup> Vietnam, Iran, and Russia have formally requested membership. Peru has requested participation in the working groups on fisheries and tourism.

<sup>29</sup> Joint Statement, p. 13.

<sup>30</sup> Data for Latin America include South America, Central America, and the Caribbean, but do not include Mexico.

<sup>31</sup> Compiled from official statistics of the U.S. Department of Commerce.

<sup>32</sup> "Remarks on Signing the North American Free Trade Agreement Implementation Act," Dec. 8, 1993, *Weekly Compilation of Presidential Documents*, Dec. 13, 1993, p. 2549.

<sup>33</sup> "Remarks Announcing the Summit of the Americas," Mar. 11, 1994, *Weekly Compilation of Presidential Documents*, Mar. 14, 1994, p. 500.

<sup>34</sup> Open regionalism is defined in the section on APEC, above. For a more detailed analysis of open regionalism in the context of the Latin American and Caribbean countries, see United Nations Economic Commission for Latin America and the Caribbean (ECLAC), *Open Regionalism in Latin America and the Caribbean*, LC/G.1801 SES.25/4, (Santiago, Chile: ECLAC, 1994).

<sup>35</sup> Richard E. Feinberg, Special Assistant to the President for Inter-American Affairs, National Security Council, "Substantive Symmetry in Hemispheric Relations: Address to the Latin American Studies Association, Mar. 10, 1994," reprinted in *Dispatch*, U.S. Department of State, Bureau of Public Affairs, Mar. 14, 1994, vol. 5, No. 11, p. 158.

<sup>36</sup> In addition to NAFTA, other similar subregional agreements operative or under negotiation during 1994 included the Andean Pact, the Central American Common Market (CACM), the Group of Three, the Southern Common Market (Mercosur), and numerous other multilateral and bilateral agreements. Andean Pact members are Bolivia, Colombia, Ecuador, Peru, and Venezuela. CACM

members are Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Group of Three members are Colombia, Mexico, and Venezuela. Mercosur members are Argentina, Brazil, Paraguay, and Uruguay.

<sup>37</sup> OAS, IDB, ECLAC, *Toward Free Trade in the Western Hemisphere* (Washington, DC: OAS, IDB, ECLAC, 1994).

<sup>38</sup> Vice President Gore, "The OAS and the Summit of the Americas: Address Before the Organization of American States," Nov. 17, 1994, reprinted in *Dispatch*, U.S. Department of State, Bureau of Public Affairs, Nov. 28, 1994, vol. 5, No. 48, p. 785.

<sup>39</sup> Fast-track authority requires extensive consultations with Congress during the course of negotiations in return for a congressional commitment to hold an up-or-down vote on the resulting agreement within a fixed period of time.

<sup>40</sup> For example, Rudi Dornbusch, "What's Missing at the Latin Summit: Free Trade and a Free Cuba," *Business Week*, Oct. 17, 1994, p. 50.

<sup>41</sup> "Fact Sheet: The Summit of the Americas," *Dispatch*, U.S. Department of State, Bureau of Public Affairs, Sept. 26, 1994, vol. 5, No. 39, p. 647.

<sup>42</sup> The Declaration of Principles and Plan of Action are reprinted in *Business America*, Dec. 1994, pp. 10-13.

<sup>43</sup> USTR, "Kantor Announces Date of Hemispheric Trade Ministers Meeting," press release 95-12, Feb. 9, 1995.

<sup>44</sup> "Joint Statement by the Leaders of Canada, Chile, Mexico, and the United States," Dec. 11, 1994, *Weekly Compilation of Presidential Documents*, Dec. 19, 1994, p. 2497.

<sup>45</sup> "Chile: Meeting Maps Goals for NAFTA Talks," *Washington Report on Latin America and the Caribbean*, Jan. 6, 1995, p. 3.

<sup>46</sup> For a discussion, see chapter 4 of this report, and Congressional Research Service (CRS), "United States-Mexico Economic Relations: Has NAFTA Made a Difference?" *CRS Report for Congress*, prepared by J.F. Hornbeck, No. 95-398 E, Mar. 15, 1995.

<sup>47</sup> U.S. Commerce Department and SECOFI data. For a brief review of trade during the first NAFTA year, see U.S. Department of Commerce, Office of the North American Free Trade Agreement, *NAFTA: First Year Snapshot*, Feb. 17, 1995.

<sup>48</sup> U.S. Department of State, "NAFTA Scorecard: For Mexico, Increased Competition But Also a Helping Hand and Stabilizing Force," message reference No. 302344Z, prepared by U.S. Embassy, Mexico City, Mar. 30, 1995.

<sup>49</sup> See, for example, Alliance for Responsible Trade, Citizens Trade Campaign, "NAFTA's First Year: Lessons for the Hemisphere," issued by the Institute for Policy Studies on Dec. 6, 1994; and Sarah Anderson and John Cavanagh, "NAFTA's Unhappy Anniversary," *New York Times*, Feb. 7, 1995.

<sup>50</sup> USTR, "Kantor Statement on the First Anniversary of NAFTA Passage," press release 94-61, Nov. 18, 1994.

<sup>51</sup> "Remarks on Goals of the Summit of the Americas in Miami, Florida, Dec. 9, 1994," *Weekly Compilation of Presidential Documents*, Dec. 19, 1994, p. 2487.

<sup>52</sup> Council of Economic Advisers, *Economic Report of the President*, Feb. 1995, p. 222.

<sup>53</sup> For information on investigative activity under NAFTA adjustment assistance, see chapter 5.

<sup>54</sup> These estimates have been questioned by one coalition of U.S. interest groups, which claims that only 535 new jobs can be directly attributed to NAFTA. See "NAFTA's First Year: Lessons for the Hemisphere," issued by the Institute for Policy Studies, Dec. 6, 1994. The report was sponsored by the Alliance for Responsible Trade, Citizens Trade Campaign, with contributions from such organizations as the United Auto Workers, the United Electrical, Radio, and Machine Workers of America, and Public Citizen.

<sup>55</sup> The NAFTA Transitional Adjustment Assistance program places the initial responsibility for reviewing and investigating petitions for relief on the States. There have been reports of difficulties by States in administering the program, as well as concerns by unions that the eligibility criteria and training enrollment requirements are too rigid. Some unions thus have counseled their members to apply for both the overall trade adjustment assistance (TAA) program and NAFTA-TAA benefits. U.S. Department of Labor, teleconference with USITC staff, May 3, 1995. For background, see AFL-CIO, *NAFTAMath: Midyear-1994*, Aug. 1994.

<sup>56</sup> In a September 15 letter to U.S. Secretary of Labor Robert Reich, the Service Employees International Union objected to the inclusion of registered nurses in the category of professions whose Canadian and Mexican members are eligible under NAFTA to work temporarily in the United States. (Most of the nurses entering under NAFTA temporary entry provisions are Canadian and were eligible to enter the United States under another visa provision, H-1A, which predates NAFTA.) The union was also concerned about proposed additions to the list of health care professionals eligible for such treatment. "Union Urges Reich to Cut Nurses from Temporary Entry List," *Inside NAFTA*, vol. 1, No. 22, Nov. 2, 1994, p. 7 and U.S. Department of Labor, Immigration and Naturalization Service, and U.S. Department of Commerce officials, telephone conversations with USITC staff, May 1-4, 1995.

<sup>57</sup> U.S. Department of Commerce officials, for example, have objected to the study's use of numbers on how many jobs are supported by each \$1 million increase in U.S. exports to project job losses due to higher imports from the NAFTA region.

<sup>58</sup> Joint Economic Committee, "1994 U.S.-Mexico Trade Data: NAFTA Impacts," staff study, Nov. 1994, p. 1.

<sup>59</sup> Office of House Majority Leader Congressman Richard A. Gephardt, "Gephardt Comments on Year Anniversary of NAFTA Passage," Nov. 18, 1994.

<sup>60</sup> H.R. 499, requiring withdrawal of the United States from NAFTA, was introduced on January 13, 1995 by Rep. DeFazio (D-OR) with 17 co-sponsors.

<sup>61</sup> In early 1995, USTR reported that "Many of these problems are being corrected as Mexico

adjusts to a new trade regime." USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 51.

<sup>62</sup> See chapter 4 section on Canada, for a fuller discussion of the wheat and lumber issues. For background regarding proposed restrictions on Sports Illustrated and Country Music Television, see USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 51.

<sup>63</sup> This paragraph is based on USITC staff interviews with officials at various executive branch departments and congressional research agencies.

<sup>64</sup> For a readable explanation of NAFTA-related institutions, see U.S. General Accounting Office (GAO), *North American Free Trade Agreement: Structure and Status of Implementing Organizations*, GAO/GGD-95-10BR, Washington, DC, Oct. 1994.

<sup>65</sup> For example, in August 1994, Mexico revised its law to bring coverage of patents and trademarks into compliance with NAFTA chapter 17 (intellectual property). Implementing regulations issued in November clarified product coverage and strengthened procedures against infringement. The U.S. Embassy reported that "U.S. industry reps believe that Mexico is on the right track juridically, but has a long way to go to achieve satisfactory enforcement results." U.S. Department of State, "International Anti-Counterfeiting Coalition," message reference No. 15750, prepared by U.S. Embassy, Mexico City, July 1, 1994.

<sup>66</sup> According to USTR, the following groups did not meet in 1994: (1) the Committee on Trade in Worn Clothing, (2) the Working Group on Dumping and Antidumping Duties, (3) the Working Group on Subsidies and Countervailing Duties, (4) the Advisory Committee on Private Commercial Disputes Regarding Agriculture, (5) the Working Group on Agricultural Subsidies, (6) the Bilateral Working Group on Agricultural Grading and Marketing Standards, and (7) the Working Group on Emergency Action. "Status report on NAFTA Committees and Working Groups," Mar. 10, 1995, telefax transmittal by USTR to USITC staff, Mar. 15, 1995.

The first three groups are charged with addressing matters that were left unresolved by the NAFTA negotiations. In 1994, the need for the U.S. Congress to pass Uruguay Round implementing legislation—including domestic adjustments to dumping and subsidy law—and lack of a domestic consensus were cited by U.S. negotiators counseling patience and realistic expectations for NAFTA working groups on dumping and subsidies. See for example, "Roh: Instant Results on New Regional Antidumping Rules Unlikely," *Inside NAFTA*, vol. 1, No. 12, June 15, 1994, pp. 3-4.

With respect to groups 4-6, NAFTA created a Committee on Agricultural Trade that met on November 15, 1994. There appears to be some sentiment that it would be useful to consolidate some of the other agriculture-related groups under that committee's umbrella. The final group's mandate was not considered very compelling in 1994, given the lack of formal complaints regarding import surges during the year.

<sup>67</sup> Damian Fraser, "Trade Balance Still Largely Unchanged," *Financial Times*, Nov. 23, 1994, p. 17.

<sup>68</sup> "Compliance with NAFTA Origin Rules Said to Create Trade Barriers," *Inside NAFTA*, vol. 1, No. 24, Nov. 30, 1994, pp. 3-4.

<sup>69</sup> Section 103 of the NAFTA implementing bill requires the President to seek advice from the U.S. International Trade Commission (USITC) on the proposed changes. An investigation to provide such advice is underway.

<sup>70</sup> "Many Imports from Canada Not Proving NAFTA Origin, Official Says," *Inside NAFTA*, vol. 2, No. 3, Feb. 8, 1995, p. 4, and confirmed via May 1, 1995 conversation with U.S. Treasury official.

<sup>71</sup> U.S. Department of State, "NAFTA Certificate of Origin Requirement Causing Some Confusion, But Few Complaints at Mexican Ports of Entry," message reference No. 532, prepared by U.S. Embassy, Mexico City, Jan. 11, 1994 and "Certificates of Origin Cause Unexpected Border Costs and Delays," *NAFTA Watch*, vol. 1, No. 4, Mar. 16, 1994, p. 3, which quotes John Simpson, the Deputy Assistant Secretary for Regulatory Tariff and Trade Enforcement at the U.S. Treasury.

<sup>72</sup> Treasury Department official, telephone conversation with USITC staff, May 1, 1995.

<sup>73</sup> USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, pp. 230-31.

<sup>74</sup> The new non-NAFTA certificate of origin requirements were first proposed on May 31 and were imposed (after a 1-and-1/2-month delay announced July 13) on August 30. The requirements are somewhat less onerous with respect to current GATT signatories than with respect to non-GATT signatories. Despite lingering concerns about the final requirements, Mexico was credited for providing 45 days advance notice of the rules and for delaying their imposition in an effort to address the concerns raised during the comment period. U.S. Department of State, "Government of Mexico Briefs U.S. Business on New Certificate of Origin Requirements; Directive Partly in Effect July 15," message reference No. 16848, prepared by U.S. Embassy, Mexico City, July 14, 1994. J.C. Penney has postponed opening its first two stores in Mexico, reportedly due to difficulties in delivering merchandise. Walmart recently announced that it was canceling plans to open 25 new stores in Mexico, but this was reportedly based on the impact of the peso devaluation on consumer spending in Mexico.

<sup>75</sup> Key elements of the proposal were reportedly formally rejected by Mexico at a February 7, 1995 meeting by the Federation with SECOFI officials, prompting a pledge of heightened USTR attention to the matter. "Kantor Raises Profile of USTR Efforts Vs. Mexican Origin Documents," *Inside NAFTA*, vol. 2, No. 4, Feb. 22, 1995, p. 1 and pp. 18-19.

<sup>76</sup> "Mexico to Issue Revised Transshipment Curbs; Retailers Still Unhappy," *Inside NAFTA*, vol. 1, No. 17, Aug. 24, 1994, p. 4.

<sup>77</sup> Mexico has a \$50-per-person, per-crossing limit, and \$350 monthly limit for families entering the border zone. Mexican passengers arriving in Mexico by air are subject to a \$300-per-arrival limit (no monthly limits apply). The United States allows \$200 per crossing and \$400 in duty-free personal exemptions, per family, per month.

<sup>78</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 52.

<sup>79</sup> Treasury Department official, telephone conversation with USITC staff, May 1, 1995.

<sup>80</sup> The agricultural products affected are corn, dry edible beans, barley, malt, poultry, non-fat dry milk or milk powder, fresh potatoes, animal fats and oils, and fresh and fertilized eggs. Similar regimes apply to lumber and trucks. In addition, NAFTA sets Tariff Preference Levels (TPLs) for textiles and apparel under which certain textiles and apparel that fail to meet the NAFTA "yarn forward" rule of origin are granted duty-free treatment. The United States and Mexico remained at odds over how to allocate the quotas for these TPLs for much of the year.

<sup>81</sup> USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, p. 230.

<sup>82</sup> U.S. Department of Agriculture, Foreign Agricultural Service (FAS) official in Washington, DC, telefax transmittal to USITC staff, May 3, 1995.

<sup>83</sup> USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, p. 230. According to the USTR report, quota rights have been limited to certain industries or companies (corn, barley/malt, and poultry); certain end uses (corn); limited regions of Mexico (fresh potatoes and poultry); certain prices (milk powder); and limited parts of the year (whole turkey and dried beans).

<sup>84</sup> U.S. Department of Agriculture, "Canadian Uruguay Round Implementation," message reference No. 05718, prepared by U.S. Embassy, Ottawa, Nov. 8, 1994.

<sup>85</sup> FAS official, telefax transmittal to USITC staff of Apr. 27, 1995 and background paper on Canadian dairy and poultry, May 3, 1995. For background, see Thomas Jennings, "Tariffication or Duty Free," *International Economic Review* (Washington, DC: USITC, Apr. 1994), pp. 12-13. In 1995, the United States formally requested consultations with Canada regarding dairy, poultry, eggs, and other products under NAFTA dispute settlement procedures.

<sup>86</sup> Canada formally requested consultations on the new restrictions under NAFTA's dispute settlement mechanism in a Feb. 10, 1995, letter signed jointly by Minister of Agriculture Ralph Goodale and Minister of Trade Roy MacLaren. Regarding Mexico's future share of the U.S. sugar market, as part of its Uruguay Round Agreement market-access commitment for agriculture, the United States retariffed its tariff-rate quota on raw and refined sugar and established tariff-rate quotas for sugar-containing products. The United States has traditionally allocated such quotas among suppliers on the basis of their import market share during a representative period. However, the U.S. Uruguay Round tariff proclamation makes clear that Mexico's exports under the NAFTA sugar provisions will enter the United States under the first tier of the U.S. global tariff-rate quota for raw and refined sugar. FAS official, telephone conversation with USITC staff, May 5, 1995.

<sup>87</sup> USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, p. 231.

<sup>88</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 51.

<sup>89</sup> Two separate labelling proposals were published in the June 20 and 21 *Diario Oficial* and cover labels and packaging for general consumer goods, pre-packaged food, and nonalcoholic beverages. The U.S. Government, with substantial input from the private sector, officially commented on the proposed rules in a September 14 letter, reprinted in "USTR Letter to Mexican Commerce Secretariat Labelling Proposal," *Inside NAFTA*, vol. 1, No. 20, Oct. 20, 1994, pp. 10-11. The rules are reportedly close to being finalized. Still at issue is whether Mexico will permit "overstickering" and clarify several ambiguous aspects of the proposed rules, how burdensome requirements for importer identification will be, and the length of the transition period during which manufacturers can adjust and existing stock can be sold. Partly in response to concerns about such proposals, the Commerce Department's National Institute of Standards and Technology announced in February 1995 plans to station a U.S. standards expert at the U.S. Embassy in Mexico City to provide additional technical support to business.

<sup>90</sup> Third-party labs—not manufacturers themselves—generally must conduct tests and followup monitoring, all testing must be done in Mexican labs, and each importer must obtain its own certification (versus prior practice, in which foreign suppliers and various customers shared the product certificate issued for given models). USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, p. 232.

<sup>91</sup> Commerce Department official, telephone conversation with USITC staff, May 4, 1995.

<sup>92</sup> USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, p. 232; and "Calif. Lawmakers Urge Clinton to Press Mexico on Fruit 'Barriers,'" *Inside NAFTA*, vol. 1, No. 14, July 13, 1994, p. 7.

<sup>93</sup> "Mexico to Issue Proposed Rule Requiring Grain Fumigation," *Inside NAFTA*, vol. 1, No. 17, Aug. 24, 1994, pp. 8-9.

<sup>94</sup> There have been reports during early 1995 of further problems, however, such as proposed salmonella standards for ground meat and shelf-life standards for frozen poultry meat.

<sup>95</sup> "Mexico Eases Up On Application of Meat Inspection Rules at Border," *Inside NAFTA*, vol. 1, No. 14, July 13, 1994, pp. 6-7. On June 3, however, SECOFI announced in the *Diario Oficial* that it was initiating a dumping investigation on U.S. beef imports in response to a petition filed by the National Cattlemen's Confederation.

<sup>96</sup> USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, p. 232.

<sup>97</sup> The work program covers five issues and sets deadlines for each, as follows: (1) attachment issues and harm to the network (January 1996); (2) electromagnetic interference and compatibility for authorized equipment (July 1996); (3) product safety issues (November 1995); (4) acceptance of test results (November 1994); and non-harm-related measures (July 1996). The deadline regarding test results was driven by article 1304.6 of NAFTA, which

calls for each NAFTA government to adopt by January 1, 1995, "provisions necessary to accept test results from laboratories or testing facilities in the territory of another Party of tests performed in accordance with the accepting Party's standards-related measures and procedures." This deadline was met by all three NAFTA parties.

<sup>98</sup> USTR, "Status of NAFTA Committees and Working Groups," Mar. 10, 1995; and U.S. Department of Transportation, "Plans for Establishment of Land Transportation Standards Subcommittee," 59 F.R. 30632.

<sup>99</sup> The National Highway Traffic Safety Administration has solicited public input regarding the effort. See 59 F.R. 66402.

<sup>100</sup> "Mexican Anti-Pest Measures Could Clear Way for Avocado Sales," *Inside NAFTA*, vol. 1, No. 12, June 15, 1994, p. 8; confirmed by Animal Plant Health Inspection Service (APHIS) official in telephone conversation with USITC staff, May 3, 1995.

<sup>101</sup> U.S. Department of State, "Applications by Foreign Financial Institutions To Establish Foreign Subsidiaries in Mexico," message reference No. 18570, prepared by U.S. Embassy, Mexico City, Aug. 3, 1994.

<sup>102</sup> U.S. Department of State, "Government of Mexico Gives Green Light to 52 Foreign Financial Institutions," message reference No. 18570, prepared by U.S. Embassy, Mexico City, Oct. 19, 1994.

<sup>103</sup> For detailed background on the federal-provincial disagreement over exemptions by British Columbia and Ontario, see "NAFTA Ministers Delay Challenges of Sub-Federal Financial Practices," *Inside NAFTA*, vol. 1, No. 3, Feb. 9, 1994, pp. 5-6.

<sup>104</sup> "U.S. Lags in Naming Candidates for Financial Dispute Panels," *Inside NAFTA*, vol. 1, No. 9, May 4, 1994, p. 12.

<sup>105</sup> See, for example, the U.S. report on July 11-12 U.S.-Mexico transportation consultations, entitled "U.S.-Mexico Transportation Bilateral Session Report," dated July 13, 1994, and reprinted in *Inside NAFTA*, vol. 1, No. 16, Aug. 10, 1994, p. 17.

<sup>106</sup> U.S. Department of State, "Issues for Upcoming Transportation Summit," message reference No. 08669, prepared by U.S. Embassy, Mexico City, Apr. 14, 1994.

<sup>107</sup> According to USTR, they have not been granted full operating authority, and are thus hampered in their provision of services in the Mexican market relative to Mexican nationals. UPS' Mexican competitors are permitted to use large trucks to carry small-package shipments, whereas UPS must use small delivery vans. UPS drafted a petition for redress for the Mexican inaction in late 1994. See U.S. Department of State, "Small Package Delivery Service - UPS," message reference No. 343025, prepared by U.S. Embassy, Mexico City, Dec. 30, 1994.

<sup>108</sup> Citing a lack of progress in resolving the dispute, UPS announced July 10 that it would end ground service between the United States and Mexico effective July 31, 1995. Because UPS'

within-Mexico ground service will continue, the United States will continue to press the dispute.

<sup>109</sup> U.S. Department of State, "Canada-Mexico MOU on Trucking," message reference No. 005445, prepared by U.S. Embassy, Mexico City, Mar. 9, 1994 and "U.S. Mexico Transportation Bilateral Session Report of July 13," reprinted in *Inside NAFTA*, Aug. 10, 1994, p. 17. This was despite reports that the United States and Mexico had reached agreement that Mexico would provide such access at the April 29 transportation summit. "Mexico to Have Package Delivery Rules in Place by July 1," *Inside NAFTA*, vol. 1, No. 10, May 18, 1994, p. 9.

<sup>110</sup> Transportation Department official, telefax transmittal to USITC staff, May 1, 1995; Commerce Department official, telefax transmittal to USITC staff, May 4, 1995.

<sup>111</sup> U.S. Department of State, "Foreign Government Procurement Practices—Title VII Report—Mexico," message reference No. 006410, prepared by U.S. Embassy, Mexico City, Mar. 23, 1995.

<sup>112</sup> U.S. Department of State, "Request for Information on Mexican Government Procurement," message reference No. 057332, Washington, DC, Mar. 7, 1994.

<sup>113</sup> U.S. Department of State, "NAFTA Government Procurement Working Group Meeting, Oct. 28 1994, Ottawa, Canada," message reference No. 308812, prepared by U.S. Embassy, Ottawa, Nov. 16, 1994.

<sup>114</sup> A constitutional challenge to the binational panel process was initiated by the Coalition for Fair Lumber Resources during 1994, but dropped as part of an overall settlement of the softwood lumber issue with Canada announced in mid-December. Interests opposing the mechanism, as well as one former participant, have recently urged that the chapter 19 dispute settlement procedure be abandoned in favor of WTO dispute settlement. See chapter 4 of this report for details.

<sup>115</sup> The number of cases begun in the most recent year was double the rate of the previous year, according to The Commerce Department's Chief Counsel for Import Administration Stephen Powell. "NAFTA AD Review to Test Validity of SECOFI Rulings, U.S. Official Says," *Inside NAFTA*, vol. 1, No. 22, Nov. 16, 1994, p. 6.

<sup>116</sup> The United States has formally initiated dispute settlement proceedings against Canada under the NAFTA, requesting in mid-July 1995, formation of a dispute settlement panel upon agreement on the rules of procedure to be used in dispute settlement. The U.S. complaint concerns the high tariffs Canada began to apply on over-quota imports of dairy, egg, and poultry products from the United States effective January 1, 1995, the date on which Canada began implementation of the Uruguay Round Agreements. In a letter dated February 2, 1995, USTR, Michael Kantor requested expedited consultations in accordance with article 2006(4) of the NAFTA, which calls for consultations within 15 days to deal with disputes regarding perishable agricultural commodities. Formal consultations were held on June 7, 1995.

<sup>117</sup> During the Uruguay Round, the United States succeeded in securing agreement on some steps to

make the operation of the WTO's dispute settlement procedure more transparent. Art. 2012 of NAFTA, on the other hand, states that dispute settlement will be conducted in confidence. In a January 12, 1994, letter to USTR Kantor, *Public Citizen* reportedly urged that specific "elements of democratic decisionmaking" be injected into NAFTA decision-making processes.

<sup>118</sup> On March 18, 1994, Canada requested formal consultations with the United States under NAFTA dispute settlement procedures regarding an agreement announced four days earlier between the United States and Russia on uranium. Canada was concerned about the agreement's requirement that U.S. imports from Russia be matched with U.S.-mined uranium, fearing that it would result in displacement of Canada's C\$400 million in annual exports to the United States and charging that the clause violates NAFTA national treatment obligations. During consultations with Canada, the United States pledged to closely monitor imports during the life of the 10-year U.S.-Russia uranium agreement. These "assurances and clarifications" were recorded in an agreed summary of an October 20, 1994, meeting. Canada notified the United States via a February 23, 1995, letter from Canadian Trade Minister Roy MacLaren to USTR Michael Kantor that it was dropping its NAFTA challenge to the uranium deal in light of the U.S. pledges. The letter is reprinted in "MacLaren Letter and Agreed Summary of Key Meeting," *Inside NAFTA*, vol. 2, No. 5, Mar. 8, 1995, p. 7.

<sup>119</sup> R.J. Hofley, "NAFTA's Investment Dispute Regime Awaits Test," *NAFTA Watch*, vol. 1, No. 16, Sept. 15, 1994, p. 7.

<sup>120</sup> For details, see "Status Report: Completed NAFTA and FTA Dispute Settlement Panel Reviews," Mar. 1995, issued by the U.S. Section of the NAFTA Secretariat, Washington, DC.

<sup>121</sup> Advisory Committee on Private Commercial Disputes, Report to USTR on Progress, submitted by the U.S. co-chairs, Mar. 22, 1995, provided by USTR to USITC staff by telefax, Mar. 24, 1995.

<sup>122</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 49.

<sup>123</sup> The Secretariat of the North American Agreement on Environmental Cooperation will have a staff of about 35-40; the North American Agreement on Labor Cooperation Secretariat will have a staff of about 15. The supplemental agreements differ from NAFTA in that the secretariats play a pivotal role in ensuring fulfillment of each of the enunciated disciplines and purposes of the agreement, whereas NAFTA contains detailed rules that are binding on the parties and already establishes several types of bodies (a Commission, National Secretariats, and committees and working groups) to administer the agreement. Whereas the secretariats for the supplemental agreements are seen as having a somewhat arms-length relationship with the three NAFTA national governments, as will the proposed NAFTAACS, the current NAFTA institutions are staffed by current government employees from appropriate departments of each NAFTA Party.

<sup>124</sup> This was reported in such articles as "Delays Threatened in NAFTA Trade Secretariat Negotiations," *NAFTA Watch*, vol. 1, No. 15, Aug. 31,

1994, p. 2; and confirmed by USITC staff with officials at USTR and the U.S. Embassy, Mexico City.

<sup>125</sup> USTR, "Status Report on NAFTA Committees and Working Groups," Mar. 10, 1995, telefax transmittal by USTR to USITC staff, Mar. 15, 1995, p. 7.

<sup>126</sup> USTR has reportedly received over 2,000 applications for accelerated duty elimination, according to its *1995 Trade Policy Agenda and 1994 Annual Report*, p. 48.

<sup>127</sup> For example, participants in the NAFTA Committee on Standards-Related Measures agreed to maintain close contact and avoid duplication with work being done under the supplemental agreement on environmental cooperation.

<sup>128</sup> U.S. Department of State, "Statement of EPA Administrator Carol M. Browner at the March 23 1994 Meeting of the North American Commission for Environmental Cooperation (CEC)," message reference No. 0264, prepared by U.S. Consul, Vancouver, Mar. 25, 1994.

<sup>129</sup> Victor Lichtinger of Mexico was selected to be the first executive director of the trilateral secretariat for the CEC. U.S. Department of State, "Mexican Environmental NGO's Critical of Selection Process for Mexico's Choices for NACEC," message reference No. 20076, prepared by U.S. Embassy, Mexico City, Aug. 19, 1994.

<sup>130</sup> Workplan items include a study comparing how each party sets environmental standards and establishing a process for making technical regulations, standards, and evaluation procedures more compatible. Separate studies will compare the three countries' environmental assessment methodologies, transboundary issues, environmental impact assessments, and conservation and eco-system protection measures. "North American Environmental Chiefs Approve Green Panel's Workplan," *Inside NAFTA*, vol. 1, No. 15, July 27, 1994, p. 22.

<sup>131</sup> The budgets were set at \$2 million for the remainder of 1994 and \$9 million for 1995. *Ibid.*

<sup>132</sup> An adjunct facility will be located in Los Angeles. Its primary mission will be disbursing the 10 percent of NADBANK funding to be used anywhere in the United States to facilitate adjustment by communities to NAFTA.

<sup>133</sup> Officials from the States of California, New Mexico, and Texas were named by the U.S. Department of State as public members to BECC board of directors on July 20. The ex-officio U.S. members are EPA Administrator Carol Browner and Chairman of the International Boundary and Water Commission John Bernal. Mexico named its 3 non-Federal government members on July 15.

<sup>134</sup> Alfredo Philips Olmedo, former head of Mexico's Banco de Comercio Exterior, was tapped for the post.

<sup>135</sup> E.O. 12915, May 13, 1994.

<sup>136</sup> The National Advisory Committee is comprised of 15 industry, nongovernmental organization, and academic representatives; the Government Advisory Committee is comprised of 13 State, local, and tribal government officials. Both will meet twice yearly.

<sup>137</sup> E.O. 12916, May 13, 1994.

<sup>138</sup> "Environmental Groups Attack Cuts in NAFTA-related FY 95 Budget," *Inside NAFTA*, vol. 1, No. 14, July 13, 1994, p. 4.

<sup>139</sup> U.S. Department of State, "NAFTA Scorecard: For Mexico, Increased Competition But Also a Helping Hand and Stabilizing Force," message reference No. 302344Z, prepared by U.S. Embassy, Mexico City, Mar. 30, 1995.

<sup>140</sup> U.S. Department of Labor, "First Meeting of the Ministerial Council, Commission for Labor Cooperation, North American Agreement on Labor Cooperation," press communique, Washington, DC, USDOL: 94-143, Mar. 21, 1994. A second meeting of the council was held on April 28, 1995. At the meeting an extensive plan of cooperative activities for 1995 was approved, as were rules that will govern the operation of the commission and the secretariat.

<sup>141</sup> U.S. Department of State, "NAFTA Labor Commission: Senior Officials Meeting in Ottawa, February 7-8," message reference No. 000811, prepared by U.S. Embassy, Ottawa, Feb. 14, 1994.

<sup>142</sup> U.S. National Administrative Office, *Annual Report, North American Agreement on Labor Cooperation*, prepared by Bureau of International Labor Affairs, U.S. Department of Labor, Washington, DC, Jan. 1995.

<sup>143</sup> John McKennirey, the new executive director for the secretariat, led Canada's negotiating team for the North American Agreement on Labor Cooperation as well as its efforts to secure Provincial, business, and labor support for the accord. For further background, see U.S. Department of State, "Implementing the North American Agreement on Labor Cooperation," message reference No. 066376, prepared by U.S. Department of State, Washington, DC, Mar. 17, 1995.

<sup>144</sup> A notice of establishment and procedural guidelines for the U.S. NAO were published at 59 F.R. 16660. In July 1994, Irasema T. Garza was named Secretary of the U.S. NAO, replacing Jorge Perez-Lopez, who had been acting in that capacity since January 1.

<sup>145</sup> The petitions were filed by U.S. and Mexican unions and involved efforts to organize unions and minimum employment standards in specific foreign-owned maquiladora facilities in Mexico. U.S. National Administrative Office, *Annual Report*, Jan. 1995. The first two were filed February 14, 1994, and concerned General Electric and Honeywell. They were accepted by the U.S. NAO for formal review on April 20. A complaint regarding Sony's Magnetics subsidiary was filed in August. A fourth complaint, involving the same General Electric facility as had been the subject of a complaint in February, was accepted for review on November 4, 1994, but the request for review was withdrawn by a letter dated January 19, 1995.

<sup>146</sup> North American Agreement on Labor Cooperation, article 22. A hearing on the submission regarding Sony was held February 12, 1995, and a public report issued April 11. The report recommended that consultations be held between Ministers regarding one of the issues raised in the submission—union registration. In an April 10, 1995, letter to his Mexican counterpart, U.S. Secretary of

Labor Robert Reich formally requested consultations with the Government of Mexico regarding union registration. These consultations resulted in a June 12 announcement of a series of programs to educate workers about their rights regarding union registration. The two sides also agreed to consult further on union registration.

<sup>147</sup> How one would establish such a pattern of nonenforcement of domestic labor laws remains an open question, as discussed in "NAFTA's Labor Side Agreement: Does it Meet the Test?," *NAFTA Watch*, vol. 1, No. 14, Aug. 11, 1994, pp. 6-7.

<sup>148</sup> In a letter to NAO Secretary Irasema Garza, for example, the U.S. Council for International Business and the National Association of Manufacturers urged that only cases "ripe for review" be undertaken. The standard should be whether sufficient evidence is provided that Mexico is not enforcing its own labor law and whether the complainant has exhausted domestic administrative and legal remedies, as required by the NAALC, the business group said. Edward Potter, international labor counsel for the U.S. Council for International Business, letter to NAO Secretary Irasema Garza, Feb. 1, 1995.

<sup>149</sup> Under the guidelines issued by the Secretary of Labor on February 7, 1994 the NAO is required to hold hearings "unless the [NAO] Secretary determines that a hearing would not be a suitable method" for understanding the issues raised. For a discussion of business views of the NAO procedure, see "U.S. NAFTA Labor Rules Too Focused on Disputes, Trade Groups Say," *Inside NAFTA*, vol. 1, No. 4, Feb. 23, 1994, p. 6, "NAO Chief Directs Labor Inquiry Away from Firms' Behavior," *Inside NAFTA*, vol. 1, No. 19, Sept. 21, 1994, p. 18, and "Union Withdraws NAFTA Case from NAO Citing Costs to Workers," *Inside NAFTA*, vol. 2, No. 2, Jan. 25, 1995, p. 9.

<sup>150</sup> See, for example, Pharis Harvey, International Labor Rights Education and Research Fund, "Failure of the Labor Side Agreement," in *NAFTA's First Year: Lessons for the Hemisphere*, issued by the Institute for Policy Studies, Dec. 6, 1994.

<sup>151</sup> As a result, the U.S. NAO rescheduled hearings set for August 31 to September 12. Mexico's presidential elections were slated for August 21.

<sup>152</sup> 59 F.R. 64713.

<sup>153</sup> Direct inclusion of private sector representatives in NAFTA committee deliberations has, however, proved unacceptable to Canada and Mexico. "Private Role on Land Transport Panel is Barred Prior to First Meeting," *Inside NAFTA*, vol. 1, No. 16, Aug. 10, 1994, p. 17.

<sup>154</sup> On February 9, 1994, USTR Michael Kantor formally requested a meeting of the Free-Trade Commission to consider U.S. complaints over New Brunswick's collection methods for Provincial sales taxes.

<sup>155</sup> The July 14, 1994 letter, signed by 19 U.S. Governors, is reprinted in full in "U.S. Governors Call on Kantor to Reconsider New Brunswick Case," *Inside NAFTA*, vol. 1, No. 16, Aug. 10, 1994, p. 4.

<sup>156</sup> Joe Huddleston, president, Federation of Tax Administrators, letter to USTR Michael Kantor, May

26, 1994, as cited in "New Brunswick Sales Tax Dispute Raises Ire at State Level," *Inside NAFTA*, vol. 1, No. 11, June 1, 1994, p. 3.

<sup>157</sup> "Baja California Bans U.S. Milk . . . but Consumption Demands Favor U.S. Milk Imports: Mexican Official," *NAFTA Watch*, vol. 1, No. 10, June 13, 1994, p. 2. After condemning Baja California's unilateral move against imported milk, Mexico's Federal Government announced that it was imposing a new standard on fluid milk shipped from the United States, setting shelf life limits of 24 hours. It also canceled a waiver of the previous 0-percent duty on milk that had been in effect for northern border areas during the past several years and imposed the 9-percent NAFTA duty.

<sup>158</sup> U.S. Department of State, "Baja State Blocks Imports of U.S. Milk," message reference No. 792, prepared by U.S. Embassy, Mexico City, May 20, 1994.

<sup>159</sup> FAS official, telefax transmittal to USITC staff, May 3, 1995.

<sup>160</sup> The NAAEC permits only Canada to challenge another country's practices that would fall under Provincial jurisdiction in Canada if Provinces accounting for 55 percent of Canada's GDP agree to abide by the agreement. In the case of the NAALC, Canada may challenge a labor law if Provinces representing 35 percent of Canada's workforce agree to accept its disciplines. For a reprint of an internal Canadian analysis of Provincial obligations under NAFTA, see "Chretien Cabinet Gives Nod to Provincial Pacts on NAFTA," *Inside NAFTA*, vol. 1, No. 14, July 13, 1994, pp. 1 and 16-17.

<sup>161</sup> U.S. Department of State, "Implementing the North American Agreement on Labor Cooperation," message reference No. 066376, Washington, DC, Mar. 17, 1995.

<sup>162</sup> U.S. Interstate Commerce Commission, "Passenger Operations by Mexican Motor Carriers: Implementation of the North American Free Trade Agreement," 59 F.R. 1406.

<sup>163</sup> U.S. Department of State, "Canadian Trade Minister Visits Mexico and Chile," message reference No. 000019, prepared by U.S. Embassy, Ottawa, Jan. 4, 1994; and "Canadian Trade Minister Charges U.S. Lagging on NAFTA Expansion," *Inside NAFTA*, vol. 1, No. 19, Sept. 21, 1994, p. 7.

<sup>164</sup> "Serra Puche Backs NAFTA Accession Through Separate Annexes," *Inside NAFTA*, vol. 1, No. 9, May 4, 1994, pp. 1 and 13.

<sup>165</sup> U.S. Department of State, "BIT: Chile Acceptance of May 23 and 24," message reference No. 115697, Washington, DC, May 3, 1994.

<sup>166</sup> U.S. Department of State, "U.S.-Chile Investment Discussion June 2-3: A Positive First Step," message reference No. 159035, Washington, DC, June 14, 1994.

<sup>167</sup> U.S. Department of State, "Chile—May Economic Roundup," message reference No. 03636, prepared by U.S. Embassy, Quito, June 10, 1994. For a description of Chile's bilateral free trade agreements, including that with Mexico, see Thomas Jennings and James Stamps, "Chile's Trade Agreements with Latin American Partners,"

*International Economic Review*, (Washington, DC: USITC, Nov. 1994), pp. 11-17.

<sup>168</sup> U.S. Department of State, "GOTT [Government of Trinidad and Tobago] Decides to Pursue NAFTA Membership," message reference No. 00973, prepared by U.S. Embassy, Port of Spain, Mar. 31, 1994.

<sup>169</sup> Council of Economic Advisers, *Economic Report of the President*, Feb. 1995, p. 226.

<sup>170</sup> Initially, some concern was expressed about the limited nature of the program and its conditions. See, for example, U.S. Department of State, "Jamaican Reaction to Announcement of an Interim Trade Program for the Caribbean Basin," message reference No. 003698, prepared by U.S. Embassy, Kingston, May 31, 1994.

<sup>171</sup> For details, see USITC, *U.S. Imports of Textiles and Apparel Under the Multifiber Arrangement* (investigation No. 332-343), USITC publication 2884, Apr. 1995.

<sup>172</sup> For background on the late September decision to drop the proposal from the Uruguay Round implementing bill, see "Administration Drops CBI Parity from GATT Bill After Union Pressure," *Inside NAFTA*, vol. 1, No. 20, Oct. 5, 1994, pp. 1-2.

<sup>173</sup> U.S. Department of State, "G-3 Text," message reference No. 009729, prepared by U.S. Embassy, Bogota, June 29, 1994.

<sup>174</sup> Mexico has also concluded FTAs with Bolivia and Chile, and several more are under negotiation. For background, see U.S. Department of State, "Status Report: Mexico's Other FTAs," message reference No. 01316, prepared by U.S. Embassy, Mexico City, Jan. 19, 1994.

<sup>175</sup> U.S. Department of State, "Brazil Seeks Compensation from Mexico in Exchange for ALADI Article 44 Waiver," message reference No. 03670, prepared by U.S. Embassy, Brasilia, May 12, 1994.

<sup>176</sup> "Mexico, Other ALADI Members Negotiate Compensation Clause," *Inside NAFTA*, vol. 1, No. 11, June 1, 1994, pp. 1 and 17.

<sup>177</sup> Organization for Economic Cooperation and Development, Directorate for Financial, Fiscal, and Enterprise Affairs, Committee on Capital Movements and Invisible Transactions, *NAFTA: Implications for the Positions of Canada and the United States under the OECD Codes of Liberalization*, Nov. 28, 1994, DAF/INV (94) 18/Rev. 2. and U.S. Department of State telegram, "OECD Committee on Capital Movements and Invisible Transactions (CMIT) Meeting Report, November 1994," message reference No. 31848, prepared by U.S. Embassy, Paris, Nov. 18, 1994.

<sup>178</sup> U.S. Department of State, "Mexican Accession to the OECD: Review of Mexico's Positions Under the Codes of Liberalization," message reference No. 06331, prepared by U.S. Embassy, Paris, Mar. 8, 1994 and Christian Schricke, "Mexico, 25th Member of the OECD," *OECD Observer*, No. 188, June/July 1994, pp. 6-7.

<sup>179</sup> The WTO Working Party on NAFTA met again on July 28-29, 1995. Thus far, the United States has formally responded to more than 360 questions. Additional questions and meetings are likely, according to USTR.



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# CHAPTER 3

## Other Trade Agreement Activities

This chapter reviews the trade agreement activities of the Organization for Economic Cooperation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), and the U.S. Bilateral Investment Treaty (BIT) program in 1994. The OECD and the UNCTAD both provide a multilateral forum for consultation and policy coordination on economic issues of interest to their members. Bodies associated with the UNCTAD, such as the international commodity organizations, serve to coordinate and regulate specific aspects of international trade. The work of the OECD and UNCTAD has generally complemented the work done in the General Agreement on Tariffs and Trade (GATT). At the bilateral level, the agreements that the United States has negotiated with various countries under the BIT program aim to create a more favorable business environment for U.S. companies undertaking and operating investments abroad.

### Organization for Economic Cooperation and Development

#### *Introduction*

Since its founding in 1960, the OECD has provided a forum for cooperative action among a group of industrialized countries. With the accession of Mexico in 1994, the first new member since 1973, the OECD now comprises 25 nations.<sup>1</sup> The primary purpose of the OECD is to promote policies that contribute to (1) sound economic expansion in member as well as in non-member countries in the process of economic development and (2) the expansion of world trade on a multilateral, nondiscriminatory basis in accordance with international obligations.

The communiqué of the annual OECD ministerial meeting, held June 7 and 8, 1994, focused on matters of employment, the strengthening of the multilateral trading system through the forthcoming World Trade

Organization (WTO), and the OECD's role vis-à-vis nonmembers, such as Korea, China, and the Central European countries. The OECD agreed to undertake an examination of trade in relation to internationally recognized core labor standards. In the area of OECD trade agreement activity, a major shipbuilding agreement was successfully concluded in 1994 after 4 and 1/2 years of negotiation.

#### *Shipbuilding Agreement Reached*

In July 1994, the OECD Working Party Six on Shipbuilding reached the Agreement Respecting Normal Competitive Conditions in the Commercial Shipbuilding and Repair Industry, an *ad referendum* text that slates participating governments to eliminate subsidies and other trade-distorting practices in the shipbuilding sector.<sup>2</sup> The European Union, Japan, Korea, Finland, Norway, Sweden, and the United States signed the agreement on December 21, 1994, in Paris, France.<sup>3</sup> These signatories account for close to 80 percent of world shipbuilding. Negotiators hope to extend the agreement to Brazil, China, Poland, Russia, and Ukraine, where most of the remaining shipbuilding capacity is located.

The agreement is expected to enter into force on January 1, 1996, once its signatories have deposited their respective instruments of ratification with the OECD. It will eliminate most subsidies and other distorting practices, both direct and indirect, and provide for the effective enforcement of these prohibitions. Rules on domestic and export credit financing for ships, as well as a mechanism to prevent injurious pricing, are also included in the pact to help prevent noncommercial pricing of vessels among signatories. The agreement covers construction and repair of self-propelled seagoing vessels of 100 gross tons and above, although the home-build provisions of the so-called U.S. Jones Act<sup>4</sup> will not be changed by the agreement. However, there are provisions in the agreement that will allow other parties to respond if shipbuilding under the Jones Act undermines the balance of rights and obligations in the agreement.

## **Elimination of Subsidies**

From January 1, 1996, the agreement will ban all new direct and indirect subsidies for shipbuilding with the exception of those for research and development. Subsidies granted for ship contracts that are signed in 1995 for delivery by 1998 will be allowed.<sup>5</sup>

## **Injurious Pricing Discipline**

The agreement establishes for the shipbuilding industry an “injurious pricing” dispute mechanism based on the dispute panel system formed under the WTO Antidumping Agreement<sup>6</sup> and modified when necessary to address issues unique to shipbuilding. The shipbuilding agreement allows signatories to conduct investigations to determine whether the agreement’s price provisions are satisfied when a buyer from a signatory country purchases a vessel produced in another signatory country and to also determine whether the purchase causes or threatens material injury to a domestic industry. Signatories may impose a charge on the shipbuilder equal to the pricing margin causing injury if it is determined that, as a result of such affirmative investigations, there is a violation of the agreement’s injurious pricing provisions.<sup>7</sup>

As a means to enforce collection of an injurious pricing charge imposed under this procedure, the agreement provides for countermeasures in the event the shipbuilder fails to pay. In such cases, the investigating party may deny on- and off-loading privileges to certain vessels built by the nonpaying foreign shipbuilder. Injurious pricing determinations by a party are subject to binding dispute resolution, which is also modeled after the WTO dispute settlement system.

## **Domestic and Export Credits**

The agreement brings export credits for shipbuilding under the 1992 “Helsinki rules” of the OECD Export Credit Arrangement, providing discipline for officially supported export credit financing for ships for the first time. Under the Helsinki rules, a member wishing to grant below-market export credits for a project deemed commercially viable by other members is required to justify its action. Under the shipbuilding agreement, domestic credit for shipbuilding may be provided only on terms equivalent to export credits, bringing both domestic and export financing for ships closer to market terms. Domestic terms under the agreement will follow loan rates made under the arrangement’s

Commercial Interest Reference Rate (CIRR), in which repayment is capped at 12 years with a 20-percent downpayment.<sup>8</sup> Market distortions in the shipbuilding sector are expected to be reduced by more closely aligning these export and domestic credit terms. Domestic credit terms are allowed to retain a home-build requirement.

## **Dispute Settlement for Export Credits**

Export credit disputes that cannot be settled through the agreement’s Understanding on Export Credit’s Consultative Mechanisms will undergo a group review by parties to the agreement. If the group review finds that the contested practice significantly undermines the agreement’s balance of rights and obligations, the group can “establish the conditions under which the offending party discontinues the measure giving rise to the dispute.”<sup>9</sup> Alternatively, it can recommend possible amendments to the agreement or the understanding that could resolve the issue.

## **Responsive Measures to the U.S. Jones Act**

The agreement leaves intact U.S. coastwise laws, known collectively as the “Jones Act,” by specifically exempting them and by establishing no caps on construction of vessels for this market. These laws mandate that all domestic point-to-point service (“cabotage”) is carried on U.S.-built, -owned, and -crewed vessels.<sup>10</sup>

However, negotiators agreed to a threshold for annual U.S. shipbuilding production for Jones Act trade, beyond which other parties can take “responsive measures” if they find that this production significantly undermines the balance of rights and obligations of the agreement. Responsive measures might include imposing a charge or restricting bids or contracts to shipyards benefitting from the act in order to impose a lost sales opportunity comparable to the benefit arising from delivery of coastwise vessels.

If the United States considers the responsive measures taken to be disproportionate, it can invoke a dispute panel under the agreement. Moreover, during the first 3 years of the agreement, no responsive measures may be taken if U.S. deliveries and expected deliveries for Jones Act trade do not exceed a threshold of 200,000 gross tons in any year. This threshold will expire after 3 years, at which time there will be a review of these provisions.

## **Review and Withdrawal Terms**

At the end of 3 years, the agreement and its dispute-settlement mechanism will be reviewed by the participants, and modifications or such other measures as withdrawal of other rights under the agreement or possibly withdrawal of GATT concessions will be considered. Decisions by the parties to the agreement would have to be unanimous. Parties dissatisfied with either the results of the review or with the continuation of the agreement may withdraw at that time with 3 months' notice, rather than with the standard 1 year's notice.

## ***Mexico Accedes to the OECD***

In April 1994, Mexico signed an agreement to join the OECD as its 25th member.<sup>11</sup> Mexico ratified the agreement in time for the OECD ministerial meeting of June 7-8, 1994, to become the first full-fledged member of the OECD since 1973 when New Zealand became a member. Formal accession discussions began in 1990, although Mexico first became associated with the OECD in 1982 through discussions in the OECD Steel Committee and had been involved with the OECD Development Center and the Development Assistance Committee (DAC) even earlier as a major industrializing economy. Mexico became a full member of the Steel Committee in September 1990, after which it became an observer in other OECD committees. In July 1992, Mexican President Salinas confirmed in an address to the OECD Council his country's desire to accede formally.

## ***Bribery Recommendation Reached***

Following several years of feasibility studies, the OECD adopted in May 1994 the Recommendation on Bribery in International Business Transactions.<sup>12</sup> Although virtually all countries have laws that make bribery of their own public officials illegal, often the corruption of foreign officials is not illegal.<sup>13</sup> The OECD recommendation, recognizing the problem arising from the absence of international agreements on such matters, supports the elimination of bribery not only for moral reasons, but also for more equal competitive conditions in world trade and investment. The OECD Working Group on Bribery in International Business Transactions is carrying out followup work to improve the recommendation. In particular, the Working Group will address tax measures that can abet or indirectly condone illicit payments and aims to make bribery a criminal action.<sup>14</sup>

## **United Nations Conference on Trade and Development**

The UNCTAD is a forum for deliberation on issues addressing international trade and economic cooperation. UNCTAD is a permanent organ of the United Nations (UN) General Assembly. Founded in 1964, its current membership comprises all 184 UN members, including the United States, plus Monaco, Switzerland, and Vatican City. The most recent UNCTAD ministerial conference, UNCTAD VIII, was held in 1992.<sup>15</sup>

UNCTAD is the primary organization within the UN system responsible for international commodity policy and commodity trade. In this role, UNCTAD promotes the negotiation of international commodity agreements among producing and consuming countries to stabilize market conditions for a wide range of primary products of vital economic importance to developing countries.

At the end of 1994, the United States was a member of four UNCTAD-based international commodity agreements covering jute and jute products, natural rubber, tropical timber, and wheat.<sup>16</sup> Only the agreement covering natural rubber contained provisions to affect international market prices of the product; the other commodity agreements served primarily as fora for discussion among producers and between producing and consuming countries. Table 3-1 and the following sections summarize significant developments related to these agreements during 1994.

### ***Jute***

The International Jute and Jute Products Agreement (IJA) has been in effect since January 9, 1984, and is presently scheduled to expire on January 9, 1996. The main objectives of the IJA are to improve the competitiveness and quality of jute and jute products, to ensure adequate supplies, and to maintain and develop the demand for jute. The IJA operates without any economic provisions to affect international jute and jute product prices or supply.

The IJA is administered by the International Jute Organization (IJO), with the assistance of the International Jute Council (IJC). The IJO concentrates on assembling information, undertaking research and development projects, and conducting studies pertaining to the current situation in the world jute market. It also serves as a consultative group to exporters and importers of jute and jute products. The main responsibilities of the IJC are to organize and conduct semiannual sessions and to oversee the meetings of the Committee on Projects.

**Table 3-1  
Summary of international commodity agreements, 1994**

Commodity	Organization <sup>1</sup> (Location)	Expiration	Total members	Control mechanism
<i>The United States participated in the following agreements:</i>				
Jute and jute products <sup>2</sup> .....	International Jute Organization (Dhaka, Bangladesh)	Jan. 1996	325	None
Natural rubber .....	International Natural Rubber Organization (Kuala Lumpur, Malaysia)	Dec. 1995	38	Buffer stock
Tropical timber .....	International Tropical Timber Organization (Yokohama, Japan)	Dec. 1995 <sup>4</sup>	51	None
Wheat .....	International Wheat Organization (London, England)	June 1995 <sup>5</sup>	36	None
<i>The United States did not participate in the following agreements:</i>				
Cocoa .....	International Cocoa Organization (London, England)	1998	40	Buffer stock
Coffee .....	International Coffee Organization (London, England)	1999	35	None
Sugar .....	International Sugar Organization (London, England)	1997	43	None

<sup>1</sup> The organizations listed are the administrative authorities for the relevant agreements.

<sup>2</sup> The United States withdrew from the Jute and Jute Products Agreement effective June 30, 1994.

<sup>3</sup> The European Union, which consisted of 12 countries in 1994, is counted as one member.

<sup>4</sup> The agreement was extended from March 1994 pending ratification of a successor agreement.

<sup>5</sup> The International Wheat Agreement is slated to be replaced by the International Grain Agreement on July 1, 1995, subject to its ratification by member countries.

Source: Compiled by USITC staff.

The United States is the world's third largest consumer and importer of jute and jute products. On March 21, 1994, the United States served notice to the host Governments of India and Bangladesh and to the United Nations of its intention to withdraw from the IJA. The United States, which had been a member of the IJA since 1985, formally withdrew effective June 30, 1994, primarily because of U.S. budgetary constraints.

## ***Natural Rubber***

The International Natural Rubber Agreement (INRA) uses a buffer stock mechanism to stabilize natural rubber prices. The International Natural Rubber Organization supervises the operation and administers the provisions of the agreement. It is assisted by the International Natural Rubber Council (INRC). INRA II has been operational since 1987, when it succeeded the first INRA (1982-87).

INRA II was scheduled to expire on December 28, 1993, but was extended for 1 year by the INRC to permit the continuation of negotiations on a new agreement. A UN Conference on Natural Rubber was held in April 1994 to negotiate the successor agreement, but negotiations stalled because of differences of opinion between producing and consuming nations over the role of the intervention price levels. Producing members advocated the adoption of some form of price support mechanism, whereas consumer members argued for the current price stabilization mechanism.<sup>17</sup> In late November 1994, the Council again extended INRA II for another year as negotiations continue.

Nevertheless, INRA II has been regarded as a success mainly because of its unique buffer stock arrangement, which was developed to stabilize prices but not support them. The agreement sets a buffer stock capacity of 550,000 metric tons (mt). Additions to or sales from the buffer stock are performed by the Buffer Stock Manager, who is guided by a price range scheme.<sup>18</sup>

The United States is the largest consumer and importer of natural rubber and, as such, plays a vital role in the operation of the INRA and in the continued negotiations on a successor agreement. Thailand, Indonesia, and Malaysia account for approximately 70 percent of world production, which was estimated to be 5.5 million mt in 1994. During the first 10 months of 1994, U.S. imports of natural rubber amounted to 843,143 mt (\$780 million), a 2-percent increase in quantity and a 10-percent increase in value over the corresponding period of 1993.

## ***Tropical Timber***

The International Tropical Timber Agreement (ITTA) has been in effect since 1985. Although scheduled to expire on March 31, 1994, the ITTA was extended until December 1995 to allow time to conclude and ratify a new agreement. The new agreement, concluded in 1994, is now being circulated for ratification by member states. The main objective of the ITTA is to promote sustainable management of the world's tropical production forests. It operates without any economic provisions to affect international tropical timber prices or supply. The ITTA is administered by the International Tropical Timber Organization with the assistance of the International Tropical Timber Council (ITTC).

The ITTC met three times in 1994. These meetings focused on species labeling and certification programs. The ITTC initiated two studies to analyze problems associated with the implementation of such programs. The member countries also agreed to review progress toward meeting their 1993 commitments to achieve sustainable management of tropical production forests by the year 2000.<sup>19</sup> The United States, which has been a member of the ITTA since 1985, imports specialty tropical timber items that are not available from U.S. forest resources.

## ***Wheat***

The International Wheat Agreement (IWA) has been operative since 1971. When it expires on June 30, 1995, the IWA is to be replaced by the International Grains Agreement (IGA), which is currently awaiting ratification by member nations.<sup>20</sup> The initial duration of the new 1995 agreement will be 3 years, until June 30, 1998, with subsequent extensions of the agreement permitted for no more than 2 years each.<sup>21</sup> Neither the IWA nor the IGA has economic provisions to affect wheat prices or supply.

The activities of the IWA are allocated to two conventions: a Wheat Trade Convention and a Food Aid Convention. As part of its responsibilities, the IWA provides technical studies, collects market information, and coordinates food aid pledges by exporters and importers to needy developing nations. The various functions of the IWA are administered by the International Wheat Council, the only commodity organization in which the United States participates as an exporting nation.

The original IWA was replaced by a new agreement negotiated in 1986. Although the 1986 IWA continued to focus on wheat, it expanded the scope of research and reporting to include information on other

grains. It also increased pledges under the Food Aid Convention. However, the principal difference between the 1971 and the 1986 IWA was that the latter agreement downplayed the language in the original IWA dealing with eventual price intervention, an activity the United States opposes.

The board of the IWA concluded the new agreement at a meeting held in December 1994. Although this agreement follows the same general lines as the 1986 agreement (the IGA will be composed of the Grains Trade Convention and the Food Aid Convention), there are certain differences which are listed below. The target is to have the new agreement in force by July 1995.<sup>22</sup>

- The new name will be the International Grains Agreement, since all cereal grains are now involved (pulses have been added to the list of items that may be supplied under the Food Aid Convention).
- Different food aid contribution quantities are specified for the various countries participating in the Food Aid Convention, and the basic minimum annual food contribution of a country acceding to the Food Aid Convention is set at 20,000 tons (no minimum contribution was previously specified).
- Voting rights, which are based on trade volume, have been changed to reflect updated trade statistics (the United States is to have 475 votes; the European Union, 443; Canada, 243; Japan, 187; Australia, 122; and the Russian Federation, 100).

Worldwide consumption of wheat reached 564.3 million mt in 1993/94,<sup>23</sup> nearly a 4-percent increase over the 543.6 million mt of wheat consumed in 1992/93. The United States accounted for about 6 percent of world wheat consumption. The increased world consumption, together with a 1992/93-1993/94 world production decline from 561.5 million mt to 558.8 million mt, resulted in a decrease in world stocks from 148.1 million mt to 142.5 million mt during the same period.<sup>24</sup>

The United States was the largest exporter of wheat during 1992/93-1993/94, accounting for 33 percent of world trade in wheat. Nevertheless, during this period, U.S. wheat exports declined by close to 12 percent, from 112.5 million mt to 99.5 million mt. U.S. wheat

imports, primarily from Canada, rose from 1.9 million mt to 3.2 million mt during the same period.

## Bilateral Investment Treaty Program

The first negotiation under the U.S. Bilateral Investment Treaty (BIT) program began in 1980 in order to guarantee U.S. direct investors certain rights and protection abroad. The treaties included in the program reduce restrictions on foreign direct investment that distort international trade and capital flows, such as entry restrictions, performance requirements, and capital transfer requirements. These treaties were originally negotiated with developing countries exclusively, but in the past few years the program has focused more on the countries of Eastern Europe and the former Soviet Union. With the United States making a concerted effort to expand commercial ties in the Hemisphere, the focus of the BIT negotiating efforts is shifting toward Latin America.

In 1994, revisions were made to the U.S. prototype treaty from which the U.S. Government negotiates BITs. Before 1994, the prototype had been updated only slightly since 1984.<sup>25</sup> The 1994 changes to the prototype treaty were made for three main reasons: (1) to capture the best practices of the NAFTA and other treaties already in force, of the new model clauses developed by the International Centre for Settlement of Investment Disputes,<sup>26</sup> and of the practices of other OECD countries; (2) to reflect changes in U.S. policy concerning certain sectors, such as aviation and banking; and (3) to broaden the language of the treaties to make them more applicable to developed countries.<sup>27</sup>

The new prototype BIT has the same main objectives as its predecessors. The treaty gives a comprehensive definition of direct investment, including tangible as well as intangible property, and of rights, such as leases, mortgages, and intellectual property. After defining investment and the parties to the treaty, the treaty states its five main provisions: (1) national treatment or most-favored-nation treatment for investments, (2) standards for expropriation and compensation for expropriation, (3) the right to transfer funds, (4) limits on performance requirements, and (5) a dispute settlement mechanism. Exceptions to the above provisions, typically sectors not subject to national treatment, are stated in annexes to the individual treaties.

The provisions on national or most-favored-nation treatment require that the establishment, acquisition,

expansion, management, conduct, and sale of investment, as defined by the treaty, shall receive no worse treatment than what the country accords to its own investors in a like situation or to an investor from a third country (most favored nation) under like circumstances. At a minimum, investment cannot be treated less favorably than required by international law. Sectors of the economy that are exempt from these rules are listed in an annex to the treaty.

Compensation and expropriation rules in the treaty are intended to enumerate the circumstances under which expropriation or nationalization is allowable and to define the compensation issues involved. Expropriation is allowable only for public purposes and must be conducted in a nondiscriminatory manner; prompt, adequate, and effective compensation must be paid. Compensation must be equal to the market value of the assets and be freely transferable outside the country.

With a few stated exemptions, the provisions covering the right to transfer funds state that all transfers of funds, such as capital contributions, capital gains, proceeds from sales, profits, interest, and the rest, should be free from obstructions and should not be delayed. Governments may restrict the free transfer of funds in situations when bankruptcy occurs or when criminal proceedings or judgments are pending.

In keeping with the provisions of NAFTA and the WTO, the new bilateral treaty prototype includes prohibitions on the use of performance requirements. The BITs include more prohibitions than the WTO. Requirements prohibited under the new BIT prototype include local content, technology transfer, export, research and development in the country of the investment, and restrictions on the number of foreign employees.

The dispute settlement mechanism established in the treaty insures access to binding third-party arbitration to resolve investment disputes. As in the NAFTA, there are three main avenues for dispute resolution. The parties to the investment may use the local courts, use a previously agreed upon method, or use outside arbitration. The arbiter will typically be the International Centre for the Settlement of Investment Disputes. By signing the treaty, a foreign government essentially agrees to abide by the recommendations of the outside arbiter, making that judgement enforceable under domestic law. Such recourse can be faster and more predictable than the recourse available in a strictly domestic process.

Table 3-2 shows the current status of the U.S. Bilateral Investment Treaty program. As of March 1,

**Table 3-2**  
**U.S. bilateral investment treaties, as of**  
**Mar. 1, 1995**

Country	Year
<b>In force</b>	
Argentina .....	1994
Bangladesh .....	1989
Bulgaria .....	1994
Cameroon .....	1989
Congo .....	1994
Czech Republic .....	1992
Egypt .....	1992
Grenada .....	1989
Kazakhstan .....	1994
Kyrgyzstan .....	1994
Moldova .....	1994
Morocco .....	1991
Panama .....	1991
Poland <sup>1</sup> .....	1994
Romania .....	1994
Senegal .....	1990
Slovakia .....	1992
Sri Lanka .....	1993
Tunisia .....	1993
Turkey .....	1990
Zaire .....	1989
<b>Signed—not in force</b>	
Albania .....	1995
Armenia .....	1992
Belarus .....	1994
Ecuador .....	1993
Estonia .....	1994
Georgia .....	1994
Haiti .....	1983
Jamaica .....	1994
Latvia .....	1995
Mongolia .....	1994
Russia .....	1992
Trinidad & Tobago .....	1994
Ukraine .....	1994
Uzbekistan .....	1994
<b>Negotiations commenced</b>	
Barbados .....	1992
Bolivia .....	1990
Colombia .....	1992
Costa Rica .....	1991
Honduras .....	1994
Hungary .....	1990
Lithuania .....	1993
Nicaragua .....	1994
Pakistan .....	1991
Peru .....	1992
Turkmenistan .....	1992
Venezuela .....	1992

<sup>1</sup> A Business and Economic Relations Treaty, incorporating BIT elements, is in force.

Source: The Office of the United States Trade Representative.

1995, the United States had signed BITs with 35 countries, and 21 of the 35 treaties had been ratified by both the United States and the other signatory country and entered into force.<sup>28</sup> The 35 countries accounted for approximately \$27 billion of U.S. foreign direct investment (FDI) at the end of 1993, or about 5 percent of the total cumulative U.S. FDI of \$549 billion.<sup>29</sup> Formal negotiations are underway with another 12 countries, most of them Latin American. No BITs have been signed nor are any being negotiated with developing countries in Asia. However, at their November 1994 ministerial, 17 Asia-Pacific leaders

agreed to non-binding investment principles similar to, but less rigorous than, U.S. BITs.

European countries and Japan have had BIT programs since the early 1960s. By January 1994 there were 570 BITs signed worldwide, representing an increase of 13 percent from the previous year. Germany, England, and France had the most with 89, 59, and 58, respectively.<sup>30</sup> Non-U.S. BITs usually have less specific requirements and provide fewer specific rights for foreign investors than do the U.S. treaties.



## ENDNOTES

<sup>1</sup> The 25 OECD member countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

<sup>2</sup> U.S. Department of State telegram, "OECD Shipbuilding Subsidy Negotiations Yield Breakthrough Agreement," message reference No. 20676, prepared by U.S. Embassy, Paris, July 28, 1994; Office of the United States Trade Representative (USTR), 1995 *Trade Policy Agenda and 1994 Annual Report*, p. 44. See also John Ridding, "Shipbuilding Nations Avert Trade War Over Yard Subsidies," *Financial Times*, July 18, 1994, p. 21; Guy de Jonquieres, "Subsidies Deal Averts US Sanctions," *Financial Times*, July 19, 1994, p. 12; Andrew Baxter, "No Clear Winners and Losers," *Financial Times*, July 18, 1994, p. 13; Tara Patel, "US, European Shipbuilders Back OECD Pact on Subsidies," *Journal of Commerce*, July 19, 1994, p. 1A; Bruce Barnard and Tara Patel, "France Threatens to Veto Pact on Shipyard Aid," *Journal of Commerce*, July 19, 1994, pp. 1A, 8A.

<sup>3</sup> USTR, "Agreement Reached on Shipbuilding," press release 94-71, Dec. 21, 1994.

<sup>4</sup> The Merchant Marine Act of 1920, 46 U.S.C. 883, sec. 27. The home-build provisions require vessels in the Jones Act fleet to be built in U.S. shipyards.

<sup>5</sup> Final Act of Negotiations Concerning the Agreement Respecting Normal Competitive Conditions in the Commercial Shipbuilding and Repair Industry, Annex 1, B.3, and Accompanying Note 5.

<sup>6</sup> WTO, "Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994," *Final Act*, pp. 145-170.

<sup>7</sup> Final Act of Negotiations Concerning the Agreement Respecting Normal Competitive Conditions in the Commercial Shipbuilding and Repair Industry, Annex III: Shipbuilding Injurious Pricing Code, Art. 1.

<sup>8</sup> Bruce Barnard and Tara Patel, "France Threatens to Veto Pact on Shipyard Aid," *Journal of Commerce*, July 19, 1994, pp. 1A, 8A. Domestic credit programs, such as in the United States under title XI of the Jones Act and in Japan through the Japanese Development Bank, will be brought into conformity with the agreement in 1996. Current U.S. home credit terms, for example, allow up to 25-year financing. U.S. Department of State telegram, "OECD Shipbuilding Subsidy Negotiations Yield Breakthrough Agreement," message reference No. 20676, prepared by U.S. Embassy, Paris, July 28, 1994.

<sup>9</sup> U.S. Department of State telegram, "OECD Shipbuilding Subsidy Negotiations Yield Breakthrough Agreement," message reference No. 20676, prepared by U.S. Embassy, Paris, July 28, 1994.

<sup>10</sup> Including intracoastal, inland waterway, and Great Lakes shipping.

<sup>11</sup> U.S. Department of State telegram, "April 14 Press Conference on Mexico's Accession to the OECD with Foreign Minister Tello and OECD Secretary-General Paye," message reference No. 10244, prepared by U.S. Embassy, Paris, Apr. 15, 1994.

<sup>12</sup> U.S. Department of State telegram, "OECD Council Adopts Recommendation on Illicit Payments," message reference No. 172866, prepared by U.S. Department of State, Washington, DC, June 29, 1994.

<sup>13</sup> OECD, "Illicit Payments," *The Annual Report of the OECD*, 1992, p. 28.

<sup>14</sup> U.S. Department of State telegram, "OECD: Illicit Payments," message reference No. 32346, prepared by U.S. Embassy, Paris, Nov. 23, 1994.

<sup>15</sup> For a more detailed discussion of UNCTAD VIII, see U.S. International Trade Commission (USITC), *The Year in Trade: Operation of the Trade Agreements Program, 44th Report, 1992*, USITC publication 2640, 1993, pp. 39-40.

<sup>16</sup> The United States did not participate in agreements covering cocoa, coffee, and sugar. For a discussion of these agreements, see USITC, *The Year in Trade: Operation of the Trade Agreements Program, 45th Report, 1993*, USITC publication 2769, 1994, pp. 76-78.

<sup>17</sup> The Economist Intelligence Unit, *Rubber Trends* (London, Mar. 1994), p. 16.

<sup>18</sup> The agreement establishes a reference price, upper and lower intervention prices, upper and lower trigger-action prices, and upper and lower indicative prices. The reference price, initially fixed at 201.66 Malaysian/Singapore cents per kilogram, is revised based on market trends or net changes in the buffer stock. The upper and lower intervention prices are calculated at plus and minus 15 percent of the reference price. The upper and lower trigger-action prices are calculated at plus and minus 20 percent of the reference price. The upper and lower indicative prices were initially fixed at 270 and 150 Malaysian/Singapore cents per kilogram, respectively. Operation of the buffer stock mechanism, i.e., selling or buying stocks, is based on the Daily Market Indicator Price—a composite, weighted average of daily official current-month prices of RSS 1, RSS 3, and TSR 20 rubber quoted in Malaysian/Singapore currency on the Kuala Lumpur, London, New York, and Singapore markets.

<sup>19</sup> For more information, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 78.

<sup>20</sup> Like the past agreements, the new agreement will have to be ratified by the U.S. Senate.

<sup>21</sup> International Wheat Council, "International Grains Agreement, 1995," press release, Dec. 12, 1994.

<sup>22</sup> Information on the new agreement has been provided by the U.S. Department of Agriculture, Foreign Agricultural Service.

<sup>23</sup> The crop years extend from July 1 to June 30.

<sup>24</sup> U.S. Department of Agriculture, Economic Research Service, *Wheat: Situation and Outlook Report*, WHS-309, Nov. 1994.

<sup>25</sup> For a description of the 1984 prototype and the BIT program's origins, see USITC, *Operation of the Trade Agreements Program*, 35th Report, 1983, USITC publication 1535, 1984, pp. 36-43.

<sup>26</sup> The International Centre for Settlement of Investment Disputes was created in 1965. An organization belonging to the World Bank Group, it has been a primary vehicle for the resolution of private-government investor disputes.

<sup>27</sup> The United States has negotiated bilateral treaties of Friendship, Commerce, and Navigation with most developed countries. These treaties

provide for national treatment and protect against expropriation.

<sup>28</sup> The domestic procedure for ratifying a bilateral treaty varies from country to country. U.S. ratification requires a two-thirds vote of the Senate. The treaty enters into force when the two countries complete their respective procedures and exchange an instrument of ratification.

<sup>29</sup> If Mexico and Canada—with whom the United States has BIT equivalent obligations—are included, the proportion rises to 20 percent. This calculation was made using data from the U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, June 1994.

<sup>30</sup> UNCTAD, *World Investment Report 1994: Transnational Corporations and Integrated International Production*, p. 279.

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# CHAPTER 4

## U.S. Relations With Major Trading Partners

This chapter reviews trade relations and principal bilateral trade issues with seven major U.S. trading partners in 1994: Canada, the European Union (EU), Japan, Mexico, China, Taiwan, and the Republic of Korea (Korea). An analysis of U.S. trade flows with these partners was provided in the introduction to this report.

### Canada

January 1, 1994, marked the entry into force of the North American Free-Trade Agreement (NAFTA). NAFTA had been preceded by 5 full years of operation of the United States-Canada Free-Trade Agreement (CFTA). Because the timetable and most terms of the CFTA were continued under the NAFTA for these 2 parties, the new agreement's impact on trade relations to the north was less dramatic than the opening of a new, more liberal, trading relationship with the United States' closest southern trading partner, Mexico. Nevertheless, the year demonstrated the usefulness of the pact and its mechanisms for the resolution of bilateral differences.

A number of issues were significant in the context of the U.S.-Canada 1994 bilateral trading relationship. These included renewed bilateral differences on salmon, steel, beer, and culture. Uniquely Canadian issues—such as a comprehensive Canadian agreement to loosen Provincial protectionism and lower inter-Provincial trade barriers, and the continuing issue of possible Quebec independence—while internal to Canada, were monitored by the United States because they may affect the strong economic relationship between the two North American partners. The most significant bilateral trade disputes during the year involved the agricultural products, wheat and lumber. Both disputes were at least temporarily resolved during the year after much attention by policymakers on both sides. Despite these and other trade disagreements and difficulties associated with implementing and expanding the NAFTA, the general state of

U.S.-Canadian economic relations in 1994 was positive.

### *Wheat*

Among the many U.S.-Canadian agricultural issues in recent years, wheat took on a high priority during 1993,<sup>1</sup> when U.S. wheat imports from Canada began rapid growth. During 1994, U.S. wheat farmers continued to press the U.S. Government to respond to their claims that the Canadian Government's pricing structure and transportation subsidies were directly contributing to increased imports, a decrease in the U.S. domestic price of wheat, and flagging U.S. exports. In response, the President directed the U.S. International Trade Commission (USITC) to initiate an investigation under section 22 of the Agricultural Adjustment Act of wheat imports (almost all of which are from Canada) in January 1994. The U.S. Government meanwhile threatened to raise U.S. tariffs on imports of Canadian wheat through a General Agreement on Tariffs and Trade (GATT) article XXVIII action. Throughout the year, talks between U.S. and Canadian officials continued with an aim to resolve the conflict and avoid the imposition of quotas or tariffs. Although the wheat matter was temporarily settled by a 1-year agreement reached between the two countries in August 1994, differences regarding the countries' wheat-trading policies remain.

During 1993, rising Canadian shipments of wheat to the United States prompted widespread complaints from American farmers and their representatives in Congress. These complaints concerned two Canadian programs: Canadian Wheat Board (CWB) pricing procedures and government transportation subsidies authorized by the Western Grain Transportation Act (WGTA).

CWB is the sole legal exporter for most wheat produced in Canada.<sup>2</sup> The CWB designates marketing quotas for western Canadian farmers and has a marketing monopoly on grains for domestic human consumption and for exports. U.S. wheat producers

claimed in 1993 and 1994 that the CWB used its monopolistic pricing practices (since it is responsible for the distribution of nearly all wheat produced in Canada) to unfairly undercut the prices of U.S. wheat in the United States and in third-country markets (Mexico, for example). In addition, U.S. wheat producers claimed that the Canadian system of pricing is unfair because the CWB can adjust returns paid to producers, depending upon whether it runs a surplus (profit) or a deficit (loss) in its financial operations.<sup>3</sup>

The Canadian Government provides direct payments to Canadian railroads for rail shipments of western grain eastward to Thunder Bay on Lake Superior and westward to British Columbia under the WGTA. Its payments were seen as an export subsidy by American farmers, who believed that subsidies paid for by the WGTA were responsible, in part, for an increase in Canadian world wheat exports taking place at the expense of U.S. producers.<sup>4</sup> Canada claimed that the payments for eastbound shipments constituted a domestic subsidy that had no relevance to the international market.<sup>5</sup>

The U.S. concerns centered on both foreign and domestic effects of Canadian practices. On the one hand, U.S. exports to third-country markets were directly affected by Canadian sales; on the other hand, the increase in exports of Canadian wheat was having a dampening effect on the U.S. domestic price of wheat.

With the failure of discussions in 1993, the wheat dispute stretched into early 1994. On November 16, 1993, the President directed the USITC to undertake an investigation, pursuant to section 22 of the Agricultural Adjustment Act, to determine if imports of wheat, wheat flour, and semolina were being or were practically certain to be imported so as to materially interfere with the U.S. Department of Agriculture (USDA) program for wheat.<sup>6</sup> As described in the President's November 16, 1993 letter, the USITC would, after 60 days, begin a section 22 investigation of U.S. imports of wheat, wheat flour, and semolina, unless the President otherwise indicated (giving U.S. and Canadian officials 60 days to work out their differences). However, an agreement was not reached by the U.S.-imposed deadline of January 14. As a result, on January 18, the USITC initiated its investigation.

Section 22 procedures require the USITC to investigate whether the subject imports are materially interfering with USDA programs designed to support a domestic agricultural commodity, in this case, wheat. The USITC makes a recommendation to the President. After the USITC investigation and report, the President

decides whether or not to impose quantitative restraints (quotas) or fees (tariffs) on imports. Such fees cannot exceed 50 percent of the value of the imported product and restraints cannot reduce imports by more than 50 percent.

As part of the investigation, the USITC held hearings in North Dakota, Montana, and Washington, DC, for U.S. wheat farmers, importers, millers, exporters, and other persons with an interest in the matter to present their views. Three Commission members and selected staff also conducted a 2-day fact-finding trip to Winnipeg, Manitoba, Canada. The CWB indicated at the Washington, DC, hearing and in written submissions that U.S. markets and wheat prices were not being affected by imports of Canadian wheat, and that the USDA support programs offered American farmers enough protection to cover the effect of changing wheat prices. In addition, it noted that the purpose of the CFTA was, in fact, to increase trade between the countries. After the hearings and during the period of USITC investigation and decision making, bilateral talks continued, but few advancements occurred.

While the USITC was conducting its investigation, action under the GATT was also being considered. With the bilateral wheat talks in progress, the National Economic Council (NEC), an advisory body to the President, was considering an option to impose restrictions on Canadian wheat imports under article XXVIII of the GATT.<sup>7</sup> The NEC met in March 1994 to approve a plan that would raise U.S. tariffs on Canadian wheat shipments. In response, Canadian officials reportedly threatened to impose countermeasures on U.S. exports to Canada of such goods as wine, poultry, bourbon, and canned fruit,<sup>8</sup> prompting a new round of talks.

However, with the parties unable to reach agreement and following Canada's refusal to increase U.S. market access for dairy, poultry, and eggs,<sup>9</sup> as well as its insistence on maintaining Canada's prevailing levels of wheat exports, on April 22 the United States Trade Representative (USTR) announced it would act in 90 days to limit U.S. wheat imports under GATT article XXVIII.<sup>10</sup> The article allows the imposition of tariff-rate quotas or other restrictions after 90 days of bilateral negotiations; trade compensation is to be offered to the nation adversely affected. Canada threatened countermeasures and retaliation.<sup>11</sup>

On July 15, 1994, the USITC reported its split findings in the section 22 investigation: (1) three Commissioners found that wheat, wheat flour, and semolina were not being imported under such

conditions and in such quantities as to “render, or tend to render, ineffective” the USDA wheat program but that the evidence of regional impact of increased wheat imports could support the President finding either “material interference” or “no material interference”; and (2) three Commissioners found (in two separate opinions) that wheat, wheat flour, and semolina were being imported under such conditions and in such quantities as to materially interfere with certain USDA programs for wheat.<sup>12</sup>

Further bilateral wheat discussions were held after the USITC submitted its report to the President. In late July, U.S. Agriculture Secretary Mike Espy warned that if no satisfactory agreement could be reached, the tariffs and quotas permitted under section 22 of the Agricultural Adjustment Act would be imposed on August 1, the date marking the end of the 90-day negotiation period established under article XXVIII of the GATT.<sup>13</sup>

On August 2, 1994, the two Governments announced a 1-year agreement that restricted U.S. imports of wheat (virtually all of which have been and are expected to remain Canadian) into the United States for the duration of about 1 year, beginning on August 1, 1994.<sup>14</sup> Details of the agreement were finalized in a memorandum of understanding (MOU) dated September 20, 1994. The MOU limited imports of Canadian durum and nondurum wheat during the period September 12, 1994 - September 11, 1995, in the following ways:

- For durum wheat imports not exceeding 300,000 metric tons, the NAFTA duty rate would apply; for imports over 300,000 but not over 450,000 metric tons, a \$23/ton tariff, less the otherwise applicable NAFTA duty, but not over 50 percent ad valorem, was imposed; and for shipments over 450,000 metric tons, the tariff rate was set at \$50/ton, less the otherwise applicable NAFTA duty, but not over 50 percent ad valorem.
- For all other wheat imported into the United States from Canada (nondurum wheat, namely) not exceeding 1,050,000 metric tons, the NAFTA rate would apply; a tariff rate of \$50/ton, less the otherwise applicable NAFTA duty, but not over 50 percent ad valorem, was imposed on shipments over 1,050,000 metric tons.<sup>15</sup>

The agreement also established a Joint Commission on Grains to survey all areas related to the

countries’ systems for grain marketing and support.<sup>16</sup> The Joint Commission, composed of private-sector experts, is to present recommendations to both Governments by June 12, 1995, in order to help find long-term solutions to bilateral and third-country grain trade problems.<sup>17</sup> Finally, the agreement contains a “peace clause” that commits both countries to refrain from further action during the 12-month period; accordingly, the United States withdrew its threatened action under GATT article XXVIII.<sup>18</sup>

The agreement settled the wheat dispute for the period of approximately 1 year. The MOU will expire on September 11, 1995. The underlying issue of bilateral trade in wheat awaits further consideration and the Joint Commission recommendations in mid-1995.

## **Lumber**

The U.S.-Canada trade dispute involving lumber is one of the longest running disagreements in the bilateral relationship; its origins date back to 1982.<sup>19</sup> By the beginning of 1994, the final outcome of a lumber countervailing duty case, initiated in 1992, was still undetermined.

As 1994 began, two 1992 decisions in an earlier countervailing duty (CVD) case involving softwood lumber, one by the Department of Commerce, the other by the USITC, had been reviewed by panels established under the dispute resolution mechanism of the CFTA (chapter 19 of the agreement) and had been remanded to each agency. Thus, both the U.S. International Trade Administration (ITA) and the USITC had early 1994 deadlines either to return a revised determination responding to a remand by a review panel, or to await a panel decision reviewing such a revised decision. The ITA had to respond to a panel remand while the USITC was awaiting a panel view of its response to a previous remand.

Events during 1994 illustrate how the innovative mechanism established under the CFTA to handle challenges to domestic determinations of dumping and countervailing duties operates. The lumber issue was thus a matter of considerable interest to trade practitioners on both sides of the border, particularly since the dispute settlement mechanism has been carried over into NAFTA.

## **ITA Determination**

On December 17, 1993, the CFTA (chapter 19) dispute resolution panel issued its second decision on review of Commerce’s earlier remand determination. In a majority ruling, the five-member panel held that

more evidence was needed to prove that Canadian subsidies were market distorting. The panel thus remanded the case again. The Commerce Department (ITA) was given 20 days to respond to the panel decision.<sup>20</sup> The decision was somewhat unusual in that a chapter 19 panel split along national lines for the first time in the history of the CFTA. The three Canadian panelists supported the need for additional proof; the two Americans disagreed. While binational panels cannot make the determinations required of domestic agencies—they can only review the decisions of those agencies—the majority was unusually forthright in its second remand decision.<sup>21</sup>

On January 6, 1994 the Commerce Department filed a determination with the Binational Secretariat, essentially following the binational panel's instructions in the December 17 remand decision. The ITA determined that Canadian Provincial stumpage programs and log export restrictions do not constitute a countervailable subsidy.<sup>22</sup>

On March 7, 1994, the binational panel upheld the ITA remand determination, affirming that Provincial stumpage programs and British Columbia's log export restrictions were not countervailable under U.S. law. Following a series of bilateral discussions concerning possible conflicts of interest on the part of two of the three Canadian panelists, the United States on April 6, 1994, lodged an extraordinary challenge to the binational panel's action of December 17, 1993.<sup>23</sup>

## USITC Determination

October 25, 1993 was the deadline set for a USITC determination on remand by another binational panel in the same lumber case. On October 18, the USITC upheld its original determination by the same 4-2 vote.<sup>24</sup> The Commission reopened the record on what was a crucial issue, that of price suppression in the U.S. market as a result of imports from Canada. According to the Rules of Procedure for binational panel reviews, the USITC decision was then returned to the panel, which had 90 days, or until January 24, 1994, either to uphold the USITC determination or remand the case to the Commission again. Panels under chapter 19 of the CFTA/NAFTA are not allowed to reverse the decision of a domestic agency in antidumping or countervailing duty cases. They may only uphold agency determinations or send them back with instructions for further review.

On January 28, 1994, the binational panel again remanded the case to the USITC.<sup>25</sup> The panel found that the Commission's price trends analysis did "not constitute substantial evidence and is otherwise not in

accordance with law."<sup>26</sup> It instructed the Commission to "provide a full analysis and explanation of the underlying data and the methodology employed in the creation and presentation of the price trends analysis" should it use such an analysis to support an affirmative determination. The Commission was given 45 days to complete its redetermination on remand.

On March 7, 1994, the Commission returned its decision to the panel.<sup>27</sup> The redetermination decision, by a vote of 3-2, upheld the Commission's injury determination. In the vote on the second remand determination, one Commissioner who had participated in the original decision, Anne Brunsdale, did not participate, because of her resignation. Another Commissioner, Peter Watson, changed his vote from affirmative to negative.

The binational panel, exercising its review authority, again remanded the case to the USITC on July 6.<sup>28</sup> The panel held that a finding of the plurality decision was "not supported by substantial evidence on the record and is inconsistent with previous rulings of the Panel."<sup>29</sup> A third remand determination was due on August 6, 30 days later. However, on August 3, the USITC decided to defer its vote on the third remand because of the actions on that date of an extraordinary challenge committee, established under the CFTA, concerning the panel's review of Commerce's actions.<sup>30</sup>

## Extraordinary Challenge

On February 24, 1994, the USTR General Counsel announced his intention to file an extraordinary challenge under the NAFTA to the decision of the binational panel reviewing the ITA determination in the softwood lumber case. Since its December 1993 decision, questions had been raised about two of the three Canadian panelists, who belonged to law firms that represented numerous clients in the Canadian lumber industry. The firms also represented Canada's Federal and Provincial Governments, parties to the softwood lumber case. The United States called for the removal of the panelists and the reconstitution of the panel, and urged that the decision of the initial panel be vacated.<sup>31</sup> The basis for the challenge concerned "conflict of interest issues presented by the panelists' client relationships, and the failure to disclose them . . . ."<sup>32</sup>

The challenge was officially filed by the United States on April 6, 1994.<sup>33</sup> An extraordinary challenge committee of three judges (two Canadians and one American) heard the case, and on August 3, 1994, in a split decision, dismissed the U.S. request on the grounds that the standards for an extraordinary

challenge had not been met. Like the CFTA chapter 19 dispute settlement panel in the Commerce action on softwood lumber, the three judges also split along national lines, the first time such a result had occurred with an extraordinary challenge committee.<sup>34</sup> The effect of the committee's decision was to eliminate any duties on Canadian softwood lumber entering the United States. It also meant that whatever interim duties had been collected on imports of softwood lumber from Canada would be refunded.

Given the panel's decision—the final step of the NAFTA dispute settlement process—the Coalition for Fair Lumber Imports (Coalition), had no further recourse within the structure of the free-trade agreement to pursue its grievance against Canadian imports. Three years of contentious litigation had apparently come to an end and the bilateral dispute settlement mechanism had been thoroughly tested.<sup>35</sup>

The Coalition brought suit in September by challenging the constitutionality of the panel process in the Federal Court of Appeals for the District of Columbia. The suit was a direct challenge to one of the more innovative aspects of the bilateral free-trade agreement, and a decision overturning the process could have led the Canadians to seriously reconsider their continued participation in NAFTA.

On December 15 both governments announced agreement to establish a "bilateral consultative process...to settle our differences without having to resort to the kind of litigation we have seen in the past."<sup>36</sup> On the same day, the Coalition announced that the lawsuit in Federal court was being dropped.<sup>37</sup> The United States and Canada both acknowledged that these actions, together with the return of CVD cash deposits, represented "very positive steps in moving beyond litigation and dispute toward a more positive and mutually advantageous atmosphere for bilateral lumber trade."<sup>38</sup> The consultative process will proceed at a government-to-government level, although the views and input of the respective industries and the private sector will be sought.<sup>39</sup>

## European Union

The year 1994 was a relatively quiet one in U.S.-EU trade relations. After the end of the Uruguay Round of trade talks, no major bilateral trade issues occurred until the second half of the year. Leaders from both sides began talking about the "sound" and "thriving" bilateral relationship that required "strengthening."<sup>40</sup> Indeed, in November the EU

Ambassador to the United States proposed a trans-Atlantic free-trade area to revitalize the partnership.<sup>41</sup>

Most bilateral trade issues in 1994 continued from previous years and were not the source of major friction. However, in the fall, the United States complained about the EU banana import regime and requested compensation for EU enlargement.

## Bananas

The EU import regime for bananas has been the target of complaints from numerous sources, including EU member states and Latin American banana producers. On October 17, 1994, the United States joined the critics and launched an investigation under section 301 of the 1974 Trade Act. The investigation was instituted in response to a petition received from Chiquita Brands International Inc. and the Hawaii Banana Industry Association. The petitioners claimed that not only is the EU banana regime dating from July 1, 1993, discriminatory, but that the more recent Framework Agreement reached between the EU and four Latin American nations compounds the discrimination.

The EU banana import regime has undergone several changes over the past few years. In the past, Germany was the only member state to operate a free market. The other 11 member states imposed a 20-percent tariff, of which 6 member states—France, Italy, Portugal, Spain, Greece, and the United Kingdom—also applied quotas on bananas produced in Central and South America. These import restrictions ensured an EU market for bananas produced in certain developing countries in Africa, the Caribbean, and the Pacific (ACP countries) and in EU territories, by protecting them from competition with the less expensive bananas from Latin America. ACP bananas entered all EU member states duty- and quota-free under the Lomé Convention by which the EU grants preferential treatment for products from ACP countries.

As part of the 1992 integration program, the European Commission proposed an EU-wide package of duties and quotas on imports of non-ACP (for example, Central and South American) bananas. Several member states opposed these measures, particularly Germany, which was the largest EU consumer of bananas and had previously imported all bananas free of duty and quotas. Latin American producers also opposed the proposed regime because it would limit their access to all EU member-state markets.

In response, the EU Commission proposed easing the quota and duty restrictions. After several adjustments, a new banana trade regime entered into force on July 1, 1993, replacing the nationally based programs.<sup>42</sup> Under the EU-wide rules, ACP bananas receive duty-free entry up to a ceiling of 857,700 metric tons, allocated to each of the banana-producing countries on the basis of their historic exports to the EU; imports in excess of this amount are subject to a duty of European Currency Units (ECU) 750 per metric ton. Non-ACP bananas are subject to a two-tier tariff-rate quota—ECU 100 per metric ton on imports of up to 2 million metric tons, and ECU 850 on imports above that ceiling. Also, of the 2 million tons, only 66.5 percent can be marketed by operators that have traditionally marketed such bananas in the EU. Most of the remainder is to be marketed by European firms, which have historically marketed only ACP bananas.

Claiming discrimination from the EU-wide import regime, five Latin-American banana-producing countries (Colombia, Costa Rica, Guatemala, Nicaragua, and Venezuela) initiated dispute-settlement procedures in the GATT in June 1993.<sup>43</sup> Although a panel found in January 1994 that the banana regime was GATT-illegal,<sup>44</sup> the panel report was never adopted. On March 29, 1994, the EU reached an accord with four of these producer countries (excluding Guatemala) that increased and guaranteed the volume of their export quotas in return for their agreement to withdraw their GATT complaint and not challenge the import regime in GATT for the duration of the agreement (December 31, 2002).<sup>45</sup>

The so-called “Framework Agreement” between the EU and four Latin American countries raised the non-ACP quota to 2.1 million tons in 1994 and to 2.2 million tons in 1995. Also, the agreement lowered the in-quota tariff on Latin American bananas by 25 percent to ECU 75 per metric ton. It allocates specific export quotas (as a percent of the non-ACP quota) to each of the four Latin American signatories and permits the signatory governments to grant export licenses for 70 percent of their quota allocations. Because implementation of the agreement was delayed from October 1, 1994, to January 1, 1995, the Latin American signatories requested and received compensation from the EU.

In September 1994, with the new EU banana regime in effect and implementation of the Framework Agreement imminent, Chiquita and the Hawaii Banana Industry Association filed a petition with the USTR requesting a section 301 investigation. The USTR had 45 days to respond and on October 17, initiated an investigation of the EU banana regime. The USTR did

not initiate proceedings at that time against the signatories of the Framework Agreement because the agreement had not yet entered into effect.<sup>46</sup>

According to the petition, Chiquita marketed approximately 40 percent of the Latin American bananas sold in the EU in 1992. Chiquita claims that the banana regime has increased its costs; disrupted its sourcing, marketing, and distribution channels; and decreased its EU market share and opportunities for market growth. More specifically, Chiquita claims that the EU-wide quotas and tariffs for non-ACP bananas, as well as new licensing rules permitting only two-thirds of the non-ACP quota to be marketed by traditional operators (for example, Chiquita) have reduced the company’s market share in the EU by more than 50 percent.

According to Chiquita, the discrimination will grow even worse once the Framework Agreement is implemented. By allocating specific export quotas to each of the four Latin American signatories, the agreement will require major changes in the company’s sourcing patterns, increasing its costs. Furthermore, Chiquita claims that the Framework Agreement is discriminatory and costly because it makes export licenses mandatory for all marketing companies except European ones. The Latin American signatories have the right to sell these licenses to the highest bidder.

The EU immediately criticized the USTR decision to initiate the section 301 investigation. Caribbean producers, concerned that the U.S. investigation could threaten their banana industry, met with U.S. officials on the sidelines of the Miami Summit. The two parties agreed to form a technical working group in 1995 to seek a mutually beneficial solution.

At the end of the year, the GATT granted a waiver to the Lomé Convention under which the EU grants ACP products, including bananas, preferential treatment. Both the United States and Guatemala expressed concerns at the GATT meeting about the EU banana regime and reserved their right to take action<sup>47</sup> if these were not addressed by the EU.<sup>48</sup>

## ***Enlargement and U.S. Compensation***

On January 1, 1995, Austria, Finland, and Sweden became the newest members of the EU, raising the total number of member states from 12 to 15. As a result of the accession, some of the tariffs facing U.S. exports to the new member states increased. Anticipating this impact from enlargement early in the fall, the U.S. Government requested compensation from the EU. After a series of bilateral talks in



December 1994, the two parties reached an interim agreement.

Austria, Finland, Sweden, and Norway signed a treaty of accession with the EU on June 24, 1994, at the semiannual summit of EU leaders in Corfu, Greece. Accession was approved separately by national referendum in each of the applicant countries except Norway, whose voters on November 28 rejected membership.

EU accession required that Austria, Finland, and Sweden accept in full the “*acquis communautaire*,” the body of primary and secondary legislation making up the EU legislative and policy framework. In addition, these countries had to dismantle tariffs between themselves and the 12 former member states (the customs union) and align their customs tariffs with the EU common external tariff (CET) schedule, which treats imports from nonmembers uniformly. According to the U.S. Government, “it is likely that U.S. production and trade in some sectors will be adversely affected” when the acceding countries apply the EU CET schedule.<sup>49</sup> As a result, the United States requested talks on compensation early in the fall.

When a customs union expands, nonmembers have the right under GATT article XXIV.6 to seek compensation on a bilateral basis for any withdrawal of previously negotiated trade concessions.<sup>50</sup> In the absence of appropriate compensation, affected countries can retaliate by withdrawing trade concessions covering an equivalent value of trade.

The EU was reluctant to begin formal negotiations with the United States until after the Norwegian referendum made clear which countries would actually join the EU. Furthermore, the EU argued that compensation negotiations under the GATT did not need to conclude until after enlargement took place.<sup>51</sup> However, under U.S. pressure, and because tariff changes in the three entrants would be implemented immediately on January 1, without any transition periods, bilateral talks gained momentum in December.<sup>52</sup> The United States requested that the EU offset each individual tariff increase, whereas the EU was “adamant that it will take an overall view of the impact on trade with the United States, rather than merely compensating on a sector-by-sector basis.”<sup>53</sup> According to the EU, if all three applicant countries were taken together, lower tariffs in agriculture would more than offset the possibility of higher tariffs in industrial goods.<sup>54</sup> After U.S. threats of retaliation, both sides agreed in late December on an interim solution that entered into effect on January 1, 1995, for a 6-month period.

The new agreement establishes tariff-rate quotas, which permit U.S. exports of certain products to enter Austria, Finland, and Sweden at the tariff rates prevailing in these countries before enlargement up to an agreed-upon quota. For exports above that quota, the EU tariff would apply.<sup>55</sup> The following products are covered: semiconductors, computers, computer parts, chemicals, records and tapes, optical fibers and lenses, medical instruments, oscilloscopes, orthopedic equipment, crayfish, plywood, and aluminum.<sup>56</sup>

The interim agreement provides time to negotiate a permanent solution, which is scheduled to enter into effect on July 1, 1995.<sup>57</sup> At U.S. insistence, it was agreed that two product areas that were omitted from the interim agreement—agriculture and paper—will be included in any permanent solution.<sup>58</sup> Other countries seeking compensation from the EU include Japan, Canada, Australia, New Zealand, Norway, Iceland, Thailand, South Korea, and Indonesia.

## *Other*

The EU ban on growth hormones in livestock production continued throughout 1994. This ban entered into force against third countries in 1989 and has significantly reduced U.S. exports of beef to the EU. The EU moratorium on the marketing and use of bovine somatotropin (BST), a genetically engineered natural hormone that boosts milk production in dairy cows,<sup>59</sup> remained in effect during 1994 and in December, was extended for another 5 years, or until December 31, 1999. However, member states are permitted to make “limited practical tests” of BST, if they so choose. The European Commission is to prepare a report evaluating BST by July 1, 1998, based on the data collected from such tests.

A dispute over the Third-Country Meat Directive, which requires EU inspection of foreign meat plants, was resolved in a 1992 bilateral agreement that recognized equivalency between the veterinary inspection systems of the United States and the EU. The agreement also established interim requirements for determining the eligibility of U.S. cattle- and pig-slaughtering facilities for exporting meat to the EU.<sup>60</sup> The 1992 agreement set a target date for full implementation of the agreement by December 31, 1993, which was later extended to January 1, 1995. However, this target date was not met. The United States will continue to monitor amendments to the directive that should ultimately permit certification by the U.S. Department of Agriculture that U.S. establishments meet EU standards.<sup>61</sup>

Two other ongoing issues related to EU internal market directives saw no progress in 1994.<sup>62</sup> In the area of government procurement, U.S. claims that the EU Utilities Directive discriminates against U.S. suppliers of telecommunications equipment and services resulted in U.S. sanctions against the EU in May 1993. These sanctions, as well as EU countersanctions, remained in effect throughout 1994 after the two sides were unable to reach an agreement in time for the signing of the Uruguay Round.<sup>63</sup> The United States continued to complain about the Broadcast Directive,<sup>64</sup> which requires EU member states to guarantee "where practicable" that broadcasters reserve a majority proportion of their entertainment transmission time for European operations. The EU Commission had intended to propose changes to the directive during 1994, but proposals were not forthcoming because Commissioners could not agree on whether or not to strengthen the directive, in particular the quota provisions.<sup>65</sup> The United States has denounced the quotas in the Broadcast Directive as a violation of the GATT.

Finally, EU ratification of the Uruguay Round Agreements (URA) stalled during the fall when member states questioned whether the EU Commission had exclusive competence to sign the URA on behalf of the member states. On November 15, the European Court of Justice ruled on the relative responsibilities of the EU Commission and the member states in the World Trade Organization (WTO). The Court ruled that the EU Commission has exclusive responsibility in the area of trade in goods, but that it must share competence with member states in issues of trade in services and intellectual property. The ruling thus required all member states to sign the URA alongside the EU Commission, which was duly accomplished before the end of the year. It also determined the extent of EU authority in the future to negotiate and conclude international agreements on behalf of the member states. However, court cases are expected to arise to resolve questions of competence on a case-by-case basis.<sup>66</sup>

## Japan

During 1994, U.S.-Japan trade relations centered on bilateral negotiations conducted in the context of the "U.S.-Japan Framework for a New Economic Partnership" (the Framework Agreement). Reached on July 9, 1993, the Framework Agreement committed the two countries to negotiate on five major "baskets" of issues: (1) government procurement, (2) regulatory

reform and competitiveness, (3) other major sectors, (4) economic harmonization, and (5) implementation of existing arrangements and measures.<sup>67</sup> The Framework Agreement also called for semiannual meetings of the two countries' heads of state. Agreements were to be reached in priority areas by the time of their first meeting in 1994, or within 6 months. The four priority sectors were automotive industries; insurance; and, in the area of government procurement, telecommunications and services, and medical equipment and services. A fifth priority sector, flat glass, was added to the negotiating agenda in July.

The Framework Agreement represented a heightened U.S. policy with an emphasis on attaining measurable results in the opening of markets. Progress on both the macroeconomic and microeconomic fronts was deemed crucial. In fact, the main source of dispute during the negotiations centered on divergent opinions on the wisdom of including quantitative criteria or indicators in the sectoral agreements to measure progress in opening Japan's markets. After the first few months of 1994, negotiations came to a standstill because of an unprecedented admission by the two countries' leaders that they were unable to find sufficient common ground to proceed; however, by the end of the year the two sides were able to reach agreement in four of the five priority sectors.<sup>68</sup>

## *U.S.-Japan Framework Agreement*

With agreements in the four areas initially designated as priorities unlikely by the time of a scheduled summit between President Clinton and Japan's Prime Minister Hosokawa on February 11, last minute efforts between high-level officials were made to break the deadlock in negotiations on January 24 and 25. However, on February 11, 1994, President Clinton and Prime Minister Hosokawa announced that the two countries had failed to reach agreement in any of the four priority areas. Concluding that "it is better to have reached no agreement than to have reached an empty agreement," President Clinton stated that Japan's offers had not met the standards agreed to at the beginning of the talks; namely, that any agreement would include "objective criteria that would result in tangible progress."<sup>69</sup> Prime Minister Hosokawa said that the two countries' views on objective criteria "did not converge." The United States insisted that the inclusion of objective criteria was the only practical method to measure the success or failure of the agreement. Japanese negotiators, however, continued to equate objective criteria with numerical targets, opposing them because they are inconsistent with the

principles of free trade and could frustrate Japan's efforts to deregulate its economy.<sup>70</sup> Bilateral trade negotiations essentially came to a halt following the summit.

Reactions to the breakdown in talks were mixed. In the United States, some criticized the administration's pursuit of numerical targets during the negotiations. Others feared that there could be increased distrust and uncertainty between the two countries, leading ultimately to a trade sanctions war. On the other hand, 110 economists, businessmen, and academics signed a letter to the President supporting his results-oriented approach to Japan.<sup>71</sup> The letter indicated that long-term access to Japan's markets would occur "only through innovative mechanisms toward results that can be measured in a number of ways, other than market share arrangements." Several economists disagreed with this assessment, pointing out that Japan's trade surplus is inevitable as long as its savings are higher than domestic investment. Thus, they noted, removing barriers in Japan was unlikely to have a major impact on Japan's surplus.<sup>72</sup> Some analysts suggested that the breakdown in talks had less to do with the two leaders being unable to bridge their trade disagreements than it did with an unwillingness to do so. According to this view, both leaders calculated that they could score more political points at home by walking away than by forging a compromise.<sup>73</sup>

Over the following weeks, a variety of proposals were put forth. Among the recommendations were to "trilateralize" the talks by encouraging the EU to participate, to pursue U.S. complaints in the GATT, to reinstitute a Wiseman's group (blue ribbon panel), and to strengthen back channels among key officials to solve trade issues.<sup>74</sup> Congress also took action. On February 23, Congressman Gephardt (D-MO) and Senator Rockefeller (D-WV) co-sponsored the Fair Market Access Act of 1994. The proposed legislation would require the Commerce Department to set market access goals for competitive U.S. exports to use as targets under the section 301 provisions if an agreement with Japan were not reached within a year's time.<sup>75</sup> Senators Baucus (D-MT) and Danforth (R-MO) introduced legislation to reinstate "Super 301" on February 22, noting that it was aimed at Japan.<sup>76</sup> On March 3, USTR Michael Kantor announced that President Clinton had signed an Executive Order reinstating the Super 301 provision for a period of 2 years. The President telephoned Prime Minister Hosokawa to reassure him that Japan was not being singled out for identification.<sup>77</sup>

In Japan, meanwhile, there was strong support among industrial leaders and the public for Prime Minister Hosokawa's rebuke of U.S. requests for

inclusion of numerical indicators in any agreement.<sup>78</sup> Prior experience with the U.S.-Japan semiconductor agreement, which contains market share goals, had apparently soured many on the notion of numerical targets. However, there were also signs that Japan was considering steps that could provide a sufficient basis for a resumption of the talks. For example, an influential member of Prime Minister Hosokawa's cabinet announced that Japan could support some type of nonbinding import goals based on efforts to purchase foreign goods.<sup>79</sup> On February 26, the Japanese Cabinet approved the outlines of an economic stimulus and market opening plan that would include deregulation, improved transparency in government procurement procedures, toughened enforcement of antitrust rules, and measures to increase imports. This also appeared to be an attempt to ease bilateral strains; however, U.S. officials declared the package to be insufficient.<sup>80</sup>

In early March, Secretary of State Christopher met with Prime Minister Hosokawa and Foreign Minister Hata. Although he stopped short of formally resuming negotiations, the Secretary engaged in general discussions on trade and security issues and urged Japan to keep its commitments under the Framework Agreement, particularly with regard to significantly reducing its current account surplus.<sup>81</sup> On March 29, Prime Minister Hosokawa announced a deregulation plan and a three-part economic package intended to further open Japan's markets to foreign products. Ambassador Kantor responded by saying that the proposal was too vague.<sup>82</sup>

Informal contacts and meetings occurred over the next month, and on May 24 the two countries announced the resumption of the framework talks. During July, the Clinton administration decided to elevate flat glass to a priority area for market liberalization. Although some progress had been made in negotiations on telecommunications, medical equipment, and insurance during the previous 2 months, the issue of including criteria to evaluate progress continued to elude negotiators. On July 31, the USTR stated that unless Japan committed to making significant purchases of foreign medical and telecommunication equipment by September 30, restrictions could be placed on U.S. imports from Japan in accordance with procurement-related provisions of the Omnibus Trade and Competitiveness Act of 1988.<sup>83</sup> Foreign Minister Kono insisted that framework negotiations could progress only if the United States abandoned its "results-oriented approach."<sup>84</sup>

At the end of September, the United States abandoned its demand that numerical targets be included in the agreement.<sup>85</sup> The intensive rounds of negotiations that ensued led to the announcement on

October 1 of agreements, in principle, in each of the priority sectors under negotiation, except autos and auto parts, which constitute 60 percent of the \$60 billion annual U.S. trade deficit with Japan.<sup>86</sup> Details of the glass agreement were to be worked out within 30 days. Each of the agreements was characterized as tangible, concrete, and results oriented, in that each required—(1) an annual evaluation of progress in the value and share of procurement of foreign products and services, and (2) over the medium term, a significant increase in the access for and sales of foreign products and services.<sup>87</sup>

With an agreement formally concluded on government procurement of telecommunications and medical equipment, Ambassador Kantor terminated the sanctions that had been scheduled to go into effect in the public procurement sector against Japan on October 4.<sup>88</sup> However, on October 1, USTR initiated a section 301 investigation against Japan for lack of progress in the Framework Agreement talks on auto parts and for its vague, restrictive, and complicated regulatory barriers to sales of foreign ‘aftermarket’ replacement auto parts.<sup>89</sup> Japan immediately threatened to terminate the Framework Agreement talks if unilateral sanctions were imposed and cautioned that it might employ other retaliatory measures, such as launching a complaint with the GATT. The United States and Japan failed to reach an accord on auto parts during 1994. Talks were scheduled to resume in 1995.<sup>90</sup>

The U.S. Government announced in November that it would shift the emphasis of the Framework Agreement talks in 1995 from sector-specific negotiations to deregulation and administrative reforms. To encourage meaningful deregulation, the United States presented the Japanese Government with a detailed paper on November 15, highlighting specific reforms that it would like incorporated into Japan’s 5-year deregulation plan scheduled for release on April 1, 1995.<sup>91</sup> According to Ambassador Kantor, “the elimination of regulatory impediments in the Japanese market, combined with more open and transparent Japanese Government processes and a proactive competition policy, are necessary and interlinked measures to address some of Japan’s broader structural problems that impede market access.”<sup>92</sup> Finance and telecommunications will be the focus of the negotiations, followed by retail distribution, transportation, and pharmaceutical deregulation.<sup>93</sup> Although no longer a top priority, industry-specific sectoral talks will continue on such issues as autos and auto parts, energy production and delivery, financial services, direct foreign investment, construction materials, medical equipment and pharmaceuticals, and legal services.<sup>94</sup>

## *Sectoral Discussions*

### **Flat Glass**

Although negotiators missed the October 31 deadline set for finalizing an agreement to improve foreign access to Japan’s \$4.5 billion flat-glass market, a verbal understanding reached on October 1 between USTR Michael Kantor and the Minister of International Trade and Industry (MITI) Ryutaro Hashimoto was viewed as adequate progress for the United States to postpone initiating a formal trade complaint under Super 301.<sup>95</sup>

Ambassador Kantor stated that because of the October 1 understanding, “the Japanese distribution system will become open to foreign glass suppliers and traditional links between Japanese manufacturers and distributors [will] be broken.”<sup>96</sup> He also stated that “in the first year the U.S. expects that three-quarters of the 100 largest Japanese wholesalers and glaziers would obtain 30 to 40 percent of their flat glass from non-traditional sources, both foreign and domestic.”<sup>97</sup> However, MITI Minister Hashimoto issued a letter on October 7 in which he characterized Ambassador Kantor’s statements concerning the October 1 agreement as “misunderstandings” or “misperceptions” of their oral accord. On November 1, Ambassador Kantor and Minister Hashimoto issued separate statements announcing that both sides continued to be optimistic, but had yet to formalize the agreement because “technical and practical problems remain.”<sup>98</sup>

Issues that continued to forestall agreement included the wording of a statement from Japanese glass wholesalers and distributors detailing their commitment to purchase glass from multiple sources (including foreign companies) and the specific type of criteria that would be used to measure the openness of Japan’s highly centralized flat-glass market. U.S. negotiators sought inclusion of some type of quantitative indicator that would monitor market openness and measure to what extent Japanese wholesalers were actually broadening their purchasing patterns beyond a single source.

The United States contends that foreign investment in and exports to Japan are limited because of the anticompetitive relationship (the so-called keiretsu structure) that exists between Japan’s three dominant glass manufacturers and its leading glass wholesalers. Three producers, Asahi Glass Co., Ltd.; Nippon Sheet Glass Co., Ltd.; and Central Glass Co., Ltd.; have supplied between 95 and 97 percent of Japan’s market for flat glass over the last 20 years either through domestic production or imports from offshore subsidiaries or through affiliates. Each is either owned

or affiliated with a keiretsu structure that—in the U.S. industry view—is anticompetitive and acts as a barrier to free market access. The majority of Japan's 400 flat-glass wholesalers have exclusive sales contracts with Asahi, Central Glass, or Nippon Sheet Glass.<sup>99</sup>

Japan's flat-glass market is second in size only to that of the United States.<sup>100</sup> U.S. negotiators characterized the Japanese flat-glass market as an "oligopoly of three large producers with separate, de-facto exclusive, and tightly controlled distribution systems."<sup>101</sup> U.S. officials cited a report issued in 1993 on the Japanese flat-glass market by Japan's Fair-Trade Commission (JFTC) as further evidence of the distribution system's anticompetitive effects.<sup>102</sup> The United States also insisted that the Japanese Government be more assertive in using its antimonopoly law to end the current system of exclusive sales contracts that ties most distributors to one glass manufacturer.

Another point of contention was Washington's demand that the Japanese Government guarantee that its distribution system would be open to all foreign manufacturers, regardless of ownership ties. U.S. producers are concerned that Japanese distributors would simply fill future contract orders with glass from Japanese overseas affiliates rather than from foreign manufacturers. Consequently, U.S. negotiators proposed that Japan collect data on flat-glass imports on the basis of suppliers' ownership ties, so that purchases from U.S. and other foreign companies could be differentiated from purchases from Japanese offshore affiliates. Japan was also requested to mandate the use of specialty glass (safety glass, for example), an area dominated by U.S. producers, in certain publicly financed projects.

Japanese negotiators insisted that their Government lacked the authority to force or encourage flat-glass imports or to guarantee foreign access to the distribution system. They further maintained that glass wholesalers had already taken steps to ensure that Japan's glass distribution network is open to foreign products. Japan also refused the U.S. request that imports be segregated on the basis of ownership ties, since doing so would be precedent setting and discriminate in favor of U.S.-owned firms.<sup>103</sup> U.S. officials countered by insisting that the United States was not requesting special treatment, but was simply requesting data so that each country could differentiate between imports from Japanese- and foreign-affiliated firms. On December 6, the Clinton administration dropped its demand for import data based on patterns of ownership, believing that it could follow such trends

in Japanese glass imports by less conventional methods.<sup>104</sup>

On December 12, Ambassador Kantor and Minister Hashimoto separately announced that the United States and Japan had reached a final agreement on flat glass. Ambassador Kantor stated that "the Government of Japan has agreed that the goal of this agreement is to increase market access and sales for competitive foreign glass, regardless of capital affiliation. We have solid objective criteria with which to judge the results."<sup>105</sup> The agreement calls for 160 of Japan's 400 flat-glass distributors to publicly state that they will no longer discriminate on the basis of ownership ties and to detail their plans to diversify their sources of supply. To U.S. negotiators this was an important step towards loosening keiretsu relationships in the flat-glass industry. Asahi Glass, Nippon Sheet Glass, and Central Glass will also release statements affirming that their wholesalers are free to acquire flat glass from any source, even non-Japanese foreign producers. Finally, the agreement calls for "active Japanese Government promotion of the use of safety and insulating glass windows in public works projects, areas where American firms have a clear competitive advantage; significant import promotion measures by the Japanese Government; and a Japanese Government commitment to end discrimination in public sector procurement of flat glass."<sup>106</sup>

The agreement does not include specific import targets, but will measure the "change in the extent to which Japanese glass distributors deal in or use imported flat glass, regardless of capital affiliation [ownership ties]; change in the sales and market share of foreign flat glass in Japan; and the change in the sales (volume and value) of insulating and safety glass in Japan."<sup>107</sup> The Government of Japan will monitor the agreement and MITI will publish an annual report detailing the degree to which Japanese wholesalers are handling imported flat glass manufactured by non-Japanese related firms.<sup>108</sup> The two Governments have also agreed to meet annually or at the request of either government.

## Insurance

Before the Framework Agreement talks stalled in February 1994, U.S. and Japanese negotiators were confident that they were well on their way to reaching an agreement on insurance. However, the United States and Japan had yet to settle their differences over the speed or the degree of deregulation, how Japan would relax its pricing restrictions that effectively prevent the introduction of new products, and which areas would be deregulated first.

In 1994, U.S. companies continued to face restrictions in the so-called Third Area of Japan's insurance market.<sup>109</sup> Before the framework negotiations began, the Ministry of Finance had indicated that it intended to deregulate this sector, where foreign firms dominate, before beginning to liberalize the markets for life and nonlife insurance. In the framework negotiations, the United States urged that priority be given to opening the other, much larger, markets, including commercial, fire, and auto insurance, where Japanese companies are dominant. U.S. firms worried that they would be forced out of the Japanese insurance market if the Third Area were deregulated before they were permitted a chance to achieve a more prominent position in the primary insurance sector. The United States also raised concerns about delays in approving new products, the role of trade associations in setting premium rates, and anticompetitive business practices (keiretsu relationships). The United States indicated that if such barriers were eliminated, the foreign market penetration in Japan would be closer to that in the United States and Western Europe, where the foreign market share is between 10 and 33 percent.<sup>110</sup>

Japan is the world's second-largest life insurance market, with premiums valued at \$320 billion.<sup>111</sup> Foreign penetration in Japan's insurance market is approximately 2 to 3 percent, far lower than in other developed nations.<sup>112</sup> According to Ambassador Kantor:

The limited access by foreign firms [in the Japanese market] stems from a combination of barriers such as an opaque regulatory system, exclusionary purchasing practices associated with old interconnected corporate structures called keiretsu, and obstacles in the distribution system. Foreign companies in Japan traditionally had to contend with opaque government regulation fostered by Japanese laws which are written very generally, as well as informal and unpublished "guidance" issued to private companies by Japanese bureaucrats. As a result, foreign companies are unable to know specific requirements in advance, and have no basis to be certain that they are being treated according to the same standards as Japanese companies. This means that Japanese regulators using their discretionary powers are able to arbitrarily require foreign insurance companies to meet a variety of conditions and requirements, such as coordinating their product applications with Japanese insurance companies. This runs counter to the principal of fair competition and market access.<sup>113</sup>

The United States suggested that Japan's insurance regulatory system tends to limit innovation and rate-based competition, areas where U.S. companies enjoy a decided competitive advantage over their Japanese counterparts.<sup>114</sup>

On October 1, the United States and Japan announced a preliminary accord to liberalize Japan's life and nonlife insurance market and grant greater access to foreign insurers.<sup>115</sup> On October 11, a joint statement was signed by USTR and the Government of Japan formalizing the agreement.<sup>116</sup> Under the agreement, Japan promised to make its rules and regulations more transparent, provide important procedural protections for foreign companies, initiate specific liberalization and deregulation proposals, and strengthen its antitrust policies. For the first time, standards for the approval of insurance licenses will be documented and made public. To begin basic market liberalization, the Government will institute a simplified notification system for large commercial insurance that will allow companies to offer new products after informing regulators in lieu of going through the more onerous former approval procedure.<sup>117</sup> A three-stage deregulation plan covering insurance products and rate approvals will be introduced. Insurance rate restrictions pertinent to large commercial fire insurance (a huge market in Japan) will be relaxed. A Western-style brokerage system will also be introduced "in order to diversify and promote competition in insurance distribution channels."<sup>118</sup>

The Japanese Government has agreed to enforce its Antimonopoly Act and to re-evaluate the Antimonopoly Act exemption contained in the Insurance Business Law of 1955. The Japan Fair-Trade Commission will also reevaluate keiretsu relationships and their impact on foreign competition in Japan's insurance market. Lastly, the Japanese Government promised not to make any "radical changes" in the business environment governing the Third Area until significant liberalizations occur in the life and nonlife areas of the Japanese insurance market.

Semiannual bilateral meetings with the United States during the first 3 years will focus on evaluating compliance with the agreement using qualitative and quantitative criteria.<sup>119</sup> Quantitative criteria will include "the number and ratio of approvals for new or modified products and rates; the value of premiums by foreign insurance providers in Japan; and the market share of total insurance premiums for foreign insurance companies in Japan."<sup>120</sup> Qualitative indicators will encompass "whether the Japanese Ministry of Finance is promptly and fairly reviewing product applications; making the standards transparent and available; and providing meaningful and fair opportunities for foreign

insurance companies in Japan to be informed of and exchange views with the Ministry of Finance officials regarding insurance reform.”<sup>121</sup> U.S. industry anticipates that this agreement could potentially boost premium earnings by foreign companies by \$1 billion over the next several years.<sup>122</sup>

## Telecommunications

During framework discussions on government procurement of telecommunication equipment and services, the United States sought to address (1) restrictive technical specifications, standards, and solicitation terms used in awarding contracts; (2) inadequate subcontracting opportunities for foreign firms; (3) inadequate time for submitting bids; (4) restrictive qualification processes; (5) unfair selection decisions; and (6) sole source selection and tendering. It also sought to bridge differences over the quantitative criteria used to measure market openness, bidding procedures, and coverage of the agreement, including whether the agreement would be extended to include Japanese telecommunications giant Nippon Telephone and Telegraph Corp. (NTT) and its subsidiaries.<sup>123</sup>

The United States and Japan failed to make any meaningful progress during the initial weeks of 1994. At the February 11 summit, talks on telecommunication equipment and services broke down over Japan’s resistance to U.S. demands that numerical indicators be included, that bids be granted based on technical quality as well as price, and that all new policies apply to both subcontracts and prime contracts.<sup>124</sup>

After a 2-month hiatus, bilateral negotiations resumed in April when Ambassador Kantor and Japanese Foreign Minister Tsutomu Hata met in Marrakesh, Morocco, to sign the Uruguay Round Agreements. Enough progress was made to persuade U.S. negotiators to continue the talks rather than cite Japan under title VII of the 1988 Omnibus Trade and Competitiveness Act “for its discriminatory government procurement practices in the telecommunications sector.”<sup>125</sup> However, on April 30, Ambassador Kantor announced that he would review progress in the telecommunications procurement talks in 60 days to determine if Japan should be cited under title VII.<sup>126</sup> On June 30, Ambassador Kantor postponed this decision until July 31, pointing to the political confusion resulting from the resignation of Prime Minister Hata and his cabinet and the formation of a new government headed by Prime Minister Murayama.<sup>127</sup> On July 31, Ambassador Kantor initiated a “consultation and negotiation period” under

title VII that gave Japan 60 days to address established patterns of discrimination against U.S. firms or face possible trade sanctions.<sup>128</sup> Ambassador Kantor stated that if an agreement was not reached by the September 30 deadline, the United States would cite Japan under the Super 301 provision of the 1988 Trade Act and impose sanctions under a title VII finding.<sup>129</sup>

On October 1, 1994, the United States and Japan announced two verbal agreements in the area of government procurement of telecommunication equipment and services. The first agreement pertained to the procurement of telecommunication equipment and services by Japanese Government agencies, and the second pertained to purchases by NTT, which is majority owned (65 percent) by the Japanese Government.<sup>130</sup>

Japanese Government agencies annually consume more than \$2 billion in telecommunication equipment and historically have purchased nearly all of their equipment and services from domestic Japanese companies. In recent years, imports have increased to 5 percent of Japan’s total telecommunications market. Under the terms of the agreement, the Japanese Government reportedly pledged to—

1. Provide more detailed information on procurement earlier in the process for each year’s procurement;
2. Invite suppliers to comment on all aspects of the planned purchases, including technical specifications, technology, and budgets for the systems to be purchased all before the request for proposals is finalized;
3. Institute modern ‘overall best-value’ or ‘overall greatest-value’ bid evaluation systems to ensure that contracts are awarded to the best suppliers and products, as opposed to the current system that is based on lowest price regardless of the technological innovation inherent in the product; and
4. Reduce the number of sole-source contracts, that is, contracts provided in ‘sweetheart’ deals without the benefit of open public bidding which in the past tended to go only to Japanese firms.<sup>131</sup>

Deputy USTR Charlene Barshefsky praised the accord, indicating that now foreign companies supplying competitive products will be able to compete for public-sector procurement contracts in a “fair, non-discriminatory, transparent, competitive, and open

manner.”<sup>132</sup> The agreement covers a wide range of equipment and systems including data communication systems, computer network equipment, mobile communication systems, and private network systems.

NTT is Japan’s largest telephone company and its largest single purchaser of telecommunication equipment and services, representing roughly half of the total annual domestic market for telecommunication equipment and services (\$9 billion). The United States and NTT have had an agreement since 1980 that provides foreign manufacturers with an opportunity to sell their products to NTT in a competitive and open manner. The 1980 procurement agreement was signed for a 3-year period and has been extended, with modification, four times. The current agreement is scheduled to expire on December 31, 1995.<sup>133</sup>

The Framework Agreement further requires NTT and its three subsidiaries to adopt practically all the important procedural changes agreed to in the public-sector procurement agreement. NTT will also provide better information sooner in the process, grant foreign suppliers a number of opportunities to comment on the technical specifications of the proposal before a bid is issued, and will not use technical specifications that discriminate against U.S. firms.<sup>134</sup> The Japanese Government and NTT also agreed to extend the latest agreement by another 3 years.<sup>135</sup> The NTT agreement covers a broad range of equipment such as switching equipment, telephone transmission equipment, networking equipment, and cellular phone and PCS equipment.<sup>136</sup>

The administration delayed signing the October 1 agreement until Japan agreed to include NTT subsidiaries and to provide an annual evaluation of NTT foreign purchases of telecommunication equipment and services. On November 1, the agreement on government procurement of telecommunication equipment and services was formally implemented through an exchange of letters between the Governments of the United States and Japan.<sup>137</sup> The agreement requires NTT subsidiaries to pledge that their procurement procedures will be fair, open, and nondiscriminatory. The two countries also agreed to meet in June of 1995 and annually thereafter until the end of March 2001. Subsequent to the agreement, Ambassador Kantor suspended pending sanctions against Japan under title VII for its discrimination in government procurement of telecommunication equipment and services.<sup>138</sup>

Attached as appendixes to the agreement are two initiatives implemented by the Government of Japan with the aim of ensuring greater market access and

increased sales of competitive foreign products. The two initiatives enumerate the quantitative and qualitative criteria to be used to measure the success of the agreement and specify what data will be collected and monitored.<sup>139</sup> Data to be gathered include “the total number and value of contracts awarded by all covered entities for both goods and services; the total number and value of contracts awarded to foreign products and services; the number, percentage and value of contracts that were single tender contracts, and the foreign share of these; and direct comparison of contract awards in cases where both Japanese and foreign firms were bidders.”<sup>140</sup>

## Medical Equipment

Bilateral framework talks on increasing Japanese Government procurement of medical equipment and services began on January 6 in Washington, DC. The United States initially urged Japan to implement procedural reforms, including increasing transparency in its government procurement practices. The United States suggested that the new tendering procedures be applied to all government procurement contracts with a value greater than 5,000 Special Drawing Rights (SDRs) (\$3,600).<sup>141</sup> The United States also requested Japan to encourage both public and private hospitals to increase their purchases of foreign medical equipment and to monitor progress by having the institutions submit regular reports. At the final working level meeting in mid-January, questions relating to the threshold level for open tenders and procedural reform were resolved; however, the issue of quantitative criteria had yet to be addressed.

As in telecommunications, on April 30, Ambassador Kantor announced that he would review progress in the government procurement talks on medical equipment and services in 60 days to determine if Japan should be cited under title VII of the 1988 Omnibus Trade and Competitiveness Act. Working level talks resumed in June with discussions centering on possible qualitative indicators and a review of Japan’s March proposals. Deputy USTR Barshefsky and Japanese Deputy Foreign Minister Sadayuki Hayashi met unsuccessfully on several occasions in July. Although Japan’s proposals moved closer to U.S. demands, U.S. negotiators continued to reject them because they lacked specific provisions requiring Japan to substantially increase its imports.<sup>142</sup>

On July 31, Ambassador Kantor gave Japan 60 days to end its discriminatory procurement practices in this area, as well as in telecommunications, or face trade sanctions under title VII.<sup>143</sup> Although U.S. manufacturers are highly competitive internationally,



controlling approximately 50 percent of the world total of public and private market for medical equipment, they command less than 20 percent of Japan's total.<sup>144</sup> U.S. negotiators indicated that competitive foreign producers are prevented from competing fairly in the Japanese market because of "limited access to early information on upcoming purchases; government agencies' reliance on an informal network of domestic suppliers in Japan that leads to predetermined and noncompetitive procurements; and insufficient consideration of the technical merits of a tender."<sup>145</sup> On October 1, a verbal agreement was announced that would significantly expand the ability of foreign manufacturers to market their medical technology products in Japan's public sector.

A formal agreement on government procurement of medical equipment and services was implemented on November 1 through an exchange of letters between the Governments of the United States and Japan.<sup>146</sup> The agreement calls for open, nondiscriminatory, fair, transparent, and competitive procedures for all procurement above an initial threshold of 800,000 SDRs (\$1 million), which is to be reduced to 385,000 SDRs over a 4-year period; more detailed information earlier in the process; and a reduction in the number of sole-source contracts. The agreement also commits the Ministers of each Japanese Government institution to direct their purchasing agents to give positive consideration to foreign medical technology and services, which tend to be more expensive than Made In Japan products because they incorporate state-of-the-art technology. Yet another provision calls for medical technology procurement decisions for purchases above the agreement threshold to be made on the basis of "overall best-value" or "overall greatest value," instead of the current minimum price system.<sup>147</sup>

Japanese Government hospitals, which annually consume more than \$3 billion in medical equipment and services and account for approximately 20 percent of Japan's total market, are required to publicly announce their future procurement plans regardless of value, including a list of their top 10 priority medical technology items for the coming year. In addition, the agreement contains extensive complaint procedures and a process for dealing with unfair tenders. The Japanese Government has promised to provide ample budgets for government hospitals and other public institutions to ensure that they give proper consideration to more expensive foreign equipment. It will also urge private hospitals and medical facilities to buy more foreign equipment.<sup>148</sup>

Attached as appendixes to the agreement are two Japanese Government initiatives designed to significantly increase access and sales of competitive foreign medical technology products and services in Japan's public-sector procurement market.<sup>149</sup> The public sector agreement for medical equipment and services also includes language on the use of objective criteria that is essentially identical to that in the telecommunications agreement. Data collection under the agreement will include "the total number and value of contracts awarded by all covered entities; the total number and value of contracts awarded for foreign products and services by all covered entities; and the number and percentage of contracts that were single tender contracts, the value of such contracts, and the number and value of those contracts awarded for foreign products and services."<sup>150</sup>

## Mexico

As a developing country participating in a free-trade agreement with advanced industrial nations (NAFTA), and as NAFTA's expected major beneficiary, Mexico was in the world spotlight throughout the first year of the accord. Numerous studies estimated the probable positive effects of NAFTA on signatories even before it entered into effect on January 1, 1994, and intermittent reports on the accord's promising beginnings appeared throughout the year. Therefore, the world was stunned by the financial crisis that hit Mexico in December, almost a year after NAFTA entered into force.<sup>151</sup>

### *The Peso Crisis*

Mexico's prospects for the year were already clouded at the beginning of 1994, following the January uprising in Chiapas of the Zapatista National Liberation Army (EXLN) in protest of the country's social and political conditions. The Chiapas conflict, which remains unresolved, was followed in March by the assassination of Luis Donaldo Colosio, a Presidential candidate to succeed Carlos Salinas de Gortari, and by subsequent violent acts against prominent individuals. The uneasy sociopolitical climate combined with a rapidly expanding current account deficit to cast a shadow on expectations for the country's overall economic performance.

For years, Mexico had restricted the peso to float within a specified trading range vis-a-vis the dollar.<sup>152</sup> However, pegging the currency to the dollar in order to assure cheap imports and control inflation led to a strong peso, whose strength was justified neither by

Mexico's domestic purchasing power nor by the balance of Mexico's current payments' account. Mexico's current account deficit has expanded steadily since 1988 and sustaining the peso above its real value proved increasingly difficult during 1994. New investors in Mexican securities perceived a higher level of risk than before, due to social tensions and an upcoming change of administration. In addition, the lesser currency risk combined with rising interest rates in advanced industrial countries caused an outward flow of portfolio capital from Mexico.<sup>153</sup> Meanwhile, Mexico's merchandise trade deficit continued to widen, as growth in imports, especially from Europe and East Asia, far outpaced gains in Mexico's exports to the United States and other countries.

As investors became increasingly cautious in purchasing peso-denominated securities, including peso-denominated government notes (Cetes), Mexico was prompted to issue Treasury certificates indexed to the U.S. dollar (Tesobonos) to attract foreign funds. This act shifted the burden of currency risk from private foreign investors to the Mexican Government, adding to Mexico's liquidity difficulties.<sup>154</sup> A crisis erupted on December 20, when the then new Government of Ernesto Zedillo Ponce de Leon<sup>155</sup> devalued the peso by widening the dollar/peso exchange rate band. Two days later market pressures forced the Government to float the peso freely against the dollar.

Some U.S. and Mexican economists and officials advocated the devaluation of the peso earlier in the year. Notable among the U.S. advocates was Dr. Rudiger Dornbusch, professor at the Massachusetts Institute of Technology (MIT), who argued for a 20-percent devaluation to a private business group in Guadalajara on June 17, 1994.<sup>156</sup> U.S. officials of the Treasury and Federal Reserve Bank also communicated to Mexican authorities the belief that their policies were unsustainable.<sup>157</sup> A notable Mexican advocate of devaluation was Guillermo Ortiz, Mexico's current Secretary of Finance.

Despite growing investor distrust, the outgoing Salinas Government continued to maintain the value of the peso throughout its last months in power, and neglected to make other necessary policy adjustments while relying increasingly on short-term foreign credit.<sup>158</sup> By December, when renewed political tension in Chiapas precipitated capital flight from Mexico and a severe drop in security values, a further defense of the strength of the peso would have led to the depletion of Mexico's foreign reserves. As a result, the 3-weeks-old Zedillo Government first decided to widen the peso's trading range by 15.2 percent; then, in

the face of a strong speculative attack against the peso, allowed it to float freely on December 22. The resulting depreciation of the peso interrupted 7 years of exchange-rate predictability in Mexico.

The manner in which the devaluation was handled was widely criticized.<sup>159</sup> The new Government's sudden action, which immediately followed prior assurances that such action would not take place,<sup>160</sup> had the apparent effect of undermining the remaining confidence of foreign and domestic holders of Mexican securities, who rushed to unload their holdings. Combined with a precipitous fall of security values on the Mexican stock exchange, the withdrawal of foreign funds caused the peso to plummet still further, instead of adjusting in an orderly fashion as the Zedillo Government apparently intended.

The peso depreciated from 3.5 pesos to the dollar on December 20 to 5.7 pesos to the dollar, or by 38 percent at its lowest point in January. Subsequently, following the international loan package to Mexico announced on January 31, 1995,<sup>161</sup> the peso strengthened. However, it weakened further to exceed 7 pesos to the dollar in the middle of March.

Many U.S. economists agree on the principal causes of the peso crisis. In the words of Robert D. Hormats before the House Banking Committee on February 10, 1995:

The peso was devalued due to unsustainable selling pressures which developed as market participants concluded that Mexico's capital inflows and foreign exchange reserves were insufficient to finance a growing current account deficit and that Mexican authorities were reluctant to defend the currency through significantly tighter monetary policy.<sup>162</sup>

Elsewhere in his testimony, Mr. Hormats criticized Mexico's excessive reliance on short-term debt, what Mr. C. Fred Bergsten, another witness, called "faulty debt management."<sup>163</sup> The three Committee witnesses, Hormats, Bergsten, and Dornbusch,<sup>164</sup> and still others thus concluded that Mexico's large current account deficit, and faulty exchange rate and debt management are the principal factors responsible for the peso crisis.

## *Assistance to Mexico*

Mexico's financial crisis prompted the U.S. Government to assemble a rescue package jointly with other foreign governments and international organizations. On January 31, 1995, President Clinton abandoned his proposal made earlier in the month to extend \$40 billion in U.S. loan guarantees to Mexico,

due to building congressional opposition.<sup>165</sup> Instead, on January 31, 1995, the U.S. President, in conjunction with the International Monetary Fund (IMF) and the Bank of International Settlements (BIS),<sup>166</sup> proposed a \$50-billion loan package for Mexico.

As to the U.S. portion of this package, President Clinton resorted to executive authority, committing up to \$20 billion in short-term and midterm loans and loan guarantees of long-term Mexican bonds, over a period of 18 months from the Exchange Stabilization Fund.<sup>167</sup> This fund, which currently amounts to some \$25 billion, was established in 1934 for the purpose of maintaining orderly exchange arrangements and has been used to enter into swap arrangements with foreign governments to finance exchange market interventions. As a condition of using these loans, Mexico was required to propose and implement an IMF-approved comprehensive financial and economic program and provide assurances for repayment, including the use of proceeds from petroleum, oil products, and petrochemicals exports.<sup>168</sup> On February 21, 1995, the United States and Mexico signed four agreements covering the support package and setting out Mexico's obligations to the United States under its terms.<sup>169</sup> On March 9, as Mexico announced monetary and fiscal policy measures that would strengthen its economic program released on January 3,<sup>170</sup> the U.S. Treasury authorized Mexico to draw down \$3 billion under the terms of the February 21 agreements.<sup>171</sup>

As to the international portion of the package, the IMF established an Exchange Stabilization Fund of \$17.8 billion<sup>172</sup> in stand-by credits "to underpin the program [of Mexico]<sup>173</sup> and to ensure orderly conditions in foreign exchange markets under the floating exchange rate regime."<sup>174</sup> In addition, BIS committed \$10 billion in direct loans; Canada, \$1 billion; and Brazil, Argentina, Chile, and Columbia another \$1 billion combined, all in short-term loans.

## ***Mexico's First Year Under NAFTA***

The peso crisis is widely viewed in the NAFTA context, even though only a small and indirect causal relationship has been suggested.<sup>175</sup> The principal reason for associating the crisis with NAFTA is that the crisis coincided with the first NAFTA year and, U.S. and international emergency assistance notwithstanding, is bound to affect originally projected NAFTA benefits to Mexico,<sup>176</sup> the United States, and Canada.

Because virtually a full year of NAFTA implementation preceded the crisis, Mexico's first NAFTA year lends itself to an independent discussion. Towards the end of 1994 but prior to the crisis, NAFTA appears to have justified neither overly optimistic expectations for Mexico nor the warnings of the accord's opponents. Instead, in 1994, Mexico recorded small but positive economic growth, controlled inflation, surging trade with NAFTA partners, a fast-growing overall trade deficit, but a declining trade deficit with the United States. In addition, Mexico continued to receive substantial direct foreign investment and, in the first 2 months of 1994, major inflows of portfolio investment as well.

## ***Economic Performance and Policies***

When Mexico began considering a free-trade accord with the United States in the summer of 1990, the Mexican economy was in a position of relative strength.<sup>177</sup> However, by the time Mexico actually joined the United States and Canada in NAFTA, the vitality of its economy had already weakened. The Salinas Government began to address the problem of economic stagnation in October 1993 in its economic plan (pacto) for 1994<sup>178</sup> by introducing various economic stimuli. These included boosting consumption through wage increases and tax reductions, providing business with corporate tax relief, and allowing interest rates to decline.

During the first NAFTA year, these measures and vigorous public and private direct investment activity in certain areas revived the economy somewhat, especially in the last two quarters. Toward the end of the year, annual real growth of the 1994 GDP was estimated at 3.5 percent.<sup>179</sup> The expansion was led by construction and electrical capacity (both propelled by government spending), and the transport, communications, and financial services sectors. Agricultural output continued to be stagnant, and output in the textile and clothing sector declined.<sup>180</sup>

Inflation control under Mexico's two prior administrations—the de la Madrid and Salinas administrations—had been quite impressive. From triple-digit rates in 1987, these administrations lowered the annual rise of consumer prices to single digits, reaching an 8.0-percent rate in 1993. The estimated annual inflation rate, as measured by a consumer products' basket, was 8.1 percent during the first NAFTA year.<sup>181</sup> Assisted by large-scale sales of Government property to the private sector, the Salinas administration was also successful in turning the

Federal budget deficit into a surplus in 1992 and 1993. Increased spending on social and rural development projects generated a minor budget deficit in 1994.<sup>182</sup>

At the same time, the rapid pace of trade liberalization and the overvalued peso that contributed to soaring Mexican demand for imports resulted in growing merchandise trade deficits. These translated into large current account deficits, as shown below (in billions of dollars):<sup>183</sup>

Year	Current Account Balance
1987 .....	+4.0
1988 .....	-2.4
1989 .....	-5.8
1990 .....	-7.4
1991 .....	-14.9
1992 .....	-24.8
1993 .....	-23.4
1994 .....	-28.0

Mexico's current account deficit grew to almost 8 percent of the GDP in 1994.<sup>184</sup> The Salinas administration tried to alleviate the problem by raising interest rates on peso-denominated securities and issuing bonds called "Tesobonos" indexed to the dollar to attract foreign funds. Another attempt to narrow the current account deficit in recent years was the gradual depreciation of the exchange rate within the established range to make exports more competitive and imports more expensive.<sup>185</sup> Yet, these measures proved to be inadequate to maintain investor confidence or to attain a meaningful improvement in the merchandise trade balance.

Ultimately, efforts to sustain the value of the peso proved futile and drained the country's foreign exchange reserves. Reserves still amounted to almost \$30 billion in February 1994; they dropped to between \$17 and \$18 billion by October 1994, then plummeted to little over \$6 billion by the end of the year. Reserves continued to fall to \$3.4 billion by January 31, 1995. After obtaining \$7.6 billion in credits granted by the IMF, reserves recovered to \$8.9 billion by March 1.<sup>186</sup>

On January 3, 1995, President Zedillo unveiled a plan to overcome Mexico's economic emergency in agreement with the Bank of Mexico, business representatives, labor unions, and rural organizations.<sup>187</sup> The principal objectives of the plan were to—(1) avoid a new inflationary spiral that might be triggered by the devaluation of the peso; (2) stabilize the financial market and reestablish investor confidence; and (3) stimulate structural reforms to enable the economy to grow and become more competitive.<sup>188</sup>

These objectives were to be met through wage and price restraints (except for the lowest paid workers, whose wages would increase), government spending cuts, tax increases, rate and price increases for publicly provided goods, and sharply higher interest rates. The emergency program also promised new privatizations, especially in infrastructure areas, including railroads, ports, and telecommunication facilities, and greater opportunities for foreign financial companies.

The program included numeric goals for 1995, but most of these were subsequently found unattainable in view of the indifferent financial market response to the steps taken and further deteriorating conditions in 1995. On March 9, Mexico's Ministry of Finance announced more realistic macroeconomic targets and specific austerity measures to restore financial stability.<sup>189</sup> The new package foresaw very high rates of inflation for the first two quarters of 1995, and projected an inflation rate of 42 percent for the year as a whole. Mexican GDP is expected to decline steeply in the first half of the year and to decline by 2 percent on an annual basis for 1995.

The March package specifies an increase in Mexico's value-added tax from 10 percent to 15 percent, and steeply raises the price of gasoline (by 35 percent) and electricity to final consumers (by 20 percent). In addition, the new measures include specific incentives for new privatizations; they specify budget cuts, reserve requirements for banks, and limits for domestic credit creation. The program also provides for restructuring of short-term debt with the help of U.S. and international loans.<sup>190</sup> According to the package, the floating exchange rate regime would continue for an undetermined time, as Mexico's reserves are currently insufficient to sustain any exchange rate controls.<sup>191</sup>

## Foreign Trade

A continued rapid rise in imports, aided by the overvalued peso and a liberal trade policy, pushed Mexico's merchandise trade balance from a \$2 billion surplus in 1988 to a \$12.1 billion deficit in 1993.<sup>192</sup> Imports surged again in 1994, by 21.4 percent compared with a 17.2-percent growth of exports, and Mexico's trade deficit continued to widen, reaching \$18.5 billion.<sup>193</sup>

The United States plays a dominant role in Mexico's foreign trade, both as an export market and as a source of imports. During the first NAFTA year, Mexico depended on the U.S. market for an estimated 83.5 percent of its exports and sourced an estimated 71.3 percent of its imports from U.S. suppliers.<sup>194</sup> Despite such a commanding U.S. role, the United

States played virtually no part in Mexico's 1994 trade imbalance, which is blamed in large measure for the peso crisis. The 1994 trade deficit Mexico registered with Canada was equally negligible. In the words of Commerce Under Secretary Jeffrey E. Garten, "In fact, I find it remarkable how balanced NAFTA trade was in its first year of operation."<sup>195</sup>

Mexico's 1994 trade deficit resulted from trade with countries other than NAFTA partners. According to Bank of Mexico data, the EU was responsible for more than one-third and Asian countries accounted for about one-third of Mexico's January-November trade deficit. The large increase in Mexico's 1994 trade deficit is attributable predominantly to these two trading regions.<sup>196</sup>

According to official U.S. statistics, U.S.-Mexican two-way trade reached a record level of \$97.7 billion in 1994, compared with \$78.9 billion in 1993. During the first NAFTA year, Mexico continued to rank as the third-largest U.S. trading partner, after Canada and Japan, on both the export and import side, accounting for 10.2 percent of overall U.S. exports and 7.4 percent of total U.S. imports. The broad composition of bilateral trade repeated established patterns of recent years (table A-10).

The U.S. bilateral trade surplus, attained as recently as in 1991 for the first time in years, reached

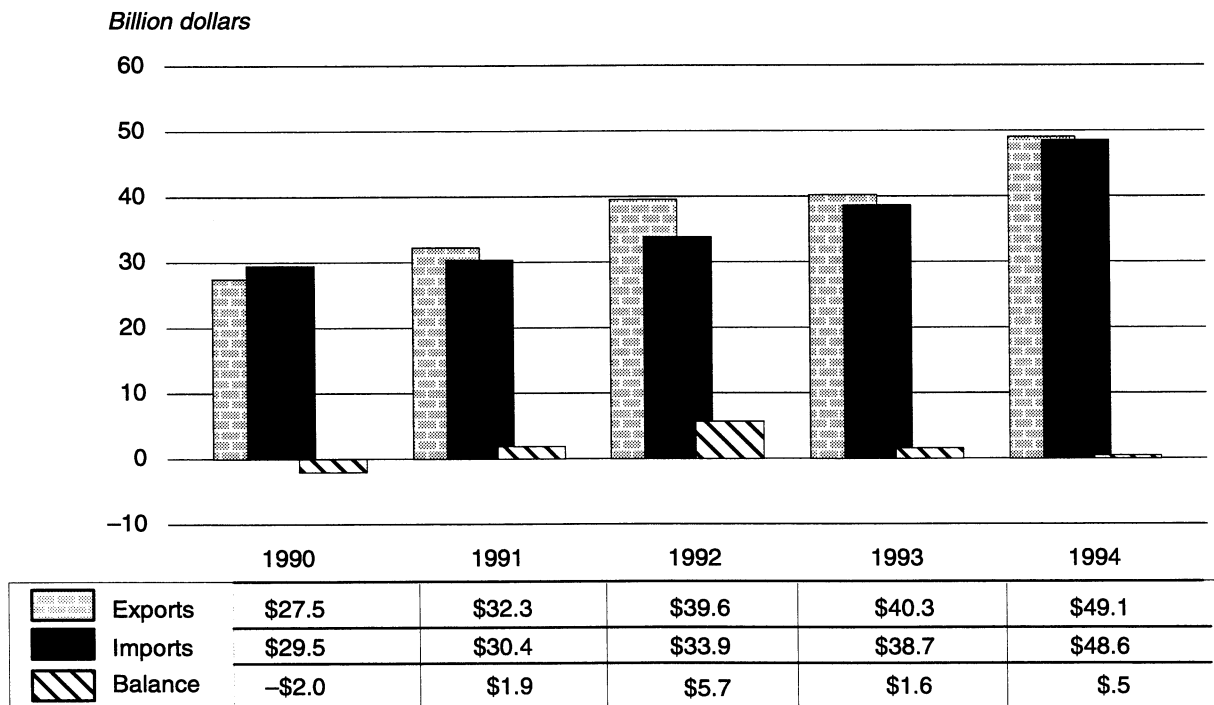
\$5.7 billion in 1992, but shrank considerably in 1993, and virtually disappeared in 1994 (figure 4-1). U.S. Census data, with imports calculated on a customs value basis, show a U.S. merchandise trade surplus of only \$531 million for the first NAFTA year (table A-10).

### U.S. exports

U.S. merchandise exports to Mexico surged 22.0 percent in 1994 to \$49.1 billion from \$40.3 billion in 1993. This compares with a similar surge of exports in 1992 (22.7 percent), but contrasts with only a 1.7-percent increase in 1993 (table A-10). Machinery and transportation equipment, which accounted for almost half of total U.S. exports to Mexico (table A-10, figure 4-2) were responsible for much of the increase, even though U.S. exports were up in virtually all major Standard Industrial Trade Classification (SITC) product categories.

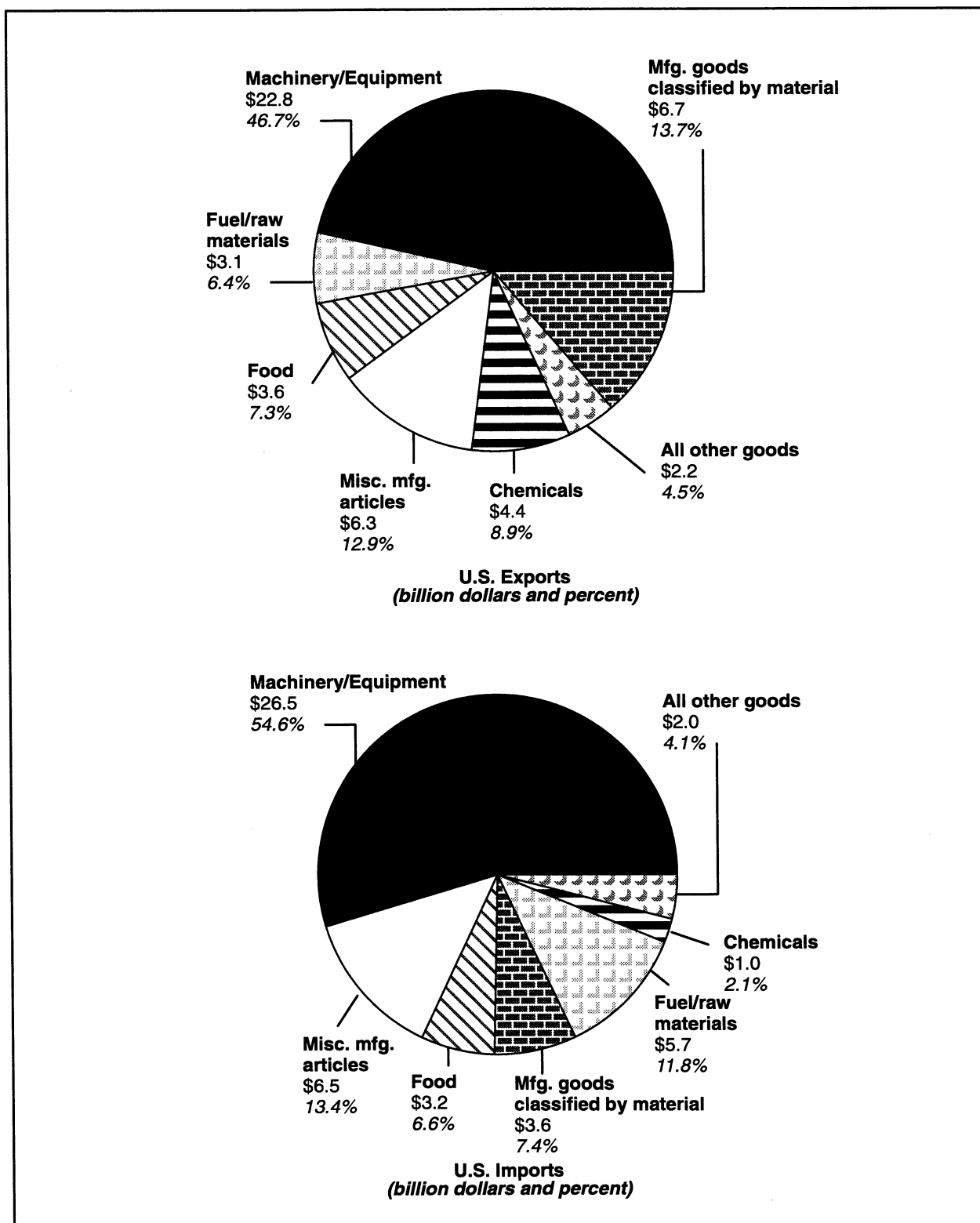
The machinery product class includes automotive equipment and parts which, as in pre-NAFTA years, topped the list of U.S. exports as well as export growth to Mexico. A large portion of automobile parts is destined for U.S.-owned production facilities located in Mexico. (The Mexican automobile industry consists

**Figure 4-1**  
**U.S. trade with Mexico: Exports, imports, and trade balance, 1990-94**



Source: Official U.S. Census data.

**Figure 4-2**  
**U.S. trade with Mexico, by product sectors, 1994**



Note.—Because of rounding, figures may not add to totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

principally of subsidiaries of the Big Three U.S. automakers, as well as Volkswagen and Nissan.) Notable is the jump in 1994 U.S. exports of passenger vehicles from \$123 million in 1993 to \$589 million, in response to NAFTA provisions.

As before, office machinery (computers and accessories, for example) and telecommunications equipment (sold mainly to TELMEX, Mexico's privatized telephone monopoly) were among leading U.S. exports in the first NAFTA year (table A-11). In addition to passenger vehicles, consumer durable goods such as microwave ovens and washing machines contributed significantly to the rise of U.S. exports to Mexico in 1994.

Soybeans and grain sorghum were leading U.S. agricultural exports, both up considerably from their 1993 level. Certain agricultural exports surged in direct response to the removal of trade barriers under NAFTA. These included fresh and frozen cuts of beef, which benefited from the elimination by Mexico of 20- to 25-percent duties,<sup>197</sup> and apples, which benefited from the elimination of tariffs on a specified quantity of Mexican imports and import licenses under NAFTA. In fact, U.S. exports of apples exceeded the tariff-rate quota before year's end.

### *U.S. imports*

The surge of U.S. imports from Mexico even surpassed growth on the U.S. export side, which explains the virtual disappearance of the U.S. bilateral trade surplus during the first NAFTA year. Despite the overvalued peso, which made Mexican exports relatively expensive, growth in U.S. imports from Mexico has accelerated in recent years. Imports rose 11.5 percent in 1992 and 13.9 percent in 1993, but by 25.7 percent in 1994. Imports amounted to \$48.6 billion during the first NAFTA year, compared with \$38.7 billion in 1993 (table A-10).

Crude petroleum continued to be the leading U.S. import item from Mexico (table A-12) but more than half of the value of total U.S. imports consisted of machinery and transportation equipment (figure 4-2 or table A-10). As on the export side, this dominant product category was principally responsible for the accelerated growth of U.S. imports from Mexico in 1994.

Automotive goods accounted for a major part of the machinery group, as on the export side. U.S.-Mexican trade within the automotive industry can be characterized as largely "intra-industry trade," because a considerable portion takes place in both directions. The entire machinery category and still

other areas of manufacturing, such as textiles and apparel, can be similarly characterized.

A significant portion of intra-industry trade (47.5 percent of all U.S. imports and 23.6 percent of all U.S. exports in 1994) is generated by production-sharing between U.S. and Mexican plants. U.S. imports from Mexico resulting from production sharing enter the United States at reduced duty rates, because the United States levies duties only on that part of imports that represent value added in Mexico, and U.S. inputs return free of duty.

Having U.S. materials processed or U.S. components assembled in Mexico increases the competitiveness of U.S. producers of labor-intensive articles with Asian producers on the U.S. market. At the same time, this arrangement benefits Mexico by creating jobs for Mexicans, and transferring U.S. managerial and technological know-how to local establishments. The facilities involved in production sharing on the Mexican side are generally "maquiladoras;" i.e. in-bond production units established since 1965 under Mexico's Border Industrialization Program.

Products of production sharing reenter the United States at special duty rates under chapter 98 of the Harmonized Tariff System (*HTS*). Half of these imports (which, as mentioned, constituted 47.5 percent of total 1994 imports from Mexico) were accounted for by U.S. content returned after further processing or assembly. Therefore, U.S. content returned accounted for 23.8 percent of all U.S. imports<sup>198</sup> from Mexico.<sup>199</sup>

Production sharing with Mexico did not change materially in the first NAFTA year. The share of U.S. exports to Mexico going into production sharing, and of imports resulting from it, was negligibly lower in 1994 than in 1993, when these ratios were 24.5 percent and 49.1 percent, respectively.<sup>200</sup>

## **Foreign Investment**

In recent years, the shift to a more open economic system made Mexico, as some other emerging markets, more attractive to foreign investors. By the same token, the promise of a substantial inflow of foreign investment was the most persuasive argument for Mexico to pursue NAFTA. Table 4-1 shows flows of foreign investment to Mexico over the last 6 years.

Portfolio investment, which is volatile and speculative, surged in 1993, apparently in search of the high returns available in Mexico. The share of portfolio investment jumped from less than one-third of total annual foreign investment, as was typical in prior years, to more than two-thirds of the total. According

**Table 4-1**  
**Annual Foreign Investment in Mexico, 1989-94**

Year	Direct investment (Millions of dollars)	Percent of total	Portfolio investment (Millions of dollars)	Percent of total	Total investment (Millions of dollars)
1989 .....	2,499.7	85.8	414.0	14.2	2,913.7
1990 .....	3,722.4	74.8	1,256.0	25.2	4,978.4
1991 .....	7,015.2	70.9	2,881.8	29.1	9,897.0
1992 .....	5,705.1	68.5	2,629.7	31.5	8,334.8
1993 .....	4,900.7	31.4	10,716.3	68.6	15,617.0
1994 .....	8,026.2	66.1	4,123.4	33.9	12,149.6

Source: Directorate General of Foreign Investment in the Secretariat of Commerce (SECOFI).

to official monthly data of the Ministry of Commerce (SECOFI), the flow of portfolio investment was still high in January and February 1994, but dropped to a fraction during the following months (March through August)<sup>201</sup> in response to political and economic tensions that preceded the yearend crisis.

The data above also show that this sudden plunge in portfolio investment significantly reduced total foreign investment during the first NAFTA year compared with 1993, although it remained considerably above levels recorded prior to 1993. Despite this decline, direct investment, which is less flexible in reacting to changes in the political and business environment, continued to surge from \$4.9 billion in 1993 to \$8.0 billion in 1994, reflecting to a large extent the investments from the EU and Japan. Mexico was still the leading developing-country recipient of foreign investment in 1994.

### *Implications of the Peso Crisis*

The peso crisis has been referred to as a problem of “illiquidity, not insolvency” by President Zedillo,<sup>202</sup> and as a “liquidity squeeze” by IMF Managing Director Michel Camdessus.<sup>203</sup> In proposing his first version of a U.S. financial support package, President Clinton stated he would

[t]ake appropriate steps to help Mexico get through these short-term financial pressures and build on the sound foundation for economic growth created in recent years.<sup>204</sup>

Nonetheless, even though Mexico’s problems are seen as short-term and correctable, and the country benefits from the largest financial assistance ever approved for an IMF member,<sup>205</sup> its economic outlook remains clouded.

### **Recession**

The adverse effects on Mexican economic vitality of the devaluation itself and of the severe austerity measures taken by the Zedillo administration are already being felt.<sup>206</sup> Business failures and rising unemployment are expected to continue for an undetermined time. According to Dornbusch: “In this year Mexico will, of course, suffer a serious recession—no growth must be taken for granted and a decline of only 5 percent in output is even optimistic.”<sup>207</sup>

Because Mexican banks have become more vulnerable, a temporary recapitalization program (PROCAPTE) was announced on their behalf on February 24, 1995.<sup>208</sup> In the second week of January 1995, concerned about the Mexican banks’ poor asset quality and high level of nonperforming loans, Moody Investor Services and other credit-rating agencies downgraded the debt and deposits of these banks, including those of BANAMEX and BANCOMER, the two largest. The banks are, in part, affected by their increased foreign debt burden as the now cheaper peso sharply raises the cost of repaying foreign debt denominated in dollars.<sup>209</sup> Another problem for the banks is the multitude of nonperforming domestic commercial loans, home mortgages, and credit card debts. Some banks also have faced a run on their deposits.

Not only businesses but also the population at large is going through a most difficult period. Growing unemployment and wage restraints, high inflation and interest rates,<sup>210</sup> and rising value-added taxes and prices for publicly provided goods, are sharply lowering Mexican living standards.



## Foreign Investment and Privatization

Restoring investor confidence after the January emergency program failed to do so was apparently the chief goal of the harsh measures President Zedillo announced on March 9, 1995. However, the expected reversal in financial markets has yet to materialize, indicating that Mexico may not be able to count on portfolio investment and short-term private credit for a while.

If so, direct investment is bound to be the dominant form of foreign financing in the foreseeable future. According to Herminio Blanco, minister of SECOFI, Mexico's new drive for privatizations and business partnerships with foreign investors in the areas of capital goods, infrastructure, banking, and petrochemicals will be attracting the kind of direct foreign investment that would lead to sustainable productive growth in Mexico.<sup>211</sup> Although the peso's devaluation will likely reduce some production costs, attaining high levels of direct foreign investment will depend crucially on a restoration of stability in Mexico.<sup>212</sup>

## Trade and Current Account Deficit

Bolstered by the now cheaper peso, Mexico's merchandise exports are projected to grow by 26.4 percent in 1995. In contrast, imports are expected to rise by only 5.5 percent, due to the decline in purchasing power of the peso and a policy of credit restraints to which the Zedillo administration is committed. Mexico's trade deficits of recent years, the root cause of the peso crisis, are thus bound to shrink considerably, registering a projected \$6.9-billion level for 1995.<sup>213</sup> Already in February 1995, Mexico registered its first monthly trade surplus in more than 4 years, a sign that the anticipated trade benefits of the peso devaluation may already be emerging.

Furthermore, there are indications that the Zedillo government may reinforce the cheap peso and tight credit with new trade measures to control the effect on imports. On March 1, Mexican representatives notified the WTO that Mexico would seek temporary tariff increases on certain imports involving footwear, leather goods, and apparel from countries with which it has no free-trade agreements.<sup>214</sup> In addition, Mexico reportedly notified the WTO on March 6, 1995, that its Government intends to negotiate temporary bilateral quotas on textile and apparel imports with trading partners, as allowed under the safeguard mechanism

contained in the WTO's Agreement on Textiles and Clothing.<sup>215</sup> Leading Mexican officials have reportedly emphasized that these actions do not signal a return to protectionism, pointing out that the measures are temporary and consistent with Mexico's international trade obligations. Officials also emphasized that these measures are designed to protect small and medium-sized establishments in Mexico that suffer from imports originating in third countries that disregard the desirable goal of attaining some measure of reciprocity in foreign trade.<sup>216</sup>

Even though the new protective measures are directed principally against non-NAFTA countries, the United States, as Mexico's dominant trading partner, could be affected by the peso crisis and its aftermath. The U.S. export surges taken for granted before the crisis in many areas will not materialize in the near future. In assessing 1995 U.S. export prospects to Mexico of 27 promising production and service sectors, U.S. Embassy officials in Mexico found that "All best prospects will show outright declines in both the overall market and imports."<sup>217</sup>

On the U.S. import side, U.S. firms that import parts and supplies from Mexico (for example the Big Three automakers) will benefit from the cheaper dollar prices of Mexican exports.<sup>218</sup> However, U.S. industries that compete with Mexican products on the U.S. market will face more competition. An early 1995 indication may be the dumping complaint of Florida's tomato farmers to the U.S. Government concerning massive tomato shipments from Mexico.<sup>219</sup>

The expected decline in U.S. exports and a likely continued surge in U.S. imports stands to reintroduce a U.S. trade deficit with Mexico for the first time since 1990.

## Other

In addition to Mexico and its NAFTA partners, the peso crisis has affected emerging markets throughout the world as their stock prices suffered steep declines. Currency devaluations in some countries (Brazil, Spain, Portugal, Hungary) and other economic policy actions such as interest rate hikes early this year in countries such as Argentina are likely efforts by governments to avoid a crisis similar to the one Mexico is experiencing. Although the U.S. administration has indicated that it intends to proceed with plans for free-trade areas in Latin America and Asia, activities leading to the establishment of new free-trade areas may also slow down while the depth of the peso crisis and its implications for other countries are examined carefully.

## China

Negotiations on China's accession to the GATT were a major forum for the discussion of issues in U.S.-China trade relations during 1994. Although much progress was made in an almost continual series of bilateral and multilateral meetings, inadequate market access and other unresolved issues kept China from attaining its goal of GATT membership by yearend. The United States also held bilateral negotiations on China's inadequate and ineffective protection of intellectual property rights. A 6-month "Special 301" investigation of its intellectual property rights (IPR) enforcement practices was initiated in June and subsequently extended into 1995 when an acceptable settlement could not be reached. President Clinton's decision to delink the issue of China's human rights record from the annual renewal of its most-favored-nation (MFN) tariff status removed a leading source of trade friction between the two countries since 1989.

Bilateral negotiations on two other major issues were successfully concluded. A new agreement controlling imports of Chinese textiles and apparel, signed in January 1994, contains a mechanism for curbing China's allegedly massive transshipments of U.S.-bound merchandise through third countries to avoid import quotas. The second agreement on the issue of China's weapons proliferation, reached in October, cleared the way for lifting a ban on U.S. exports of communications satellites for launching in China. However, the 5-year implementation of another bilateral agreement, the 1992 market access accord, was suspended in 1994 when China decided not to lift certain nontariff import restrictions that were scheduled to be eliminated at yearend.

### *GATT/WTO Application*

Negotiations on China's application for GATT membership moved to an advanced stage in 1994, following a year during which almost no progress was made. The primary policy issue that had stalled negotiations—the extent to which China would be willing to commit itself to an economy and foreign trade system based on GATT principles—was essentially resolved in theory if not in practice in November 1993. At that time, the Central Committee of the Chinese Communist Party released a decision paper stating that the "socialist market economy" it envisions "aims at enabling the market to play the fundamental role in resource allocation under macroeconomic control by the State."<sup>220</sup> The stated objectives also point to a "multidirectional" opening of

the Chinese economy and to further reform of the foreign trade and investment regimes.

A series of policy reforms were subsequently adopted at the beginning of 1994. These reforms included the introduction of sweeping changes in China's fiscal and monetary systems; the abolition of the multiple foreign-exchange rate system in favor of a unified, essentially market-determined rate, representing the first step toward eventual currency convertibility; the implementation of further tariff reductions; and the lifting of additional nontariff import barriers.<sup>221</sup> As a result, China's bid for GATT membership had been considerably strengthened when negotiations resumed.

At the year's first meeting of the GATT Working Party on China's Status as a Contracting Party, which was held in March, the Chinese delegation declared that completion of its accession by the end of 1994 was an important political objective. The reason China was pressing to achieve this goal was to qualify for founding membership in the WTO, which would supersede the GATT as the world's trade forum on January 1, 1995. Although most member countries were at that time receptive to meeting this deadline,<sup>222</sup> the United States refused to support an arbitrary date for completing negotiations.<sup>223</sup>

Since original membership will neither expand nor diminish a country's WTO rights and obligations, the United States has continued to maintain that the objective of the GATT Working Party must be to conclude the negotiations on terms that provide for bringing China's trade regime and economic system into compliance with both the GATT and the WTO. Following the successful completion of the Uruguay Round in December 1993, the GATT negotiations with China were broadened to also cover WTO obligations. During 1994 the negotiations included schedules of tariff and nontariff market access commitments for both agricultural and industrial goods that went well beyond the traditional GATT tariff-schedule negotiations, plus such new issues as trade in services, trade-related intellectual property rights (TRIPS), and trade-related investment measures (TRIMS).

At the July meetings of the Working Party, a broad range of substantive issues remained to be resolved. The issues described below include those that were among the main areas of concern to the United States at that time and, despite the progress made in subsequent bilateral and multilateral negotiations with China, that were still outstanding at the end of 1994.<sup>224</sup>

For many countries, including the United States, the leading problems that remained in drafting China's protocol of accession to the GATT/WTO concerned

market access. As a result of earlier GATT negotiations and the 1992 bilateral market access agreement with the United States,<sup>225</sup> the Chinese Government had already eliminated a significant number of quotas, licensing requirements, and other import controls that had applied to specific industrial products; however, about 400 GATT-inconsistent nontariff barriers had not been removed.<sup>226</sup> China's trading partners have proposed the elimination of all nonconforming nontariff measures upon the entry into force of China's protocol, except for a list of exemptions to be phased out within a specified time period. A midyear review also showed that tariffs on many industrial goods were still prohibitively high.<sup>227</sup>

Another market access issue is China's system of standards and testing requirements for imported goods. Since the Chinese do not apply the same standards and technical regulations to domestic products, the system appears to serve mainly as a form of surreptitious protectionism. For many manufactured goods, China will not accept the producer's certification of product quality and instead requires that its own quality license be issued before the merchandise can be imported, which often involves a time-consuming and expensive process.<sup>228</sup> Also, the sanitary and phytosanitary (SPS) standards that China applies to foreign agricultural products are often overly strict, unevenly applied, and not based on modern laboratory techniques.<sup>229</sup> These SPS practices are of particular concern to the United States since China has used them to ban or restrict its imports of such U.S. products as fruit, wheat, and tobacco. Although some steps have been taken to eliminate such abuses,<sup>230</sup> compliance with GATT/WTO rules regarding technical barriers to trade will require China to adopt additional liberalizing measures, such as using international inspection and testing criteria, ensuring that imports and domestic products are treated identically, and applying scientific principles as the rationale for its SPS standards.

Many countries have also expressed concern with respect to China's inadequate offers to open its services markets.<sup>231</sup> Although foreign-funded enterprises have been allowed more access since 1992 and a variety of such ventures have been started as limited experiments, the services sector is still largely closed.<sup>232</sup> The United States is seeking, in particular, greater access for such industries as banks, telecommunications, information technology, insurance, and travel and tourism. For China to accede to the WTO, its protocol package must include a schedule of initial market-opening commitments in services that is acceptable to all parties, as well as schedules of market-access tariff and nontariff measures.<sup>233</sup>

Other protocol issues that remained unresolved in 1994 relate to China's administration of its trade regime. The issue in this area most emphasized by U.S. officials is lack of transparency. The basic commitments sought from China would require that all laws, regulations, rules, decrees, administrative guidance, and other measures affecting trade be published and made easily accessible before they were enforced. However, even though China issued a directive in 1993 mandating that only published trade regulations could be enforced,<sup>234</sup> businessmen have continued to be regularly hampered by rules that they are told exist but cannot identify. China's trading partners have therefore proposed that its protocol include additional disciplines to ensure transparency; for example, that China should be required to make trade documents available for comment by all interested parties prior to implementation and to specify in advance the types of information that might be withheld on grounds of confidentiality.

Another administrative concern is that China will not be able to uniformly apply its GATT/WTO commitments throughout its entire customs territory. The United States and other member countries want to include language in the protocol that would require the central Government of China to ensure uniform administration of the rules by all government entities below the national level. The matter is further complicated by the existence of the five Special Economics Zones (SEZs) in China's southern coastal region, the Pudong New Area of Shanghai, and a number of additional designated zones allowed by the Chinese Government to offer tariff and other trade preferences in order to attract foreign investment. Although China has accepted the objective of unifying its customs territory and bringing the various special economic areas that currently exist within a single policy framework, it has not yet accepted a commitment to a specific time frame for doing so. Such a commitment is considered essential to ensure China's compliance with GATT/WTO rules.

The trading rights of enterprises also remained an issue at the end of 1994. Since China still has state enterprises with exclusive or special trading rights, the United States and other GATT/WTO member countries want commitments that would limit traded products of the state to a specified number by a given date and that would progressively liberalize the trading rights of all enterprises, both domestic and foreign. A very broad definition of the trading rights of enterprises is also envisioned, one that includes the right to import and/or export goods and services and, in addition, the right to trade, invest in, produce, sell, and distribute goods and services in China. Yet another proposal would require

China to ensure the nondiscriminatory pricing, as between national and foreign purchasers, of domestically produced goods and services. The United States has made the national treatment issue a top priority, insisting that foreign companies operating in China also receive the same legal and tax treatment as Chinese companies.

Until China completes the transition from a nonmarket to a full market economy, its trading partners maintain that a special safeguard system is needed to remedy or prevent market disruption owing to possible surges in exports from China. If consultations with China about such effects do not lead to its taking appropriate remedial action, the special safeguard mechanism would enable the affected country to take action against imports from China. The proposed system would also allow third countries that consider themselves threatened by the diversion of China's exports following initial action by another country to have the same recourse. With both the United States and the EU pressing the issue, China has finally agreed in principle to include such a provision in its protocol of accession but insists on negotiating a strict time frame for its application and limits on its use.<sup>235</sup>

Perhaps the most contentious unresolved issue is the question of country status. China considers itself a developing country and wants this status explicitly acknowledged in its protocol. However, even though China may qualify as a developing country in terms of per-capita income, its major trading partners are not willing to accept that it will be able to benefit fully in all respects from developing country status and the associated special treatment it offers. They contend that the developing country provisions of the GATT/WTO are meant for new members that need more time in opening their markets to global competition and that China does not have this problem; by 1994 it had already become the world's eleventh-largest exporter and the volume leader in such exports as textiles and apparel, footwear, and toys.<sup>236</sup>

The main benefit to be derived from developing, rather than developed, country status is the much longer time that China would be allowed to adapt its trade system and bring its various policies and practices into conformity with GATT/WTO requirements. For example, it would have 5 years to bring its trade-related investment measures into line with the new WTO rules, rather than the 2-year limit placed upon developed countries, and 5 years, instead of 1 year, to comply with WTO requirements on trade-related intellectual property rights.<sup>237</sup> The United States has indicated that it favors a flexible

approach that would not "label" China either a developing or developed country but would instead allow its country status in each trade or trade-related area to be decided on a case-by-case basis.<sup>238</sup>

Following the multilateral negotiations of the Working Party in July, which dealt almost entirely with the proposed elements of China's protocol of accession, bilateral talks were held between China and more than 20 of its major trading partners. Although these bilateral meetings covered the whole range of protocol issues, their primary purpose was to draft the schedules of market access concessions that would also make up part of the protocol package. From November 28 to December 20, 1994, the GATT member countries participating in the accession negotiations met separately with China in a last attempt to resolve bilateral issues before yearend and with both China and one another to discuss revisions in the protocol. The series of meetings concluded with a session of the Working Party on December 20.

Despite this strong effort to bring the negotiations to a successful conclusion, the completion of China's accession before the end of 1994 was made impossible, in the view of the United States and other major member countries, by its "unwillingness to address protocol concerns in detail and its inadequate offers on goods and services."<sup>239</sup> In summing up the progress made in 1994, U.S. officials noted that China has yet to complete bilateral negotiations on market access with many of its trading partners, including the United States, and will have to show "greater flexibility and greater willingness to make substantive commitments in all areas."<sup>240</sup>

As the 1994 negotiations ended, China indicated that it would be willing to continue in 1995 and informally asked for founding membership in the WTO even though it would miss the deadline on January 1, 1995, when the new WTO would replace the GATT.<sup>241</sup> Designation as a founding member is politically important to China because it was one of the original Contracting Parties to the GATT in 1947. It withdrew, however, in 1950 and did not reapply for membership until 1986.<sup>242</sup> Members of the Working Party on China's WTO accession have indicated that they "will have to explore ways to address this interest."<sup>243</sup>

## ***Enforcement of Intellectual Property Rights***

During the 2 years after the United States and China signed a Memorandum of Understanding on Intellectual Property Rights (IPR) in January 1992, the Chinese Government made the required changes in its

laws and regulations to lay the foundation for an IPR system that could meet international standards.<sup>244</sup> It failed, however, in the view of the U.S. Government, to meet its commitments under the agreement to establish an adequate and effective mechanism for IPR enforcement. Mounting evidence indicated that the piracy of intellectual property was rampant in China and was continuing to grow. At the same time, China maintained hidden quotas and nontransparent regulations that effectively kept U.S. intellectual-property-based products and industries out of its market.

On June 30, 1994, USTR Michael Kantor identified China as a "priority foreign country" under the Special 301 provisions of the Trade Act of 1974 and immediately initiated an investigation into its IPR enforcement practices.<sup>245</sup> In accordance with the statute, the investigation was scheduled to run 6 months, to December 31, 1994, with the possibility of an extension of up to 9 months. During the Special 301 investigation, negotiations were held on both the enforcement and market access issues, extending a series of bilateral IPR talks that began in June 1993. Eight rounds of talks were held at the negotiating level in 1994, including four after the investigation was initiated.

U.S. industries have estimated that the piracy in China of copyrighted works reached at least \$1 billion annually by 1994 and that the piracy of trademarks and patented products added "significantly" to that total.<sup>246</sup> Chinese piracy of computer software was running as high as 94 percent, and that of U.S.-copyrighted CDs, laser discs, cassette tapes, books, video games, videos, and movies was close to 100 percent in many parts of China.<sup>247</sup> According to the USTR, 29 factories producing U.S. CDs, laser discs, and CD-ROMs were among the largest offenders in China. Since these factories were alleged to have an annual production capacity exceeding 75 million in a domestic market with a capacity to absorb only 5 million annually, most of their output was destined for export. During the past 2 years, a rapidly increasing number of the pirated products of Chinese companies have been found mainly in Hong Kong and throughout Southeast Asia, but have also reached Latin America, Canada, and the United States.<sup>248</sup>

Inadequate legislation appears to have been only part of the problem. China's trademark law, which it revised in July 1993 in response to the 1992 Memorandum of Understanding, contains tough enforcement provisions, including criminal penalties for infringement. However, effective enforcement has been sporadic at best, and trademark violations have

increased, especially in Southern China.<sup>249</sup> The 1992 revision of China's patent law also includes enforcement provisions, but the piracy of patented products has continued. Although China's revised copyright law did not provide for criminal proceedings against piracy, its criminal code was amended on July 5, 1994, to include criminal penalties for copyright infringement. Nevertheless, despite strong pressure from the United States, China did not initiate prosecutions against any obvious offenders during the remainder of 1994.<sup>250</sup>

On December 31, 1994, USTR Kantor issued a proposed determination that China's IPR enforcement practices are unreasonable and burden or restrict U.S. commerce.<sup>251</sup> The investigation was extended until February 4, 1995, to allow negotiators time to pursue an acceptable settlement, but the USTR also simultaneously published a list of \$2.8 billion in annual imports from China being considered for retaliation in the event agreement could not be reached by that time.<sup>252</sup> A final retaliation list of \$1.08 billion in annual imports from China was published on February 4, 1995.<sup>253</sup> Tariffs applying to the 35 product categories on this list were scheduled to be increased to 100 percent ad valorem on February 26, 1995, but the United States and China reached agreement on that date.<sup>254</sup>

## *MFN Status and Human Rights*

On May 26, 1994, President Clinton announced that he would renew the MFN tariff treatment of imports from China for another year and would delink China's MFN trade status from human rights issues.<sup>255</sup> He acknowledged that China had not made the improvements in human rights set forth in 1993 as conditions for renewal in 1994.<sup>256</sup> He explained, however, that he was basing his decision on the belief that increased contact with China, rather than the denial of its MFN status, "offers us the best opportunity to lay the basis for long-term sustainable progress in human rights and the advancement of our other interests in China."<sup>257</sup> In taking this position, President Clinton essentially brought to a close an issue that had adversely affected trade relations between the United States and China since the Chinese Government's military suppression of the student-led prodemocracy movement in June 1989.

In view of China's continuing human rights abuses, however, President Clinton announced that certain sanctions imposed by President Bush following the 1989 massacre in Beijing's Tiananmen Square would remain in force.<sup>258</sup> These sanctions were (1) the suspension of weapons deliveries under both U.S.

Government and commercial programs; (2) the denial of export licenses for dual-use civilian technology items for the Chinese police or military; (3) the suspension of consideration of export licenses for U.S. Munitions List items; (4) the suspension of China's participation in the grant programs for project feasibility studies under the Trade and Development Agency and in the insurance and loan programs of the Overseas Private Investment Corp.; and (5) the withholding of U.S. support for World Bank and other multilateral development bank lending to China except for projects meeting basic human needs.<sup>259</sup> In addition to continuing these sanctions, the President imposed a ban on imports of Chinese munitions, consisting principally of guns and ammunition.<sup>260</sup>

President Clinton also announced that he would keep human rights prominently on the bilateral agenda and that he planned to use a variety of instruments to encourage human rights in China. The instruments he proposed included (1) intensified dialogue with Chinese Government officials on human rights issues; (2) consultation with the U.S. private sector to establish a voluntary statement of principles for U.S. business firms operating in China; (3) stepped-up use of such media as Voice of America and Radio Free Asia; and (4) closer cooperation with other nations, especially through the United Nations, to monitor and draw attention to the Chinese human rights situation.<sup>261</sup>

On June 2, 1994, the President issued his official determination to renew China's MFN status for another year.<sup>262</sup> MFN tariff treatment, the nondiscriminatory rates of duty that the United States applies unconditionally to imports from most countries, is extended to imports from China under the President's authority to waive full compliance with the freedom-of-emigration requirements (Jackson-Vanik Amendment) imposed on nonmarket economy countries by section 402 of the Trade Act of 1974. The waiver for China, which has been in effect since February 1980, expires on July 3 of each year unless the President issues a determination to extend it at least 30 days before the scheduled expiration date. In his report to Congress accompanying the 1994 waiver extension, President Clinton explained that, despite its lack of "overall significant progress" on other human rights concerns specified in the 1993 Executive Order, China had satisfied the emigration criteria for a waiver extension under the Trade Act of 1974.<sup>263</sup> Moreover, he noted, it had satisfied additional emigration requirements set forth in the 1993 Executive Order by keeping its promise to resolve certain pending "blocked passport" cases, including some that involved the relatives of prominent dissidents.<sup>264</sup> In 1994, as in

each previous year since 1989, legislation was introduced in the Congress to disapprove the President's waiver extension for China or to subject its continuation to human rights conditions in addition to freedom of emigration. A measure that would have terminated China's MFN status was defeated in the House on August 9, 1994, and one that would have prohibited the application of MFN treatment to certain imports from China was amended to approve the President's policy and passed in the House on the same day.<sup>265</sup> Neither bill saw action in the Senate.

## *Other Bilateral Developments*

### **New Textile Agreement**

On January 17, 1994, the United States and China reached a new agreement on trade in Chinese textiles and apparel. The 3-year accord addresses two major bilateral issues in this trade: China's transshipments of textiles and apparel through third countries to evade U.S. import quotas, a practice that the United States alleged had reached massive proportions, and overshipments, or shipments exceeding China's annual textile and apparel quotas. The latter, although considered a less serious problem by U.S. officials, can cause significant market disruption since all merchandise entering the United States in excess of the annual limit for a textile or apparel category must be held in bond at Customs warehouses until it can be included in next year's quota.<sup>266</sup> To address the problem of fraudulent transshipments, the agreement provides for charging such shipments against the relevant quotas and contains penalties for repeated violations, including the right to reduce a specific quota by as much as three times the amount transshipped. The overshipments issue is also addressed by committing China to strengthen its enforcement procedures. The problem was believed to have been largely the result of an inadequate control mechanism, rather than direct action on the part of the Chinese Government, since much of the overshipment reportedly resulted from the use of fraudulent export visas.

The annual quota increases allowed in the new 3-year agreement are substantially less than those in the previous agreement. No increases were provided for in 1994, and the overall increase in the quantity of textiles and apparel that China can export to the United States in 1995 and 1996 is limited to 1 percent each year. The previous agreement permitted China to increase its shipments to the U.S. market by an average 4.4 percent annually. For the first time, the new agreement also imposes a limit on imports of silk and mostly silk-blend apparel from China. Such shipments

from China had been rising rapidly in recent years and were alleged to be seriously affecting the sales of U.S. manufacturers of similar cotton and manmade-fiber apparel. The new quotas on the silk and silk-blend apparel categories allow for an overall 1-percent increase in quantity during each year of the agreement.

## **Agreement Lifting Export Sanctions on Satellites**

On October 4, 1994, the United States and China signed a Joint Statement on Missile Proliferation, in which the two countries agreed to a step-by-step approach to resolve issues concerning China's adherence to the principles of the Missile Technology Control Regime (MTCR).<sup>267</sup> This agreement paved the way for the United States to lift a ban it had imposed on exports of communications satellites and satellite components to China.

After determining that China had sold M-11 missile components to Pakistan in violation of the MTCR, the United States imposed a 2-year ban on specified high-technology exports to China in August 1993.<sup>268</sup> The items affected, which are mandated by U.S. law covering administration of the MTCR guidelines, were mainly communications satellites and satellite components that U.S. manufacturers had planned to export for launching in China. At the time of the ban, the potential loss of U.S. exports was estimated to be \$400 million to \$500 million annually during the 2-year period.<sup>269</sup> However, the ban was in effect partially lifted in January 1994, as a result of a reinterpretation of U.S. law to exclude items that were not militarily sensitive from coverage under the MTCR guidelines. This change permitted satellites to be licensed for export to China following the removal of any components on the State Department's munitions list.<sup>270</sup>

In the Joint Statement, the United States agreed to take the first step and lift the ban on satellite exports. China agreed that once the sanctions were lifted, it would make a commitment not to export missiles and missile components covered by the MTCR agreement.<sup>271</sup> The United States lifted the ban on November 1, 1994,<sup>272</sup> and China simultaneously announced a commitment to adhere to the guidelines of the MTCR.<sup>273</sup>

The original 6-year agreement providing for U.S.-built satellites to be launched on Chinese rockets expired on December 31, 1994.<sup>274</sup> Although nine launches were permitted under that agreement, China conducted only four as a result of restrictions that the United States imposed on satellite exports to China

following the June 1989 massacre in Tiananmen Square and the ban imposed in 1993.<sup>275</sup> At the time of its expiration, negotiations were underway on a new bilateral agreement that would allow up to 11 launches over a 7-year period.<sup>276</sup>

## **Market Access Agreement**

The 1992 Memorandum of Understanding on Market Access signed by the United States and China committed the Chinese Government to lift import quotas, licensing requirements, and controls at the end of each year for a 5-year period.<sup>277</sup> Although it eliminated import barriers on some product groups ahead of schedule in 1993, the first full year of the agreement, it did not lift the restrictions scheduled to be eliminated on December 31, 1994.<sup>278</sup> Among the product categories affected were wood products, agricultural products, beer and wine, tobacco, textile and apparel products, computers, textile machinery, air conditioners, and refrigerators.<sup>279</sup>

China's decision to not implement its 1994 commitments under the market access agreement apparently stemmed from its failure to accede to the GATT by yearend, for which it largely blamed the United States.<sup>280</sup> In addition, the breakdown of IPR negotiations in December further strained relations between the United States and China.<sup>281</sup> In mid-March 1995, however, during USTR Kantor's trip to China to sign and launch the IPR enforcement agreement, the Chinese pledged to lift the restrictions scheduled for yearend 1994 by no later than March 31, 1995.

## **Taiwan**

The application of Taiwan to join the GATT/WTO was the main focus of bilateral trade discussions in 1994. In particular, the United States, along with other current GATT/WTO members, sought to bring the Taiwan trade regime into conformity with GATT/WTO rules, and to expand market access into areas currently restricted from imports. Bilateral tensions about protection of IPR in Taiwan eased somewhat in 1994 as the number of complaints about IPR infringement reportedly declined. On another issue, however, the Taiwan inability to halt trade in parts of endangered species led to U.S. import sanctions against certain imports from Taiwan. The action was the first time the United States imposed trade sanctions against a country that was found to be in violation of an international agreement designed to protect endangered species.

## ***GATT/WTO Application***

A Working Party was established in September 1992 to consider Taiwan's application to join the GATT and to negotiate terms for Taiwan membership.<sup>282</sup> The Working Party held two meetings in 1994, bringing to seven the total number of times the Working Party had met. In 1994, the Working Party continued to focus on how to make Taiwan's trade policies and import regime consistent with GATT/WTO requirements. In particular, the accession talks centered on technical aspects of Taiwan's market access restrictions, protection of IPR, tariffs, import-licensing requirements, and agricultural import restrictions.<sup>283</sup>

Part of the accession process, in addition to the work of a Working Party, includes bilateral negotiations between the prospective member and interested Contracting Parties. In November 1993, as part of the bilateral negotiations process, the United States presented a detailed market access request to Taiwan. In the request, the United States asked Taiwan to reduce tariffs on 2,800 products; reduce tariff peaks on items protected by particularly high tariffs; maintain previously established low tariffs; and eliminate import bans, quotas, and other nontariff restrictions, largely on agricultural products, which are prohibited by WTO rules.<sup>284</sup>

To complete the application process, Taiwan must conclude negotiations with current members on bilateral tariff reductions and must conform its regulatory regime to GATT/WTO standards. During 1994, the United States and Taiwan held several bilateral consultations about the Taiwan accession. Both sides reportedly made progress in addressing the most difficult aspects of the negotiations, namely restrictions by Taiwan on alcohol, autos, agriculture, and aviation.<sup>285</sup>

Taiwan had hoped to complete all negotiations and to join the GATT by December 31, 1994, thereby becoming a founding member of the WTO, which came into existence on January 1, 1995<sup>286</sup> (founding members and parties joining the organization after its establishment receive the same rights and benefits).<sup>287</sup> At the end of 1994, the Working Party indicated that although the pace of the Taiwan accession continues to depend on the pace of China's accession,<sup>288</sup> the WTO should begin preparations for presenting a protocol of accession for some time in 1995.<sup>289</sup>

As part of the GATT/WTO application process, Taiwan is opening many aspects of its economy to foreign competition to conform its regulatory climate to GATT/WTO standards. In 1994, for example,

Taiwan announced that it was going to take several steps to make the government procurement process more transparent and correspond to GATT/WTO rules. Taiwan also announced that it will permit foreign ownership in the banking sector. Banking analysts expect that foreign investors, instead of starting up new banks, will enter the Taiwan banking sector by buying existing domestic banks.<sup>290</sup>

The Taiwan GATT/WTO entry will mean some U.S. exporters will face increased competition in the Taiwan market. In some sectors, U.S. suppliers are the only foreign source allowed to export to Taiwan. For example, the United States is currently the only country that can export apples, peaches, and grapes to Taiwan without limitation. After accession, however, Taiwan will allow imports of such fruit from all sources.<sup>291</sup> Certain beef imports from countries such as Australia and New Zealand will receive the same tariff treatment U.S. suppliers currently receive.<sup>292</sup>

## ***Protection of Intellectual Property Rights***

A frequent topic of bilateral friction between the United States and Taiwan is protection of IPR in Taiwan.<sup>293</sup> In recent years, however, Taiwan has taken several steps to improve protection of IPR.<sup>294</sup> Improving the legal protection and enforcement of IPR is also a key topic of discussions in the Taiwan GATT/WTO accession negotiations.

During 1994, the American Institute in Taiwan (AIT) received markedly fewer complaints about IPR infringement or related problems than in previous years. AIT cited two likely reasons for the decline in IPR-related complaints: fewer IPR infringement activities taking place in Taiwan and confidence by the business community in Taiwan's ability to handle complaints.<sup>295</sup> By the end of the year, the Taiwan legislature was considering a draft law to protect integrated circuit layout designs and trade secrets. In addition, recent changes to copyright, patent, and trademark laws bring Taiwan closer to GATT/WTO requirements regarding IPR protection.<sup>296</sup>

On April 30, 1994, pursuant to Special 301 provisions of the Trade Act of 1974, USTR Michael Kantor placed Taiwan on the "watch list" of countries that do not provide adequate and effective protection of IPR. In making the announcement, Ambassador Kantor said that Taiwan had made "considerable progress" in "reducing or eliminating longstanding problems" in IPR protection and "undertook significant enforcement efforts over the past year" to prosecute violators of IPR laws.<sup>297</sup>



As part of the Special 301 process, USTR solicited public comments about the level of IPR protection afforded by foreign governments. Regarding Taiwan, the Software Publishers Association (SPA) stated that software piracy in Taiwan caused total losses of \$142 million based on estimates that only 13 percent of the software in use in Taiwan was legally purchased. Nintendo identified Taiwan as the primary source for counterfeit Nintendo video game products in 1994. Other comments about inadequate IPR protection in Taiwan included inadequate enforcement, insufficient criminal penalties for infringement, and a lack of “pipeline” protection for pharmaceuticals.<sup>298</sup>

## ***Wildlife Trade Sanctions***

On April 11, 1994, President Clinton announced that the United States would ban the importation of certain wildlife specimens and products from Taiwan. The sanctions were imposed in response to a finding by the Clinton administration that Taiwan had not taken sufficient measures to stop illegal trade in products of endangered species. In particular, the administration said that Taiwan had not shown measurable, verifiable, and substantial progress in ending trade in rhinoceros horn and tiger bones. The action marks the first time that the United States has imposed sanctions under the Pelly Amendment, which authorizes trade sanctions against countries that violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) or other international agreements designed to protect endangered species.<sup>299</sup> Trade in endangered species is banned by CITES.

Rhinoceros and tiger parts are used in traditional medicine and as aphrodisiacs in Taiwan and China. Demand for the items has fueled poaching of the animals in their native habitats. According to Clinton administration estimates, the world rhinoceros population has suffered a 90-percent decline since 1971, to its current level of about 10,000, in large part due to illegal poaching. Similarly, the world’s tiger population has fallen by 95 percent since 1900, to about 5,000. The administration stated that both populations will likely be extinct within 2-5 years if the illegal trade is not eliminated.<sup>300</sup>

The ban, which does not apply to products for human consumption, prohibits importation from Taiwan of certain items classified as fish, wildlife, or products of fish or wildlife. After a period of public comment on the specific products on the sanction list, the ban went into effect in August. Products banned by the action include—

- Reptile leather shoes, handbags, and other reptile leather articles and products;
- Jewelry made from coral, mussel shells, and bone;
- Edible frogs’ legs;
- Live goldfish and tropical fish for the aquarium trade; and
- Bird feathers, down, and specimens.<sup>301</sup>

When the sanctions were imposed, the United States announced that the sanctions would remain in place until Taiwan enacts and enforces adequate laws to deter the illegal trade in rhino and tiger parts. According to the most recent estimates by the U.S. Fish and Wildlife Service, U.S. imports of these products from Taiwan were about \$22 million in 1994, or one-tenth of one percent of the total value of U.S. imports from Taiwan that year.<sup>302</sup>

In response to the sanctions, Taiwan authorities requested that exporters of the affected products switch their sales efforts to other markets.<sup>303</sup> In addition, Taiwan authorities proposed to strengthen wildlife conservation through the following efforts:

- Enforce consolidation of stockpiles of rhino horn and tiger parts;
- Strengthen the crackdown on the illegal trade and smuggling of endangered species;
- Increase conservation education;
- Increase international conservation cooperation;
- Establish an identification system for wildlife and wildlife products;
- Establish a wildlife data bank;
- Train conservation specialists;
- Increase conservation experiments and research; and
- Manage and protect wildlife habitats.<sup>304</sup>

In early April 1994, the CITES Standing Committee reaffirmed an earlier recommendation that Taiwan and China need to consider stricter measures to stem trade in wildlife. The Standing Committee did note “with satisfaction” the progress made by China in prohibiting trade in wildlife species, but expressed

“concern that the actions agreed by the authorities in Taiwan . . . towards meeting the minimum requirements have not yet been implemented.”<sup>305</sup>

The administration’s April 1994 decision was based on a September 1993, certification by the Secretary of the Interior that nationals of China and Taiwan were engaging in trade of rhinoceros and tiger parts that diminishes the effectiveness of CITES.<sup>306</sup> CITES, with over 120 member countries, is an international agreement designed to control trade in endangered species.<sup>307</sup> CITES identifies the tiger and five species of rhinoceros as threatened with extinction and therefore prohibited from commercial trade.<sup>308</sup> The Secretary’s determination constituted a certification pursuant to the Pelly Amendment to the Fishermen’s Protective Act of 1967.<sup>309</sup> The Pelly Amendment directs that the Secretary shall make such a certification to the President if he determines that foreign nationals are engaged in trade that diminishes the effectiveness of an international program, such as CITES, for the conservation of endangered or threatened species.<sup>310</sup>

In November 1993, the Clinton administration determined that, although both China and Taiwan had “made good faith efforts to stop the trade . . . these efforts, however, have yet to yield effective reductions in trade.”<sup>311</sup> The United States said that Taiwan and China could demonstrate their commitment to elimination of the trade by, at a minimum, taking the following actions:

- Consolidation and control of stockpiles;
- Formation of a permanent wildlife or conservation law enforcement unit with specialized training;
- Development and implementation of a comprehensive law enforcement and education action plan;
- Increased enforcement penalties;
- Prompt termination of amnesty periods for illegal holding and commercialization; and
- Establishment of regional law enforcement arrangements.

The United States threatened sanctions if the parties made no progress by March 1994.<sup>312</sup>

The Clinton administration cited Taiwan in April 1994 for its insufficient effort to identify, register, and mark stocks of tiger and rhinoceros parts and products;

failure to amend its Wildlife Conservation Law making such registration mandatory; inadequate prosecution of individuals selling rhinoceros and tiger parts; and its need to strengthen and then enforce the Wildlife Conservation Law to address the illegal trade.<sup>313</sup> The administration also announced that it might provide technical and law enforcement assistance to Taiwan and would monitor Taiwan’s actions regarding trade in endangered species. Finally, the administration noted that enactment of adequate laws followed by enforcement actions that reduce illegal trade in rhinoceros and tiger parts would “be grounds for an immediate reconsideration of the decision.”<sup>314</sup>

When sanctions were imposed against Taiwan, the Clinton administration decided that sanctions against China were not warranted because China had made progress in its efforts to stop trade in the endangered species. The administration noted that China had recently consolidated stocks of rhinoceros and tiger parts, engaged in a public education campaign on new laws to protect wildlife, seized stocks of wildlife parts, and prosecuted violators of the ban in wildlife trade. The administration instructed the Departments of State, Justice, and Treasury to explore technical and law enforcement assistance with China and to ensure continued progress on eliminating the trade.<sup>315</sup>

## Republic of Korea

In 1994, bilateral discussions between the United States and Korea largely took place in the context of the Dialogue for Economic Cooperation (DEC). DEC discussions concentrated on major aspects of Korea’s ambitious economic reform initiative, dubbed the “New Economy.” Introduced in 1993 by President Kim Young Sam, the plan includes a wide range of initiatives designed to reform Korea’s political and economic activity. The main goals of the plan are liberalization of foreign direct investment and financial regulations, and strengthening protection of IPR. Korea’s market access for foreign suppliers of beef, pork, and automobiles were also the subject of bilateral negotiations in 1994.

### *Dialogue for Economic Cooperation*

During President Clinton’s July 1993 visit to South Korea, the two countries agreed to establish a 1-year DEC. The DEC was designed to strengthen bilateral economic cooperation, advance deregulation in Korea, and provide an avenue for regular economic consultation. In light of Korea’s ambitious 5-year plan for a “New Economy,” DEC discussions provided an

opportunity for the bilateral talks to focus on the substance of Korea's proposed economic reforms. Improving Korea's foreign investment climate was the main focus of the DEC. Discussions also extended to areas of taxation, competition policy, administrative procedures, import clearance, as well as U.S. implementation of trade measures.<sup>316</sup>

The DEC concluded in June 1994 when both sides issued a joint report on progress that had been achieved through the dialogue. In the report, both sides agreed that "the DEC sought to reduce the likelihood of future problems by addressing and improving the structure of our economic relations in a limited number of important areas. In this, we have achieved modest success."<sup>317</sup>

In the final report of the DEC, the Government of Korea committed itself to—(1) identify sectors that could be opened to foreign investment; (2) streamline the investment approval process and increase its transparency; and (3) improve the climate for foreign investors in areas such as land acquisition, financing, and IPR protection.<sup>318</sup> Although foreign access to the Korean market has been facilitated by the DEC and Korea's economic reforms, U.S. firms operating in Korea continue to perceive the Korean economy as highly regulated and difficult to penetrate.<sup>319</sup>

## ***Korea's "New Economy"***

In 1994, Korea took several steps designed to internationalize its economy, attract foreign investment, and bring the country's investment regime into conformity with international standards. The measures grew out of President Kim Young-Sam's 5-year program to liberalize and internationalize the Korean economy.<sup>320</sup> By so doing, the Government of Korea intends to reduce its role in economic activity and increase individual autonomy in economic affairs. The plan, called the "New Economy," is designed to promote autonomy, consistency, and transparency in economic activity by implementing widespread institutional changes.<sup>321</sup>

The plan, together with commitments Korea made in the DEC final report, is part of a wider effort by the Government of Korea to open the Korean economy to international competition and to bring Korea's investment regime closer to the standards of the Organization for Economic Cooperation and Development (OECD), which Korea hopes to join in 1996.<sup>322</sup> The OECD, whose 24 member countries are the advanced economies of Europe, North America, and the Pacific, requires that its members abide by, among other things, the Code of Liberalization of

Capital Movements. The code mandates that members minimize restrictions on capital movements as a way to advance economic growth and cooperation.<sup>323</sup>

The following sections summarize the main reforms initiated by the Government of Korea: strengthening protection of IPR, changing the foreign investment approval process, expanding the number of sectors open to foreign investment, and financial deregulation. Other parts of the "New Economy" initiative include easing the ability of foreign firms to acquire land in Korea, cutting regulations on businesses, and improving the climate for labor-management relations.

## **IPR Protection**

Insufficient protection of IPR in Korea has been the source of bilateral tension for several years.<sup>324</sup> Korea's goals in strengthening IPR protection as part of the "New Economy" initiative include prosecution of individuals who violate IPR laws and regulations, strengthening legal protection of IPR, and increasing public awareness of the IPR protection and penalties for violators.<sup>325</sup>

In April 1994, the United States placed Korea on the "priority watch list" pursuant to Special 301 provisions of the Trade Act of 1974 in light of Korea's lack of "adequate and effective protection" of IPR.<sup>326</sup> By the end of the year, the climate for IPR protection in Korea improved somewhat. For example, Korea took steps to enforce its existing laws and bilateral commitments designed to protect IPR. These actions included removing pirated and counterfeit goods from the domestic market and undertaking "special enforcement periods" when raids, prosecutions, and other actions against violators were increased. Although Korea has stepped up prosecution against audio and video piracy, widespread infringement against U.S. computer software producers reportedly continues.<sup>327</sup>

The final report of the DEC emphasized the importance of effective IPR protection for fostering technological development and attracting high-tech investment to Korea. Korea noted the steps, discussed above, that it had taken recently to improve IPR protection. In addition, Korea committed itself to improve legal protection for IPR offered by its Semiconductor Chip Protection Law, Patent Law, Copyright Law, Trademark Law, and Industrial Design Law. Korea also said that it plans to bring these laws into conformity with the Uruguay Round TRIPs agreement as soon as possible.<sup>328</sup>

## Foreign Investment Notification and Approval Process

In 1994, Korea announced several measures to streamline its foreign investment notification and approval process. Korea's Foreign Capital Inducement Act (FCIA) categorizes economic sectors as either open, conditionally restricted, or closed to foreign investment. Foreign investors who seek to start or expand investment in Korea must either notify the government of the proposed investment or, if the investment is to take place in a conditionally restricted sector, seek approval with the Ministry of Finance.<sup>329</sup>

The 1994 changes in Korea's notification/approval process, as enumerated in the final DEC report, codify some of Korea's goals to simplify investment rules as part of the 5-year "New Economy" plan. The process for notification of new investment plans was cut from 20-30 days to 3 hours. The procedure for foreign investment projects that require government approval was revised to be shorter, simpler, and more predictable than the previous process. For example, the government's approval period for foreign investment applications is reduced from 30 days to 15 days. The government will undertake an initial review of investment documentation at the time of its submission. Smaller investments, those below 300 million won (\$375,000) in the service sector and 1 billion won (\$1.25 million) in manufacturing, are to be processed in 5 days.<sup>330</sup>

The Government of Korea also simplified the process for expanding foreign invested businesses. In addition, rules pertaining to stock sales by foreigners were somewhat relaxed. Rules that required foreign holders of stocks to notify the Government of Korea of pending stock sales were eased, and the requirement that the government verify the sale price of the foreign-owned stocks was eliminated.<sup>331</sup>

Korea also stated in the final DEC report that it planned several additional measures designed to simplify the foreign investment notification/approval process. These steps included amending the FCIA to (1) authorize an additional 27 banks to accept foreign investment notifications, (2) abolish ministerial review for projects on the notification list and for smaller projects on the approval list, (3) approve foreign direct investment in certain sectors as long as the investor meets specific criteria, and (4) waive the notification requirement for established foreign investors making new investments in Korea if the new business falls in a category on the "notification list."<sup>332</sup>

Korea is trying to reduce restrictions on investment to attract more foreign investment. In recent years,

Korea has received a relatively low amount of investment compared with other developing countries in the region. During 1988-92, Korea received \$5.5 billion in foreign investment compared with \$87.6 billion for China, \$30.4 billion for Thailand, \$24.7 billion for Malaysia, and \$9.1 billion for Taiwan. The Government of Korea is concerned that, if recent trends continue, Korea's international competitiveness vis-a-vis China, Taiwan, and Southeast Asia will suffer as the benefits of job creation and technology transfer fall to those areas.<sup>333</sup>

## Liberalization of Restricted Sectors

The 1994 changes in foreign investment regulations follow earlier efforts to reduce sector-specific restrictions on foreign investment. As discussed above, Korea's FCIA categorizes economic sectors as either open, conditionally restricted, or closed to foreign investment.<sup>334</sup> In June 1993, Korea announced that it would phase out restrictions on foreign investment in 132 of 224 sectors by 1997. After 1997, Korea will retain restrictions on foreign investment in 92 sectors. The remaining justifications for limiting foreign investment include protection of national security, public order and morals, international peace and security, and national health and the environment. Previous restrictions on foreign investment in Korea excluded foreign investment that the Government of Korea judged could cause monopolistic or predatory practices or violate the Monopoly Regulation and Fair Trade Act.<sup>335</sup>

In the final DEC report, Korea said it would open an additional 25 sectors to foreign investment. In addition, it will speed up opening of 32 of the sectors announced in the June 1993 plan, most of which are to be open to foreign investment when Korea joins the OECD.<sup>336</sup>

## Financial Liberalization

Korea has traditionally maintained a high degree of control over its financial sector.<sup>337</sup> This control has limited the ability of foreign firms to operate in Korea. The Government of Korea is implementing financial liberalization measures designed to facilitate foreign businesses operations in Korea and bring Korea's financial system in line with that of other OECD countries. To that end, Korea is deregulating interest rates, liberalizing foreign exchange rules, and easing other government involvement in other financial areas.<sup>338</sup>

Korea plans to deregulate interest rates over a period of several years. In 1993, the first step of

interest rate deregulation was taken when Korea began to liberalize interest rates for commercial loans, long-term deposits (those with a maturity greater than 2 years), and issue rates for bonds. In 1994, Korea began relaxing restrictions on interest rates for certificates of deposit. Further steps in interest-rate deregulation are planned through 1997.<sup>339</sup>

In the area of foreign-exchange regulations, in November 1994, Korea widened the allowable band of daily exchange rate fluctuation from +/- 1.0 percent to +/- 1.5 percent.<sup>340</sup> The question of whether Korea uses capital controls to manipulate its currency and thereby obtain an unfair trade advantage has been a bilateral concern for several years. In its semiannual reports to Congress on exchange rate policy, the Treasury Department in July concluded that Korea had not been manipulating its exchange rate for unfair trade advantage. The Treasury report did, however, express concern about capital controls in Korea which, it said, "discourage investment and impede the operation of market forces in exchange rate determination."<sup>341</sup> In its December report, Treasury reiterated its concern that Korea's use of foreign exchange and capital controls "reduces market demand for the won and thereby tends to deter upward pressure on the won."<sup>342</sup> Korea has stated that it plans to abolish the band in 1997 and allow a free floating exchange rate.<sup>343</sup>

Other targets for financial liberalization in Korea include phasing out policy-directed loans and liberalizing rules pertaining to stock ownership and offshore borrowing. Korea is taking steps to end policy-directed loans, such as loans for farmers, small and medium-sized firms, and housing, by 1998. In 1994, Korea increased the total share of an individual firm's stock that may be held by foreigners from 10 percent to 15 percent. The ceiling is scheduled to be further relaxed by 1997. Finally, Korea is easing restrictions on access to offshore capital for foreign firms in Korea.<sup>344</sup>

## ***Beef and Pork***

In November 1994, the USTR initiated a section 301 investigation of Korea's practices regarding the importation of U.S. beef and pork. At the same time, the United States requested consultations with Korea on the subject. The investigation was the latest in a series of bilateral disputes that date back to 1988 and center on foreign access to Korea's market for imported meat. Since that time, the United States has held numerous bilateral negotiations—and reached three separate market access agreements—designed to

expand foreign access for beef and pork products in Korea.<sup>345</sup>

The petition, filed by the National Pork Producers Council, the American Meat Institute, and the National Cattlemen's Association, alleges that actions by the Government of Korea regarding the importation of U.S. beef and pork products violate the three previous market opening agreements and are unreasonable and burden or restrict U.S. commerce.<sup>346</sup> In particular, the petitioners allege that the Government of Korea has established barriers that deny the U.S. products access to the Korean market in violation of the agreements or in a manner that is otherwise unreasonable. The barriers alleged by the petitioners include—<sup>347</sup>

- Outdated, scientifically unsupported, and discriminatory shelf-life standards;
- Excessively long inspection procedures;
- Contract tender procedures that prevent U.S. producers from meaningfully participating in the bidding process;
- Local processing and repackaging requirements;
- Discriminatory fixed-weight requirements;
- Dual standards for residue testing; and
- Short pork temperature reduction requirements.

Meat industry officials pointed out that, compared with other countries, Korea has set relatively short shelf-life requirements for processed, frozen, and fresh-chilled meat. For example, Korea established shelf-life requirements of 10 days for fresh chilled pork and 14 days for fresh chilled beef; shorter than the time necessary to ship the product to Korea. U.S. industry officials point out that shelf-life requirements for countries such as Mexico and Japan are 40 days for pork and 100 days for beef.

Other areas of concern to the meat industry include tendering requirements, residue testing, and customs delays. Although the Korean Government agreed to provide 1-week notice when offering tenders for the purchase of pork products, in practice the notices are reportedly published 1 or 2 days in advance. Regarding residue testing, the meat industry maintains that Korea imposes onerous testing requirements on imported meat and not on domestic meat. Finally, the meat industry reports that imports of meat from the United States are routinely held up at customs for 2 to 3 weeks

but imports from countries that supply smaller quantities of beef are cleared quickly.<sup>348</sup>

The three agreements that the petitioners allege Korea has violated are a 1989 exchange of letters on agricultural products, a 1990 record of understanding on beef, and a 1993 record of understanding on market access for beef. Meat industry officials estimate that because of the barriers, U.S. producers of beef and pork may lose \$215 million in 1994 and \$1 billion a year by the end of the decade. USTR has up to 12 months to conduct the investigation.<sup>349</sup> If the dispute is not settled satisfactorily, USTR may begin the process of imposing sanctions on Korea.

## *Automobile Market Access*

In 1994, the United States intensified efforts to open the Korean automobile market to imported vehicles. The Korean automobile market is virtually closed to imports; in 1993, 2,328 U.S.-made vehicles were sold in Korea. These vehicles accounted for about one-tenth of 1 percent of the 1 million autos sold in Korea. Imports of automobiles from all sources accounted for two-tenths of 1 percent, in 1993.<sup>350</sup> In 1994, U.S. automakers sold 3,152 vehicles in Korea.

The United States is seeking improved market access for foreign cars in Korea.<sup>351</sup> The main concern of the U.S. Government and industry is the Korean public perception that purchasing an imported automobile will trigger tax audits and other government scrutiny. Korean tax authorities have often used ownership of a foreign automobile as the basis for conducting tax audits of individuals.<sup>352</sup> In February 1994, Korea announced that ownership of a foreign automobile would no longer trigger a tax audit. Korea also announced that it plans to phase out government forms that require taxpayers to disclose the make of their vehicle.<sup>353</sup> The United States, however, is concerned that Korean consumers continue to fear the arbitrary tax audits or other government discrimination if they purchase a foreign automobile.

U.S. automakers, who are targeting the small but growing market for large autos in Korea, must counter other difficulties in the Korean market. The Korean Government, for example, discourages Korean consumers from buying automobiles with large engines for the stated reason of promoting energy conservation and reducing pollution.<sup>354</sup> Korean consumers often identify imported vehicles and other imported products as luxuries.<sup>355</sup> Finally, motor vehicles are subject to several taxes or fees in Korea. Although applied to both foreign and domestic vehicles, the taxes, which are calculated based on engine size, in effect

discriminate against large U.S. vehicles, such as those U.S. automakers are seeking to sell. U.S. officials estimate that Korea's taxes and other charges increase the price of imported autos by 150 percent.<sup>356</sup>

In June 1994, Andrew Card, President of the American Automobile Manufacturer's Association (AAMA), visited Seoul along with other U.S. auto industry officials in an effort to improve market access in Korea. The visit included a mini-auto show and reception at the Ambassador's residence attended by high-level Korean Government officials. Each of the Big Three U.S. automakers displayed three vehicles at the residence. At the reception, Kim Chul-Su, Minister of Trade, Industry, and Energy, acknowledged the severe trade imbalance in automobiles and pledged to address the "perception problem," namely that the Government of Korea will not discriminate against Korean owners of foreign cars.<sup>357</sup>

In the wake of Card's visit and the mini auto show, the Government of Korea took several steps designed to ease entry for foreign automobiles in Korea. As part of a 1989 agreement, the import duty applied to automobiles had been reduced in stages from 25 percent to 10 percent. In June, Korea announced that it would lower the tariff to 8 percent. It also authorized U.S. companies to advertize on prime time television, opened the automobile retail distribution sector to foreign investors, and relaxed approval and inspection procedures for imported vehicles. In addition, the government reiterated its insistence that owners of foreign cars will not be subject to tax audits or other discriminatory treatment. The Korean authorities also permitted establishment of car-financing companies and increased space allowances for automobile showrooms.<sup>358</sup>

The Korean auto market is the second-largest in Asia after that of Japan, and has been estimated to be the fastest growing auto market in the world. Korean industry forecasts 1994 sales at about 1.1 million units, up 12.1 percent over 1993. Current U.S. marketing efforts in Korea are concentrating on large autos (2-liter engines and above). The Korean Government projects that automobile imports into Korea will rise from the current level of about 2,000 units per year to 4,000 in 1995, 31,000 in 1998, and 82,000 in 2001. Sales of large automobiles are expected to reach 16,000 units this year. However, even if U.S. automakers captured this entire segment of the market, they would account for only 1.5 percent of the passenger vehicle market in Korea.<sup>359</sup> A small but fast growing segment of the market with potential for U.S. exports is sport utility vehicles. Sales of these vehicles are projected to reach 90,000 units in 1994, although imports are expected to account for less than 700 units.

In order to develop a significant market share in Korea, U.S. officials point out that U.S. automakers will have to export smaller cars to Korea and expand marketing and other cooperative relationships with Korean firms.<sup>360</sup> For example, Ford has such a relationship with Kia Motors Corp. Ford owns 10 percent of Kia, and Mazda (which is affiliated with Ford) owns another 8 percent. In addition, Ford imports the Kia-built Aspire into the United States and Kia sells some Ford automobiles in South Korea.<sup>361</sup>

## ENDNOTES

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<sup>1</sup> For a complete discussion of developments in 1993 between the United States and Canada concerning the wheat issue, see U.S. International Trade Commission (USITC), *The Year in Trade: Operation of the Trade Agreements Program, 45th Report, 1993*, USITC publication 2769, 1994, pp. 87-9.

<sup>2</sup> The CWB controls wheat produced in Manitoba, Saskatchewan, and Alberta, and in a portion of British Columbia, that is sold domestically for human consumption or which is exported. Wheat, such as white wheat, grown outside of these areas and constituting less than 5 percent of Canadian wheat production, is marketed privately or by other non-CWB grain marketing associations. The domestic feed wheat market is also outside of CWB control.

<sup>3</sup> According to the United States Trade Representative (USTR), "The CWB [has]... authority to control imports of wheat and barley by issuing import permits or licenses. Under the CFTA, Canada agreed to eliminate import licenses for wheat, barley and oats when U.S. support levels for these products are equal to or less than those of Canada. In accordance with these provisions, Canada has discontinued its import license requirements for U.S. shipments of oats and oat products and wheat and wheat products. Licensing requirements remain on barley." USTR, *1995 National Trade Estimate Report on Foreign Trade Barriers*, p. 34.

<sup>4</sup> The WGTA rail subsidies are allowable under the bilateral CFTA for grain moving to Eastern Canadian ports, according to a February 8, 1993 decision handed down by a binational dispute resolution panel created under chapter 18 of the CFTA. The panel distinguished between export and domestic subsidies and found "...the WGTA subsidy payments through Thunder Bay are clearly domestic subsidies. Subsidy payments, as pointed out earlier, are prohibited only when they are export subsidy payments and occur in connection with export shipments to the United States through Canada's western ports. . ." See the final report by the binational panel, *In the Matter of: The Interpretation of and Canada's Compliance With Article 701.3 With Respect to Durum Wheat Sales*, Secretariat Case No. CDA-92-1807-01, Feb. 8, 1993, par. 101, p. 43.

<sup>5</sup> On February 27, 1995, the Canadian Government announced that WGTA subsidies would be eliminated on August 1, 1995.

<sup>6</sup> President Clinton, letter to Don E. Newquist, chairman, USITC, Nov. 16, 1993.

<sup>7</sup> Article XXVIII permits one country to raise the tariff to another country as long as it also initiates talks to compensate for the tariff increase by means of other trade actions.

<sup>8</sup> Leo Ryan, "Canada Preparing to Retaliate if US Curbs Wheat Exports," *Journal of Commerce*, Apr. 4, 1994, p. XX.

<sup>9</sup> These are supply-managed products protected by Canada from more price-competitive imports.

Under Uruguay Round commitments, Canada has replaced import quotas in this area with tariff-rate quotas. In February 1995, the United States requested dispute settlement consultations with Canada (under chapter 20 of the NAFTA) on the issue of possible contradictions between Uruguay Round implementation and NAFTA obligations. The consultations were held in Ottawa on March 1, 1995. See USTR, *1995 National Trade Estimate*, p. 34.

<sup>10</sup> USTR, "Joint Release from Secretary Espy and U.S. Trade Representative Kantor," press release 94-25, Apr. 22, 1994.

<sup>11</sup> Government of Canada, Department of Foreign Affairs and International Trade, news release, "Ministers Regret U.S. Action on Wheat and Barley," Apr. 22, 1994.

<sup>12</sup> USITC, *Wheat, Wheat Flour, and Semolina* (investigation No. 22-54), USITC publication 2794, July 1994, p. 3.

<sup>13</sup> Trade Reports International Group, "Final Round to Wheat Talks with Canada Set for Next Week," *Washington Trade Daily*, July 21, 1994, p. 7. Article XXVIII of GATT establishes a 90-day negotiation period, which set the expiration date at August 1, 1994. During this time the countries attempted to resolve the dispute. After the period expired, the United States was permitted to impose tariffs or quotas. In addition, under the same GATT rules, Canada was allowed to retaliate 30 days after the imposition of measures.

<sup>14</sup> USDA, "Joint Release from Secretary Espy and U.S. Trade Representative Kantor on U.S./Canada Wheat Trade," news release No. 0586.94, Aug. 2, 1994. The agreement expires midnight Sept. 11, 1995.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> The Joint Commission submitted initial findings to both governments on June 12, and will conclude its work on September 11 when the MOU expires. The June preliminary report by the Joint Commission on Grains is likely to lead to additional bilateral talks on outstanding grain-trade issues. Both countries hope the Commission's recommendations will be helpful in developing a mutually acceptable resolution of concerns over bilateral trade in grains.

<sup>18</sup> USDA, "Joint Release from Secretary Espy and U.S. Trade Representative Kantor on U.S./Canada Wheat Trade," news release No. 0586.94, Aug. 2, 1994.

<sup>19</sup> Earlier reports in this series have chronicled the major trade actions affecting lumber over the years. See USITC, *Operation of the Trade Agreements Program (OTAP), 38th Report, 1986*, USITC publication 1995, July 1987, pp. 4-17 to 4-20; USITC, *OTAP, 39th Report, 1987*, USITC publication 2095, July 1988, p. 5-9; USITC, *The Year in Trade: OTAP, 43d Report, 1991*, USITC publication 2554, 1992, pp. 151-2; USITC, *The Year in Trade: OTAP, 44th Report, 1992*, USITC publication 2640, 1993, pp. 56-7. For a detailed discussion of developments



in the softwood lumber case during 1993, see USITC, *The Year in Trade: OTAP, 45th Report, 1993*, USITC publication 2769, pp. 89-90.

<sup>20</sup> See *In the Matter of: Certain Softwood Lumber Products from Canada*, Decision of the Panel on Remand, Binational Secretariat Case No. USA-92-1904-01, Dec. 17, 1993.

<sup>21</sup> “. . . we must now remand to Commerce for a determination that provincial stumpage programs do not distort normal competitive markets for softwood lumber and therefore are not countervailable.” *Ibid.*, p. 65. The panel was similarly direct on the issue of log export restrictions. See pp. 76-7.

<sup>22</sup> See *In the Matter of: Certain Softwood Lumber Products from Canada*, Final Results of Redetermination Pursuant to Binational Panel Remand, Secretariat File No. USA-92-1904-01, Jan. 6, 1994.

<sup>23</sup> See discussion on the extraordinary challenge, below.

<sup>24</sup> USITC, *Softwood Lumber From Canada* (investigation No. 701-TA-312 (Remand)), USITC publication 2689, Oct. 1993.

<sup>25</sup> See *In the Matter of: Softwood Lumber from Canada*, Decision of the Panel on Review of the Remand Determination of the U.S. International Trade Commission, Binational Secretariat Case No. USA-92-1904-02, Jan. 28, 1994.

<sup>26</sup> *Ibid.* p. 36.

<sup>27</sup> USITC, *Softwood Lumber From Canada* (investigation No. 701-TA-312 (Views on Second Remand)), USITC publication 27532, Mar. 1994.

<sup>28</sup> See *In the Matter of: Softwood Lumber From Canada*, Decision of the Panel on Review of the U.S. International Trade Commission's Second Remand Determination, Binational Secretariat Case No. USA-92-1904-02, July 6, 1994.

<sup>29</sup> *Ibid.*, p. 14.

<sup>30</sup> “In light of the potential ramifications of that decision on the Commission's obligation to the Binational Panel from which it received the remand order, the Commission decided to postpone its vote...” USITC, “ITC Defers Vote on Softwood Lumber From Canada,” USITC press release OPA 94-090, Aug. 4, 1994.

<sup>31</sup> See USTR, “Statement of Ira. S. Shapiro, USTR General Counsel, Concerning the U.S.-Canada Softwood Lumber Case,” press release 94-10, Feb. 24, 1994.

<sup>32</sup> *Ibid.*

<sup>33</sup> Under the terms of the NAFTA, ch. 19, art. 1904.13, the extraordinary challenge procedure can be invoked when any of three conditions exist—(1) a member of the panel was guilty of gross misconduct, bias, or a serious conflict of interest, or otherwise materially violated the rules of conduct; (2) the panel seriously departed from a fundamental rule of procedure; or (3) the panel manifestly exceeded its powers, authority or jurisdiction by failing to apply the appropriate standard of review.

<sup>34</sup> See *In the Matter of: Certain Softwood Lumber Products From Canada*,

ECC-94-1904-01USA, Memorandum Opinions and Order, Aug. 3, 1994.

<sup>35</sup> In the 5 and 1/2 years of the CFTA/NAFTA-crafted bilateral dispute settlement process, only three such challenges have been mounted—all at the request of the United States. None of the challenges has been successful.

<sup>36</sup> USTR, “U.S. and Canada Establish Consultative Process on Softwood Lumber,” press release 94-69, Dec. 15, 1994.

<sup>37</sup> A motion to dismiss the challenge was filed with the court on Dec. 19, 1994.

<sup>38</sup> USTR, “Softwood Lumber,” press release 94-69, Dec. 15, 1994.

<sup>39</sup> The first meeting under the consultative process was held on March 2, 1995. Meetings were also scheduled for May, July, and September.

<sup>40</sup> For example, see European Commission, “An American View of the Transatlantic Relationship—Ambassador Eizenstat Addresses Conference in Versailles,” *Progress Report on EU-US Relations*, July 1994, p. 3; U.S. Department of State, “December 19 EU General Affairs Council: U.S.-EU Relations, Working Groups,” message reference No. 13957, prepared by U.S. Mission to the EU, Brussels, Dec. 21, 1994.

<sup>41</sup> Dries Van Agt, EU Ambassador to the United States, reiterated this proposal in February 1995. See Foreign Broadcast Information Service, “EU Ambassador to U.S. Views Free Trade Issues,” *Western Europe*, Feb. 9, 1995, p. 1.

<sup>42</sup> *Council Regulation No. 404/93 on the Common Organization of the Market in Bananas, Official Journal of the European Communities (OJ) No. L 47 (Feb. 25, 1993)*, pp. 1-11.

<sup>43</sup> In 1992, these same five countries challenged the nationally based import regime. The GATT panel ruled in May 1993 that the national restrictions as well as the tariff preference accorded to ACP bananas were inconsistent with the GATT nondiscrimination principle and prohibition on the use of quantitative restraints. The EU blocked adoption of the panel report.

<sup>44</sup> For more details about the panel report, see GATT, “Panel Report on EC Banana Import Regime Presented,” *Focus*, No. 108, June 1994, p. 5.

<sup>45</sup> European Commission, *Framework Agreement on Bananas*.

<sup>46</sup> On January 9, 1995, the USTR initiated investigations of the banana policies and practices of Colombia and Costa Rica, which implemented the Framework Agreement on January 1, 1995. Although Nicaragua and Venezuela have signed the Framework Agreement, they have not yet implemented it. USTR, “USTR Kantor Makes Preliminary Decision that EU Banana Regime Harms U.S. Interests; Initiates Section 301 Investigation of Colombian and Costa Rican Banana Export Practices,” press release 95-04, Jan. 9, 1995.

<sup>47</sup> GATT, “Chairman Pays Tribute to the GATT on the Eve of the WTO,” *Focus*, No. 113, Dec. 1994, p. 3.

<sup>48</sup> On January 9, 1995 the USTR made a preliminary decision in the section 301 investigation

"that the regime is adversely affecting U.S. economic interests." The USTR claimed that the EU regime has cost U.S. banana marketing and distribution firms "hundreds of millions of dollars at a minimum." USTR, "USTR Kantor Makes Preliminary Decision that EU Banana Regime Harms U.S. Interests; Initiates Section 301 Investigation of Colombian and Costa Rican Banana Export Practices," press release 95-04, Jan. 9, 1995.

<sup>49</sup> 59 F.R. 41593.

<sup>50</sup> Compensation is negotiated under articles XXIV:6 and XXVIII of the GATT 1994 and articles V and XXI under the General Agreement on Trade in Services (GATS).

<sup>51</sup> U.S. Department of State telegram, "EU GATT Negotiator Paemen on Uruguay Round Ratification and Implementation, Enlargement Compensation, China," message reference No. 13270, prepared by U.S. Mission to the EU, Brussels, Dec. 5, 1994.

<sup>52</sup> *Ibid.*

<sup>53</sup> U.S. Department of State telegram, "Impact of Enlargement on EU External Tariff: Commission Press Briefing," message reference No. 13698, prepared by U.S. Mission to the EU, Brussels, Dec. 14, 1994.

<sup>54</sup> *Ibid.*

<sup>55</sup> For a description of the tariffs and quotas in effect from Jan. 1-June 30, 1995 see *Council Regulation No. 3361/94 on Opening Tariff Quotas With Respect to Austria, Finland and Sweden*, OJ No. L 356 (Dec. 31, 1994), pp. 5-12.

<sup>56</sup> USTR, "USTR Kantor Announces Interim Agreement on EU Enlargement," press release 95-03, Jan. 4, 1995.

<sup>57</sup> The temporary settlement has been extended through the end of 1995. Negotiations on a final compensation package are ongoing.

<sup>58</sup> USTR, press release 95-03, Jan. 4, 1995.

<sup>59</sup> For more background on the BST dispute, see USITC, *The Year in Trade: OTAP, 1991*, USITC publication 2554, p. 92; and USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 87.

<sup>60</sup> For more background, see USITC, *The Year in Trade: OTAP, 1992*, USITC publication 2640, pp. 49-50.

<sup>61</sup> U.S. Department of State telegram, "USEU Suggested Revision of the EU Chapter of the 1995 National Trade Estimate Report," message reference No. 01270, prepared by U.S. Mission to the EU, Brussels, Jan. 31, 1995; and U.S. Department of State, *Country Reports on Economic Policy and Trade Practices*, 1994.

<sup>62</sup> For background on these and other directives under the EU 1992 internal market program, see the USITC's series of reports on EU 1992, for example, USITC, *The Effects of Greater Economic Integration Within the European Community on the United States: Fifth Followup Report* (investigation No. 332-267), USITC publication 2628, April 1993.

<sup>63</sup> However, on April 15, 1994, the United States and EU reached an agreement concurrent with the conclusion of the Uruguay Round that expanded a

1993 agreement on government procurement in other sectors. For more background and a description of the 1994 agreement, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 28-30, 81-82.

<sup>64</sup> For more background, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 83.

<sup>65</sup> For example, see "Broadcasting: European Commission Postpones Draft TV Directive to January 11," *European Report*, No. 2005 (Jan. 6, 1995), Internal Market, p. 5.

<sup>66</sup> U.S. Department of State, "The European Court of Justice Ruling on WTO Competence—Brief Analysis," message reference No. 12569, prepared by U.S. Mission to the EU, Brussels, Nov. 16, 1994.

<sup>67</sup> For background information on the Framework Agreement, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 92-93.

<sup>68</sup> President William Clinton and Prime Minister Hosokawa, press conference, The White House, Feb. 11, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 1041654.

<sup>69</sup> *Ibid.*

<sup>70</sup> Hiroshi Nakame, "Environment, Technology an Agenda for Japan-U.S. Trade Talks," *Nikkei Weekly*, Sept. 6, 1994, p. 3.

<sup>71</sup> Letter to President Clinton transmitted by the Economic Strategy Institute, Feb. 1994.

<sup>72</sup> See for example, Gary Saxonhouse, "Confrontation is the Wrong Way to Deal with Japanese Trade Dispute," *Detroit Free Press*, or letter of September 30, 1993 from Jagdish Bhagwati, Hugh Patrick, and Gary Saxonhouse to Prime Minister Hosokawa, reprinted in *Inside U.S. Trade*, Oct. 8, 1993, p. 18.

<sup>73</sup> Raymond Ahearn, "U.S.-Japan: Again on the Edge," *Journal of Commerce*, Sept. 22, 1994, p. A10.

<sup>74</sup> Jimmy Carter, "Bring Back the Wise Man," *New York Times*, Feb. 18, 1994, p. A27.

<sup>75</sup> Susan MacKnight, "U.S.-Japan Economic Relations In 1994: A Look Back," *Japan Economic Institute*, Feb. 10, 1995, p. A3.

<sup>76</sup> *Ibid.*

<sup>77</sup> USTR Michael Kantor, press conference on Executive Order reinstating Super 301, Washington, DC, Mar. 3, 1994. LEGI-SLATE, Federal Information Systems Corp., No. 1050516.

<sup>78</sup> Maya Maruko, "MITI Sees Ultimate Victory," *Japan Times Weekly International*, Oct. 24-Oct. 30, 1994, p. 13.

<sup>79</sup> "Comments on 'Endeavor Targets'," Kyodo, Foreign Broadcast Information Service, Feb. 23, 1994, p. 2.

<sup>80</sup> Susan MacKnight, "U.S.-Japan Economic Relations in 1994: A Look Back," *Japan Economic Institute*, Feb. 10, 1995, p. A6.

<sup>81</sup> U.S. Secretary of State Warren Christopher, "The Responsibility of Change, United States-Japanese Relations," speech before the Keizai Doyukai/The Japan Association of Corporate Executives, Tokyo, Japan, Mar. 11, 1994.

<sup>82</sup> MacKnight, p. A6.

<sup>83</sup> Nigel Holloway, "So Near Yet So Far," *Far Eastern Economic Review*, Aug. 11, 1994, p. 69.

<sup>84</sup> "Negotiators Vow Not To Yield This Time," *Nikkei Weekly*, Aug. 8, 1994, p. 3.

<sup>85</sup> Kazumori Ishiguro, "Too Much Pressure," *Look Japan*, Feb. 1995, p. 12.

<sup>86</sup> The agreement, in principle, was an oral understanding between Ambassador Kantor and the MITI Minister, Ryutaro Hashimoto.

<sup>87</sup> USTR, "Statement by Ambassador Michael Kantor," Oct. 1, 1994.

<sup>88</sup> Susan MacKnight, "Washington, Tokyo Strike Partial Deal on Framework's Priority Issues," *Japan Economic Institute*, Oct. 7, 1994, p. 19.

<sup>89</sup> USTR, "Statement by Ambassador Michael Kantor," Oct. 1, 1994.

<sup>90</sup> A last minute agreement on June 28 averted U.S. sanctions on Japanese luxury cars. The agreement gives U.S. automakers access to Japan's dealership networks and calls for Japanese automobile manufacturers to "voluntarily" increase their production in North America and to increase their purchases of U.S.-made auto parts. The Japanese Government also agreed to deregulate the replacement parts market.

<sup>91</sup> USTR, "Submission by the Government of the United States to the Government of Japan Regarding Deregulation and Administrative Reform in Japan," press release 94-60, Nov. 17, 1994.

<sup>92</sup> *Ibid.*

<sup>93</sup> Nobuyuki Oishi, "U.S. Shifts From Sector to Deregulation, Competition," *Nikkei Weekly*, Oct. 24, 1994, p. 2.

<sup>94</sup> On January 10, 1995, an agreement on financial services was announced. U.S. firms will now have access to Japan's \$1 trillion pension market and its \$500 billion corporate securities market. Ambassador Charlene Barshefsky, Deputy USTR, testimony before the House Committee on International Relations, Subcommittees on Asia and the Pacific and on International Economic Policy and Trade, Feb. 2, 1995.

<sup>95</sup> Susan MacKnight, "Washington, Tokyo Announce Market Access Pact For Flat Glass," *Japan Economic Institute*, Dec. 16, 1994, pp. 10-12.

<sup>96</sup> USTR, Ambassador Michael Kantor, press conference, Washington, DC, Oct. 1, 1994, LEGI-SLATE, Federal Information Systems, Corp., No. 1120017.

<sup>97</sup> *Ibid.*

<sup>98</sup> Michiyo Nakamoto and Nancy Dunne, "U.S., Japan Extend Deadline on Glass Talks," *Financial Times*, Nov. 2, 1994, p. 14.

<sup>99</sup> USTR, "Agreement Finalized With Japan on Flat Glass," press release 94-67, Dec. 12, 1994.

<sup>100</sup> USITC, *Flat Glass and Certain Flat Glass Products*, USITC publication 2694, Nov. 1993, p. 12.

<sup>101</sup> USTR, "Statement by Ambassador Michael Kantor," Oct. 1, 1994.

<sup>102</sup> According to the JFTC, "in the Japanese market for flat glass, highly concentrated with three manufacturers practically dominating the market, all three of them have adopted a parallel marketing setup mostly composed of de facto exclusive agents. This would seem to be one of the factors that discourages suppliers other than these three manufacturers to access the market. At the same time, it would seem to have the aspect of facilitating oligopolistic concerted conduct among the three manufacturers." The JFTC has also reported that many glass distributors are unwilling to carry either foreign glass or the glass of other Japanese manufacturers. USTR, "Statement by Ambassador Michael Kantor," Oct. 1, 1994.

<sup>103</sup> MacKnight, "Washington, Tokyo Announce Market," p. 11.

<sup>104</sup> *Ibid.*

<sup>105</sup> USTR, press release 94-67, Dec. 12, 1994.

<sup>106</sup> *Ibid.*

<sup>107</sup> *Ibid.*

<sup>108</sup> David E. Sanger, "U.S. Glass Makers In Tokyo Accord," *New York Times*, Dec. 13, 1994, p. 1.

<sup>109</sup> Includes both specialized life and nonlife coverage such as personal accident, travel, medical, hospital, and nursing care insurance. The Third Sector, an area where foreign firms are dominant, accounts for approximately 53 percent of the business available to foreign insurers in Japan, but only 3 percent for domestic insurers. According to industry sources, the Japanese have shown little interest in this area. Gavin Souter, "U.S. Insurance Gains Stronger Foothold in Japan," *Business Insurance*, Oct. 3, 1994, p. 3.

<sup>110</sup> Deputy USTR Barshefsky, "Status of U.S.-Japan Trade Relations," testimony before the House Committee on Government Operations, Subcommittee on Commerce, Consumer, and Monetary Affairs, Mar. 23, 1994.

<sup>111</sup> Kohei Murayama, "U.S., Japan Hope Insurance Talks Are Bellwether for Framework," *Journal of Commerce*, June 2, 1994, p. 19.

<sup>112</sup> Deputy USTR Barshefsky, testimony, Mar. 23, 1994.

<sup>113</sup> USTR, "Statement by Ambassador Michael Kantor," Oct. 1, 1994.

<sup>114</sup> *Ibid.*

<sup>115</sup> USTR, Ambassador Michael Kantor, press conference, Washington, DC, Oct. 1, 1994, LEGI-SLATE, Federal Information Systems, Corp., No. 1120017.

<sup>116</sup> USTR, "Measures by the Government of the United States and the Government of Japan Regarding Insurance," Oct. 11, 1994.

<sup>117</sup> Deputy USTR Barshefsky, remarks at Japan Information Access Project Conference, Washington, DC, Oct. 14, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 1121766.

<sup>118</sup> *Ibid.*

<sup>119</sup> USTR, "Statement by Ambassador Michael Kantor," Oct. 1, 1994.

- 120 Ibid.
- 121 Ibid.
- 122 Ibid.
- 123 For further background see, Diane Manifold, "U.S.-Japan relations after the summit," *International Economic Review*, Washington, DC: USITC, Apr. 1994, pp. 16-20.
- 124 "Kantor Lays Out Reasons For U.S.-Japan Summit Failure," *Inside U.S. Trade*, Feb. 18, 1994, p. 8.
- 125 USTR, "Statement by Ambassador Kantor on Title VII," press release 94-37, June 30, 1994.
- 126 USTR, "U.S. and Japan to Resume Flat Glass Negotiations," press release 94-36, June 15, 1994.
- 127 USTR, "Statement by Ambassador Kantor on Title VII," press release 94-37, June 30, 1994.
- 128 USTR, "Ambassador Kantor Identifies Japan Under Title VII for Discrimination in Government Procurement of Telecommunications and Medical Technology Goods and Services," press release 94-42, July 31, 1994.
- 129 Douglas Harbrecht, "Why it's time for a showdown with Japan," *Business Week*, Oct. 3, 1994, p. 53.
- 130 U.S. negotiators acceded to a Japanese request that NTT be considered separately because the Government of Japan considers NTT to be a private company and, as such, outside the scope of a public-sector procurement agreement. USTR, "Statement by Ambassador Michael Kantor," Oct. 1, 1994.
- 131 Deputy USTR Barshefsky, remarks, Oct. 14, 1994.
- 132 Ibid.
- 133 For information on the agreement and progress under it, see USITC, *Operation of the Trade Agreements Program, 41st Report, 1989*, USITC publication 2317, 1990, pp. 107-108.
- 134 Deputy USTR Barshefsky, remarks, Oct. 14, 1994.
- 135 Yohei Kono, Minister of Foreign Affairs, Tokyo, letter to USTR Michael Kantor, Nov. 1, 1994.
- 136 Deputy USTR Barshefsky, remarks, Oct. 14, 1994.
- 137 USTR Michael Kantor, letter to Ambassador Takakazu Kuriyama, Nov. 1, 1994.
- 138 USTR, "Ambassador Kantor Identifies Japan Under Title VII," press release 94-42, July 31, 1994.
- 139 The two initiatives are entitled "Measures on Japanese Public Sector Procurement of Telecommunications Products and Services" and "Operational Guidelines with Respect to Measures on Japanese Public Sector Procurement of Telecommunications Products and Services." Embassy of Japan, Washington, DC, Ambassador Takakazu Kuriyama, letter to Ambassador Michael Kantor, Nov. 1, 1994.
- 140 Embassy of Japan, Ambassador Takakazu Kuriyama, letter to Ambassador Michael Kantor, Nov. 1, 1994, Washington, DC, appendix C.
- 141 Special Drawing rights are a monetary unit of account calculated by the International Monetary Fund (IMF) based upon a basket of currencies. The value of the SDR, in terms of U.S. dollars, is determined as the sum of the dollar values based on market exchange rates of specified quantities of the Deutsche mark, French franc, Japanese yen, British pound, and the U.S. dollar. In 1994, the average value of the SDR was US\$1.4321.
- 142 "Japan Tables Detailed Proposal on Objective Criteria in Framework," *Inside U.S. Trade*, July 29, 1994, p. 27.
- 143 USTR, press release 94-42.
- 144 USTR, *1994 National Trade Estimate*, Mar. 31, 1994.
- 145 USTR, press release 94-42.
- 146 Embassy of Japan, Washington, DC, Ambassador Takakazu Kuriyama, letter to U.S. Secretary of Commerce Ronald Brown, Nov. 1, 1994.
- 147 Deputy USTR Barshefsky, remarks, Oct. 14, 1994.
- 148 USTR, press release 94-42.
- 149 The two initiatives are entitled "Measures on Japanese Public Sector Procurement of Medical Technology Products" and "Operational Guidelines with Respect to Measures Related to Japanese Public Sector Procurement of Medical Technology Products and Services." Embassy of Japan, Washington, DC, Ambassador Takakazu Kuriyama, letter to U.S. Secretary of Commerce Ronald Brown, Nov. 1, 1994.
- 150 Embassy of Japan, Washington, DC, Ambassador Takakazu Kuriyama, letter to U.S. Secretary of Commerce Ronald Brown, Nov. 1, 1994, appendix C Data Collection (Medical Technology).
- 151 For a complete discussion of the NAFTA, see chapter 2 of this report.
- 152 The bottom of this band was fixed at 3.0512 pesos per dollar, and the top was subject to a 0.0004 pesos per day devaluation. For a discussion of Mexico's earlier exchange rate system, see *Operation of the Trade Agreements Program, 1990*, USITC publication 2403, p. 132, and *The Year in Trade: OTAP, 1991*, USITC publication 2554, p. 115.
- 153 Sidney Weintraub, "Business Alert: Mexico," *CSIS Watch*, Jan. 6, 1995. This view was also advanced by John H. Makin at a January 30, 1995 conference of the American Enterprise Institute (AEI) in Washington DC, "Did Nafta kill the Peso?" Mr. Makin is resident scholar and director of fiscal policy studies at the AEI.
- 154 Lawrence H. Summers, Under Secretary of the Treasury, testimony before the Senate Banking Committee, Mar. 10, 1995, *Treasury News*, Mar. 10, 1995, p. 5.
- 155 Ernesto Zedillo took office on December 1, 1994.
- 156 U.S. Department of State telegram, "Peso Devaluation urged by MIT's Rudy Dornbusch,"

message reference No. 12356, prepared by U.S. Embassy, Mexico City, June 20, 1994. Dornbusch told a group of economists at the Brookings Institute about his concerns over the Mexican peso even earlier (February 1994).

<sup>157</sup> As pointed out in the "Testimony of Treasury Secretary Robert E. Rubin" before the Senate Banking Committee, Mar. 10, 1995, *Treasury News*, Mar. 10, 1995.

<sup>158</sup> Summers, testimony, Senate Banking Committee, *Treasury News*, Mar. 10, 1995.

<sup>159</sup> Sidney Weintraub, "Business Alert: Mexico," *CSIS Watch*, Jan. 6, 1995.

<sup>160</sup> On December 14, 1994, former Finance Secretary, Jaime Serra Puche, assured investors that Mexico would not devalue its currency. On December 21, he assured investors again that the widening of the peso/dollar exchange band the previous day by 15.2 percent would be the last action affecting currency relationships. Nonetheless, the following day he announced the removal of all exchange-rate controls.

<sup>161</sup> To be discussed below.

<sup>162</sup> Robert D. Hormats, Vice Chairman of Goldman Sachs International, testimony before the House Banking Committee, Feb. 10, 1995.

<sup>163</sup> C. Fred Bergsten, director, Institute for International Economics, "Lessons of the Peso Crisis," testimony before the House Banking Committee, Feb. 10, 1995.

<sup>164</sup> Dornbusch, MIT, "The Mexican Crisis and U.S. Support," testimony before the House Banking Committee, Feb. 10, 1995.

<sup>165</sup> For details, see Glennon J. Harrison, "The Mexican Economic Crisis: U.S. Jobs, Illegal Immigrants, and Systemic Risk," Congressional Research Service (CRS) Report for Congress, Feb. 1, 1995.

<sup>166</sup> BIS, based in Basel, Switzerland, usually serves as a clearinghouse for international transactions—a central bank to central banks.

<sup>167</sup> "Report on United States Support for Mexico," Message from the President, The White House, Mar. 9, 1995, in *Congressional Record*, S 3743.

<sup>168</sup> U.S. Department of the Treasury, *The Multilateral Program to Restore Financial Stability to Mexico*, Jan. 31, 1995.

<sup>169</sup> The four agreements were—(1) a framework or "umbrella" agreement; (2) a medium-term exchange stabilization agreement; (3) a debt guarantee agreement; and (4) an oil proceeds facility agreement.

<sup>170</sup> To be discussed later in this section.

<sup>171</sup> "Treasury Statement on Mexico," *Treasury News*, Mar. 10, 1995.

<sup>172</sup> Equal to SDR 12,070.2 million. (Source: IMF press release, as reported in the *IMF Survey*, Feb. 6, 1995, p. 43.) The original IMF commitment immediately after the crisis amounted to only \$7.8 billion.

<sup>173</sup> The citation refers to Mexico's emergency economic program that followed the peso crisis, discussed later in this section.

<sup>174</sup> IMF, "IMF Management Welcomes Mexico's Comprehensive Economic Program," *News Brief*, No. 95/2, Jan. 3, 1995, and "IMF to lend up to \$17.8 billion to Mexico," *IMF Survey*, Feb. 6, 1995, p. 33.

<sup>175</sup> At a January 30, 1995 Washington DC conference of the American Enterprise Institute (AEI) "Did NAFTA kill the Peso?" Professor Jagdish Bhagwati of Columbia University argued that NAFTA responsibility in Mexico's plight, if any, had been mostly indirect. He asserted that NAFTA may share some of the blame by generating overconfidence. Others agreed that NAFTA impact was mostly "psychological."

<sup>176</sup> See section on "Implications of the peso crisis" below.

<sup>177</sup> See USITC, *OTAP, 1990*, USITC publication 2403, p. 126.

<sup>178</sup> Since the end of 1987, a series of annual accords ("pacto") between the government, business, and labor have constituted the framework of Mexico's economic policies. Such an accord, the "Pact for Stability, Competitiveness, and Employment," signed in October 1993, was in effect through the end of the first NAFTA year.

<sup>179</sup> U.S. Department of State telegram, "Mexican Economic Growth in 1994," message reference No. 03785, prepared by U.S. Embassy, Mexico City, Feb. 17, 1995.

<sup>180</sup> *Ibid.*

<sup>181</sup> U.S. Department of State telegram, "Mexican Inflation for 1994," message reference No. 00745, prepared by U.S. Embassy, Mexico City, Jan. 25, 1995, citing Bank of Mexico data.

<sup>182</sup> SECOFI data, as reported in "Mexico: 1994 Deficit Equivalent to 0.3 Percent of GDP," *1995 Knight-Ridder/Tribune Business News*, NewsEDGE/LAN, Feb. 16, 1995.

<sup>183</sup> Data for years 1987-93 are from IMF, *International Financial Statistics* (IFS), April 1995. The figure for 1994 was cited by Guillermo Ortiz Martinez, Mexico's new Secretary of Finance, in his article "How We Are Handling the Peso Crisis," *Wall Street Journal*, Jan. 5, 1995, p. 3.

<sup>184</sup> Guillermo Ortiz Martinez, Secretary of Finance, *Wall Street Journal* "How We Are Handling the Peso Crisis," Jan. 5, 1995, p. 3.

<sup>185</sup> *Ibid.*

<sup>186</sup> Banco de Mexico data, as reported in U.S. Department of State telegram, "Mexico's International Reserves at USD 8.9 billion," message reference No. 04651, prepared by U.S. Embassy, Mexico City, Mar. 2, 1995.

<sup>187</sup> This plan is called "The Agreement on Unity to Overcome the Economic Emergency."

<sup>188</sup> Statement issued by the Mexican Investment Board on Jan. 3, 1995.

<sup>189</sup> Press release, Secretaria de Hacienda Y Credito Publico, Mar. 9, 1995.

<sup>190</sup> Herminio Blanco (Mexico's minister of Commerce and Industrial Development), "Getting

Mexico Back on Track," *Washington Post*, Mar. 20, 1995, p. 7.

<sup>191</sup> Press release, Secretaria de Hacienda Y Credito Publico, Mar. 9, 1995 and statement of Finance Secretary Guillermo Ortiz on Mar. 10, 1995, as reported by *Tribune Business News*, NewsEDGE/LAN, Mar. 10, 1995.

<sup>192</sup> Official statistics of the Banco de Mexico.

<sup>193</sup> Ibid.

<sup>194</sup> "Mexico: Economic and Financial Report, Summer 1994," U.S. Embassy, Mexico City.

<sup>195</sup> Jeffrey E. Garten, Under Secretary of Commerce for International Trade, "The North American Free Trade Area," remarks to The Americas Society, New York City, NY, Mar. 10, 1995, p. 13.

<sup>196</sup> For more details on Mexico's trade with third countries, see Ruben Mata, "NAFTA Update: Steady U.S. Bilateral Trade Growth with Mexico Faces Mixed Prospects in 1995," *Industry, Trade, and Technology Review*, Washington, DC: USITC, Mar. 1995, pp. 1-4.

<sup>197</sup> However, Mexican officials imposed new inspection and labeling requirements for these imports, which the U.S. packing industry saw as new barriers to trade.

<sup>198</sup> U.S. Census data.

<sup>199</sup> In contrast, U.S. imports from East Asia are made largely from components produced in Asia; for example, in 1993, the share of U.S. imports from Korea and China containing U.S.-made components was only 10 percent and 1 percent, respectively. See Mata, "NAFTA Update," p. 1.

<sup>200</sup> U.S. Census data.

<sup>201</sup> At this writing, no official monthly investment data are available beyond August 1994.

<sup>202</sup> His address of February 1, 1995.

<sup>203</sup> Michel Camdessus, IMF Managing Director, "IMF Takes Exceptional Action to Support Mexican Program," press briefing, Feb. 2, 1995, reproduced in *IMF Survey*, Feb. 20, 1995, p. 53.

<sup>204</sup> The White House, *Statement by the President*, Jan. 11, 1995.

<sup>205</sup> Camdessus, "IMF Takes Exceptional Action," press briefing, Feb. 2, 1995, *IMF Survey*, Feb. 20, 1995, p. 53.

<sup>206</sup> Christopher Whalen, of Legal Research International, "South of the Bailout," *Washington Post*, Feb. 5, 1995, p. C2.

<sup>207</sup> Dornbush, testimony, Feb. 10, 1995.

<sup>208</sup> Michael Tangeman, "Belly Up?," *El Financiero, International Edition*, Mar. 6-12, 1995, p. 8.

<sup>209</sup> According to Mr. Hormats' testimony to the House Banking Committee on Mar. 9, 1995, Mexico's foreign debt stood at \$162 billion, i.e., over 40 percent of Mexico's GDP at the end of 1994.

<sup>210</sup> Interest and mortgage rates reportedly are already in the 50- to 100-percent range.

<sup>211</sup> Herminio Blanco, "Getting Mexico Back on Track," *Washington Post*, Mar. 20, 1995, p. 7.

<sup>212</sup> Dornbush, testimony, Feb. 10, 1995.

<sup>213</sup> U.S. Department of State telegram, "Mexico's 1995 Trade Balance; an Educated Guess Says Six Billion Deficit," message reference No. 05398, prepared by U.S. Embassy, Mexico City, Mar. 10, 1995.

<sup>214</sup> Although U.S. exports are not directly affected, U.S. retailers operating in Mexico and drawing resources from a wide array of Asian suppliers have criticized this announcement.

<sup>215</sup> "Mexico Announces it Will Hike Tariffs on Non-NAFTA Consumer Goods," *Inside NAFTA*, Mar. 8, 1995, p. 1.

<sup>216</sup> Ibid.

<sup>217</sup> U.S. Department of State telegram, "Negative Effects of Mexican Peso Devaluation and Economic Situation on Best Export Prospects to Mexico: Sharp Declines in Most Sectors," message reference No. 004135, prepared by U.S. Embassy, Mexico City, Feb. 23, 1995.

<sup>218</sup> Ibid.

<sup>219</sup> See petition to the USITC on behalf of the Florida Tomato Exchange, Orlando, Fl, filed on March 29, 1995. This petition triggered investigation No. TA-201-64 under section 202 of the Trade Act of 1974.

<sup>220</sup> For an English translation of this paper, see "Decision of the CPC Central Committee on Issues Concerning the Establishment of a Socialist Market Economic Structure," *China Economic News*, supplement No. 12, Nov. 29, 1993. China's leaders adopted the term "socialist market economy" in October 1992 but did not clearly define this concept prior to issuing the decision paper.

<sup>221</sup> For more background, see James Tsao and Janet Whisler, *China*, USITC Office of Economics working paper, June 1995.

<sup>222</sup> U.S. Department of State telegram, "China's Press Hails Working Party Support for GATT Membership," message reference No. 008790, prepared by U.S. Embassy, Beijing, Mar. 1994.

<sup>223</sup> U.S. Department of State telegram, "Vice Premier Criticizes Obstruction of China's GATT Effort," message reference No. 008978, prepared by U.S. Embassy, Beijing, Mar. 1994.

<sup>224</sup> Unless otherwise indicated, the information on protocol issues presented in this section was supplied and/or verified by a USTR analyst participating in the negotiations on China's GATT/WTO accession.

<sup>225</sup> For a description of the provisions of the 1992 market access agreement, see USITC, *The Year in Trade: OTAP, 1992*, USITC publication 2640, pp. 68-69.

<sup>226</sup> Deputy USTR Barshefsky, testimony before the House Ways and Means Committee, Subcommittee on Trade, July 28, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 1100117.

<sup>227</sup> Ibid.

<sup>228</sup> USTR, *1995 National Trade Estimate*, Mar. 1995, p. 52.

<sup>229</sup> Ibid.

<sup>230</sup> See, for example, USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 106.

<sup>231</sup> U.S. Department of State telegram, "China's WTO Accession: Background Information," message reference No. 019254, Washington, DC, Jan. 1995.

<sup>232</sup> Deputy USTR Barshefsky, testimony before the House Committee on Foreign Economic Relations, Subcommittees on Asia and the Pacific and on International Economic Policy and Trade, Feb. 2, 1995.

<sup>233</sup> U.S. Department of State telegram, "China's WTO Accession: Background Information," message reference No. 019254, Washington, DC, Jan. 1995.

<sup>234</sup> State Council General Affairs Office Notice No. 63, Sept. 23, 1993, as cited in USTR, *1994 Trade Policy*, Mar. 1994, p. 58.

<sup>235</sup> USTR official, telephone conversation with USITC staff, June 5, 1995.

<sup>236</sup> In terms of the value of two-way merchandise trade, China was the world's sixth-largest trader in 1994 if the EU is considered as a single entity. Economist Intelligence Unit, *Country Report: China, Mongolia*, 1st quarter 1995, p. 27.

<sup>237</sup> The phase-in period for China to comply with WTO rules under the TRIPS agreement was virtually the only issue in the area of IPR addressed by the Working Party. Other major IPR issues between China and its trading partners were left for the United States to resolve in bilateral negotiations. See "Enforcement of Intellectual Property Rights" in this section.

<sup>238</sup> Dorothy Dwoskin, Assistant USTR, remarks to the Washington International Trade Association on China's accession to GATT, Washington, DC, Nov. 3, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 1130247.

<sup>239</sup> USTR, *1995 Trade Policy*, Mar. 1995, p. 61.

<sup>240</sup> U.S. Department of State telegram, "China's WTO Accession: Background Information," message reference No. 019254, Washington, DC, Jan. 1995.

<sup>241</sup> Informal talks on the modalities of formally bringing China into the WTO started in May 1995. Formal negotiations are scheduled to resume in late July.

<sup>242</sup> For more detailed information, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 106.

<sup>243</sup> U.S. Department of State telegram, "China's WTO Accession: Background Information," message reference No. 019254, Washington, DC, Jan. 1995.

<sup>244</sup> For information on the commitments China made in the 1992 bilateral IPR agreement and the steps it took to meet them, see USITC, *The Year in Trade: OTAP, 1992*, USITC publication 2640, pp. 67-68, and USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 104-05.

<sup>245</sup> USTR, "USTR Announces Special 301 Decision," press release 94-38, June 30, 1994. The Special 301 provisions were added to the section 301 authority of the 1974 Trade Act by the Omnibus Trade and Competitiveness Act of 1988.

<sup>246</sup> USTR, "Fact Sheet: Special 301 Investigation," Dec. 31, 1994, p. 1. The source of the industry estimates on the piracy of copyrighted works is the Washington-based International Intellectual Property Alliance (IIPA), consisting of eight major U.S. commercial associations. IIPA estimates that the annual trade loss from such piracy in China increased from \$415 million in 1991.

<sup>247</sup> USTR, "Fact Sheet: Special 301 Investigation," Dec. 31, 1994, p. 2.

<sup>248</sup> USTR, "United States and China Reach Accord on Protection of Intellectual Property Rights, Market Access," press release 95-12, Feb. 26, 1995, p. 4.

<sup>249</sup> USTR, "China IPR Fact Sheet: Special 301 Investigation," Feb. 4, 1995, p. 3.

<sup>250</sup> USTR, "Fact Sheet: Special 301 Investigation," Dec. 31, 1994, p. 2.

<sup>251</sup> 60 F.R. 1829.

<sup>252</sup> *Ibid.*

<sup>253</sup> 60 F.R. 7230.

<sup>254</sup> USTR, "United States and China Reach Accord on Protection of Intellectual Property Rights, Market Access," press release 95-12, Feb. 26, 1995.

<sup>255</sup> President Clinton, White House press conference, Washington, DC, May 26, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 1073290.

<sup>256</sup> Executive Order 12850, issued May 28, 1993. For information on the conditions for MFN renewal set forth in this Executive Order, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 101-02.

<sup>257</sup> President Clinton, White House press conference, Washington, DC, May 26, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 1073290.

<sup>258</sup> *Ibid.*

<sup>259</sup> U.S. Department of State, *Dispatch*, vol. 5, No. 22 (May 30, 1994), pp. 346-47.

<sup>260</sup> President Clinton, White House Press conference, Washington, DC, May 26, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 1073290.

<sup>261</sup> *Ibid.*

<sup>262</sup> 59 F.R. 31103.

<sup>263</sup> U.S. President, "Report to Congress Concerning Extension of Waiver Authority for the People's Republic of China," Washington, DC, June 2, 1994, pp. 4-5.

<sup>264</sup> *Ibid.*, p. 4.

<sup>265</sup> Library of Congress, CRS, *Most-Favored-Nation Status of the People's Republic of China*, CRS Issue Brief IB92094, Dec. 7, 1994, pp. 1, 4.

<sup>266</sup> For more information on these issues, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 102-03.

<sup>267</sup> U.S. Department of State, *Dispatch*, vol. 5, No. 42 (Oct. 17, 1994), p. 701.

<sup>268</sup> For more detailed information, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 103-04.

<sup>269</sup> Lynne Davis, Undersecretary of State for International Security Affairs, State Department special briefing on sanctions against China, Washington, DC, Aug. 25, 1993, LEGI-SLATE, Federal Information Systems Corp., No. 981592.

<sup>270</sup> U.S. Department of Commerce, Bureau of Export Administration, press release, Jan. 6, 1994.

<sup>271</sup> However, although China admitted to providing Pakistan with "a small number of short-range tactical missiles," it continued to deny that it had violated MTCR principles. Vice Premier and Foreign Minister Qian Qichen, press conference, Washington, DC, Oct. 4, 1994, LEGI-SLATE, Federal Information Systems Corp., No. 11210417.

<sup>272</sup> 59 F.R. 55522.

<sup>273</sup> U.S. Department of State analyst, telephone conversation with USITC staff, Apr. 27, 1995.

<sup>274</sup> For a brief description of this agreement, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 104.

<sup>275</sup> For more detailed information on U.S. satellite exports to China under the original agreement, *ibid.*, pp. 103-04.

<sup>276</sup> The new agreement was initiated by the United States and China on January 30, 1995. USTR, "U.S. and China Conclude New Commercial Space Launch Agreement," press release 95-07, Jan. 30, 1995. The two countries signed the agreement on March 13, 1995.

<sup>277</sup> For a description of the provisions of the market access agreement, see USTR, *The Year in Trade: OTAP, 1992*, USITC publication 2640, pp. 68-69.

<sup>278</sup> USTR, *1995 Trade Policy*, p. 60.

<sup>279</sup> USTR, *1995 National Trade Estimate*, Mar. 1995, p. 51.

<sup>280</sup> U.S. Department of State telegram, "China's GATT/WTO Accession: Press Coverage Picks Up," message reference No. 056994, prepared by U.S. Embassy, Beijing, Dec. 1994.

<sup>281</sup> U.S. Department of State telegram, "China Goes Public on Break Off of IPR Talks," message reference No. 058215, prepared by U.S. Embassy, Beijing, Dec. 1994.

<sup>282</sup> Taiwan applied for GATT membership in 1990. Taiwan is seeking membership as the "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu" under provisions of article XXXIII. By electing this application method, Taiwan sought to deflect political controversy over the question of sovereignty as China is also applying for GATT membership. The Republic of China was a founding member of GATT in 1946, but left the organization in 1950 after the People's Republic of China was established. Taiwan held GATT observer status from 1965-71. Taiwan, Penghu, Kinmen, and Matsu are the four main islands under Taiwan's jurisdiction. After accession, Taiwan will formally be referred to using the shorthand moniker "Chinese

Taipei." For background on the effort of Taiwan to join the GATT, see USITC, *The Year in Trade: OTAP, 1992*, USITC publication 2640, pp. 71-72; and USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 107-108.

<sup>283</sup> U.S. Department of State telegram, "Press Guidance for Taiwan GATT Bilaterals," message reference No. 10013, prepared by the U.S. Mission to the United Nations, Geneva, Nov. 21, 1994, and U.S. Department of State telegram, "Taiwan Liberalizes for GATT Accession," message reference No. 7382, prepared by American Institute in Taiwan (AIT), Taipei, Nov. 10, 1994.

<sup>284</sup> USTR, "U.S. Tables GATT Accession Goods Market Access Request of Taiwan," press release 93-69, Nov. 24, 1993.

<sup>285</sup> U.S. Department of State telegram, "Press Guidance for Taiwan GATT Bilaterals," message reference No. 10013, prepared by the U.S. Mission to the United Nations, Geneva, Nov. 21, 1994. See also, U.S. Department of State telegram, "Taiwan and the GATT: Information for Use in U.S.-Taiwan Bilateral," message reference No. 6011, prepared by AIT, Taipei, Sept. 12, 1994.

<sup>286</sup> For a discussion of the WTO, see chapter 1.

<sup>287</sup> U.S. Department of State telegram, "Press Guidance for Taiwan GATT Bilaterals," message reference No. 10013, prepared by the U.S. Mission to the United Nations, Geneva, Nov. 21, 1994.

<sup>288</sup> For details on China's accession to the GATT/WTO, see the China section in this chapter.

<sup>289</sup> "Taiwan Gets Cautious Approval to Join WTO Sometime in 1995," *International Trade Reporter*, Jan. 4, 1995, p. 20.

<sup>290</sup> U.S. Department of State telegram, "Taiwan Liberalizes for GATT Accession," message reference No. 7382, prepared by AIT, Taipei, Nov. 10, 1994.

<sup>291</sup> U.S. Department of State telegram, "Taiwan Will Liberalize Imports of Apples, Peaches, and Grapes Within 6 years," message reference No. 2992, prepared by AIT, Taipei, May 10, 1994.

<sup>292</sup> U.S. Department of State telegram, "Agricultural Issues Discussed in Taiwan's GATT Accession Talks With Canada," message reference No. 6158, prepared by AIT, Taipei, Sep. 16, 1994.

<sup>293</sup> For background on bilateral IPR negotiations in 1993, see USITC, *The Year in Trade: OTAP, 45th Report, 1993*, USITC publication 2769, pp. 108-110; and USITC, *The Year in Trade: OTAP, 1992*, USITC publication 2640, pp. 70-71.

<sup>294</sup> U.S. Department of State telegram, "Revision of the 1994 National Trade Estimate Report - AIT Taipei," message reference No. 6148, Washington, DC, Jan. 10, 1995.

<sup>295</sup> U.S. Department of State telegram, "IPR-Related Complaints to AIT Drop in 1994," message reference No. 1216, prepared by the AIT, Taipei, Mar. 2, 1995.

<sup>296</sup> U.S. Department of State telegram, "Revision of the National Trade Estimate Report," message reference No. 501, prepared by the AIT, Taipei, Jan. 24, 1995.

<sup>297</sup> U.S. Department of State telegram, "Special 301 Announcement Press Release," message reference No. 115514, Washington, DC, May 3, 1994.



<sup>298</sup> U.S. Department of State telegram, "Special 301: Industry Submissions," message reference No. 72109, Washington, DC, Mar. 19, 1994.

<sup>299</sup> "Sanctions Announced Against Taiwan for Trade in Endangered Species," *U.S. Department of State Dispatch*, Apr. 18, 1994, p. 222.

<sup>300</sup> "Letter to Congressional Leaders on Rhinoceros and Tiger Trade by China and Taiwan," *Weekly Compilation of Presidential Documents*, Apr. 11, 1994, pp. 781-783.

<sup>301</sup> Import prohibitions are detailed in "Memorandum of August 2, 1994: Imposition of Prohibitions Pursuant to Section 8(a)(4) of the Fishermen's Protective Act of 1967, as Amended," 59 F.R. 40463. The ban went into effect August 19, 1994.

<sup>302</sup> See 59 F.R. 22045. According to the U.S. Fish and Wildlife Service, sanctions will be applied to "wildlife specimens and parts and products" of Taiwan as defined pursuant to definitions of "fish or wildlife" set forth in the Lacey Act, 16 U.S.C. 3371. The Lacey Act defines "fish or wildlife" as "any wild animal, whether alive or dead, including without limitation any wild mammal, bird, reptile, amphibian, fish, mollusk, crustacean, arthropod, coelenterate, or other invertebrate, whether or not bred, hatched, or born in captivity, and includes any part, product, egg, or offspring thereof."

<sup>303</sup> U.S. Department of State telegram, "Taiwan Reaction to Trade Sanctions under the Pelly Amendment—August 11, 1994," message reference No. 5253, prepared by the AIT, Taipei, Aug. 11, 1994.

<sup>304</sup> U.S. Department of State telegram, "Taiwan Reaction to Trade Sanctions under the Pelly Amendment," message reference No. 2673, prepared by the AIT, Taipei, Apr. 26, 1994.

<sup>305</sup> "Letter on Rhinoceros and Tiger Trade," pp. 781-783.

<sup>306</sup> "Message to the Congress on Rhinoceros and Tiger Trade by China and Taiwan," *Weekly Compilation of Presidential Documents*, Nov. 8, 1993, pp. 2300-2301.

<sup>307</sup> "Sanctions Announced Against Taiwan for Trade in Endangered Species," p. 222.

<sup>308</sup> "Letter on Rhinoceros and Tiger Trade," pp. 781-783.

<sup>309</sup> 22 U.S.C. 1978(a)(2).

<sup>310</sup> For a summary of the Pelly Amendment certification of China and Taiwan, see 59 F.R. 8998.

<sup>311</sup> "Message on Rhinoceros and Tiger Trade," pp. 2300-2301.

<sup>312</sup> *Ibid.*

<sup>313</sup> *Ibid.*

<sup>314</sup> "Letter on Rhinoceros and Tiger Trade," pp. 781-783. On June 30, 1995, President Clinton announced that he was lifting the trade sanctions against Taiwan because Taiwan had taken "substantial steps to halt commercial trade in rhinoceros and tiger parts and products." The Department of the Interior will monitor Taiwan's

enforcement of the recently-amended wildlife conservation law and report back to the President within 1 year. U.S. Department of State telegram, "President Lifts Pelly Sanctions Against Taiwan," message reference No. 158753, prepared by the U.S. Department of State, Washington, DC, July 1, 1995.

<sup>315</sup> "Letter on Rhinoceros and Tiger Trade," pp. 781-783.

<sup>316</sup> "Dialogue for Economic Cooperation: Report to the U.S.-Korea Economic Consultation," June 22, 1994.

<sup>317</sup> *Ibid.*

<sup>318</sup> *Ibid.*

<sup>319</sup> CRS, "South Korea's Economy and Trade," CRS Report to Congress No. 94-624-E, July 15, 1994, p. 14.

<sup>320</sup> Korea Development Institute, "Summary of the Five-Year Plan for the New Economy: 1993-1997," *Republic of Korea: Economic Bulletin*, July 1993, pp. 3-20.

<sup>321</sup> Korea Development Institute, "Korea's New Initiatives to Attract Foreign Direct Investment," *Republic of Korea: Economic Bulletin*, Feb. 1994, pp. 2-9.

<sup>322</sup> Korea has participated in a variety of OECD bodies since 1989, becoming a full member in five, and an observer in eight others. U.S. Department of State telegram, "Government of Korea Announces Progress on OECD Membership," message reference No. 6034, prepared by U.S. Embassy, Seoul, July 18, 1994.

<sup>323</sup> The OECD codes of liberalization have provided investors with common investment guidelines since 1961 as well as a framework for discussion of problems and further liberalization. For a discussion of recent activities related to the OECD codes, see chapter 3 and USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, pp. 74-6.

<sup>324</sup> See, for example, USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 110.

<sup>325</sup> Korea Development Institute, "Improvements in Korea's Environment for Foreign Direct Investment," *Republic of Korea: Economic Bulletin*, Nov. 1994, pp. 9-10.

<sup>326</sup> USTR, "USTR Announces Three Decisions: Title VII, Japan Supercomputer Review, Special 301," Apr. 30, 1994, p. 2.

<sup>327</sup> U.S. Department of State telegram, "Revision of the 1994 National Trade Estimate Report—Seoul," message reference No. 13609, Washington, DC, Jan. 19, 1995.

<sup>328</sup> "Dialogue for Economic Cooperation: Report to the U.S.-Korea Economic Consultation," June 22, 1994, p. 10.

<sup>329</sup> U.S. Department of State telegram, "Investment Climate in Korea," message reference No. 5704, prepared by U.S. Embassy, Seoul, July 6, 1994.

<sup>330</sup> U.S. Department of State telegram, "Ministry of Finance Press Announcement on Changes to Korea's Investment Regime," message reference No.

1769, prepared by U.S. Embassy, Seoul, Mar. 5, 1994.

331 For a detailed discussion of Korea's investment climate and recent efforts by the Government of Korea to liberalize investment rules, see U.S. Department of State telegram, "Investment Climate in Korea," message reference No. 5704, prepared by U.S. Embassy, Seoul, July 6, 1994.

332 "Dialogue for Economic Cooperation: Report to the U.S.-Korea Economic Consultation," June 22, 1994, p. 5.

333 Korea Development Institute, "Korea's New Initiatives to Attract Foreign Direct Investment," *Republic of Korea: Economic Bulletin*, Feb. 1994, pp. 2-3.

334 U.S. Department of State telegram, "Investment Climate in Korea," message reference No. 5704, prepared by U.S. Embassy, Seoul, July 6, 1994.

335 Ibid.

336 "Dialogue for Economic Cooperation: Report to the U.S.-Korea Economic Consultation," June 22, 1994, p. 4. Korea plans to join the OECD in 1996.

337 U.S. Department of State telegram, "Revision of the 1994 National Trade Estimate Report—Seoul," message reference No. 13609, Washington, DC, Jan. 19, 1995.

338 Korea Development Institute, "The Policy Direction for Korea's Liberalization of Foreign Exchange and Capital Transactions," *Republic of Korea: Economic Bulletin*, Feb. 1995, pp. 20-27.

339 Korea Development Institute, "Improvements in Korea's Environment for Foreign Direct Investment," *Republic of Korea: Economic Bulletin*, Nov. 1994, p. 4.

340 Ibid., p. 5.

341 U.S. Department of the Treasury, "Interim Report to Congress on International Economic and Exchange Rate Policy," July 1994, p. 20.

342 U.S. Department of the Treasury, "Interim Report to Congress on International Economic and Exchange Rate Policy," Dec. 1994, p. 17.

343 See also, U.S. Department of State telegram, "Summary of Recent Changes to Korea's Foreign Exchange Regime," message reference No. 719, prepared by U.S. Embassy, Seoul, Feb. 3, 1995.

344 For a summary of Korea's financial liberalization program, see Korea Development Institute, "The Policy Direction of Korea's Liberalization of Foreign Exchange and Capital Transactions," *Republic of Korea: Economic Bulletin*, Feb. 1995, pp. 20-27.

345 For background on the beef dispute, including developments in 1993, see USITC, *The Year in Trade: OTAP, 1993*, USITC publication 2769, p. 111. In June 1993, the United States and Korea reached an agreement designed to widen access for foreign beef in the Korean market. Under the terms of the agreement, minimum beef import quotas would rise

from the 1992 level of 66,000 metric tons to 113,000 metric tons in 1995. The 1993 agreement grew out of a 1988 dispute initiated when the American Meat Institute filed a section 301 petition with USTR alleging that Korea's licensing system on imported beef violated GATT article XI (prohibition on quantitative restrictions).

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348 "USTR Initiates Trade investigation of South Korean Meat Import Barriers," *International Trade Reporter*, Nov. 30, 1994, vol. 11, pp. 1837-38.

349 USTR, "Fact Sheet: Initiation of Korea Beef and Pork 301," Nov. 28, 1994.

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351 U.S. Department of State telegram, "Advocacy Progress Report: Korean Automobile Market Opening Initiative," message reference No. 4802, June 9, 1994.

352 Korea Development Institute, "Recent Economic Relations Between Korea and the U.S.," *Republic of Korea: Economic Bulletin*, July 1994, p. 5.

353 U.S. Department of State telegram, "Assistant Minister Park Statement on Auto Imports," message reference No. 1335, prepared by U.S. Embassy, Seoul, Feb. 18, 1994.

354 Korea Development Institute, "Recent Economic Relations Between Korea and the U.S.," *Republic of Korea: Economic Bulletin*, July 1994, p. 5.

355 U.S. Department of State telegram, "Press Takes Aim at 'Luxury Imports,' Including Cars," message reference No. 8130, prepared by U.S. Embassy, Seoul, Sept. 28, 1994.

356 U.S. Department of State telegram, "AAMA President Card's Visit to Seoul: Scen setter," message reference No. 4690, prepared by U.S. Embassy, Seoul, June 3, 1994.

357 U.S. Department of State telegram, "Advocacy Progress Report: AAMA President Card's Visit to Seoul Pries Open Korea's Hermetically Sealed Market for U.S. Autos," message reference No. 5379, prepared by U.S. Embassy, Seoul, June 27, 1994.

358 Ibid.

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# CHAPTER 5

## Administration of U.S. Trade Laws and Regulations

This chapter surveys activities related to the administration of U.S. trade laws during 1994. It has sections on (1) import-relief laws, (2) unfair trade laws, and (3) certain other trade provisions, including the U.S. Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), the Andean Trade Preference Act (ATPA), section 232 of the Trade Expansion Act of 1962 (impairment of national security), the Agricultural Adjustment Act (interference with programs of the U.S. Department of Agriculture), the Meat Import Act of 1979, and programs affecting textile and apparel imports.

### **Import Relief Laws**

The United States administers several safeguard laws as well as a trade adjustment assistance program. There is one general safeguard provision under sections 201-204 of the Trade Act of 1974<sup>1</sup> and several bilateral provisions, including those defined under section 406 of the Trade Act of 1974 (market disruption by imports from Communist countries)<sup>2</sup> and sections 301-304 of the North American Free-Trade Agreement (NAFTA) Implementation Act.<sup>3</sup> The adjustment assistance under the Trade Adjustment Assistance (TAA) program is included under title II of the Trade Act of 1974.

### ***Safeguard Actions***

There were no remedies under sections 201-204 or 406 of the Trade Act of 1974 or sections 301-304 of the NAFTA Implementation Act in effect at yearend 1994, nor did the Commission conduct any new or followup investigations under any of those provisions in 1994.

### ***Market Disruption***

Under section 406 of the Trade Act of 1974,<sup>4</sup> the Commission conducts investigations to determine

whether imports of an article produced in a "Communist country" are causing market disruption with respect to an article produced by a U.S. industry. "Market disruption" is defined to exist when imports of an article like or directly competitive with an article produced by a domestic industry are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury or threat of material injury to the domestic industry. This provision is similar procedurally to section 201.

In October 1993, the Commission commenced an investigation under section 406 concerning honey from the People's Republic of China,<sup>5</sup> following receipt of a request from the United States Trade Representative (USTR). In December 1993, the Commission found that market disruption exists with respect to honey imports from China.<sup>6</sup> The Commission transmitted its report to the President in January 1994. In April 1994, the President determined that import relief involving honey from China was not in the national interest of the United States.<sup>7</sup> The President found that relief would impose substantial costs on consumers that outweighed any possible benefits. The President directed the USTR, in consultation with appropriate agencies, to develop a plan to monitor imports of honey from China.

### ***Adjustment Assistance***

The TAA program, set forth in title II of the Trade Act of 1974, authorizes the Secretaries of Commerce and Labor to provide trade adjustment assistance to firms and workers, respectively, that are adversely affected by increased imports. Initially authorized under the Trade Expansion Act of 1962, the current program is scheduled to expire on September 30, 1998.<sup>8</sup> In 1993, a new subchapter was added to title II of the Trade Act to provide transitional assistance to workers separated or threatened to be separated from their employment as a result of increased imports from Canada or Mexico under the NAFTA.<sup>9</sup>

The TAA system of readjustment allowances to individual workers is administered by the U.S. Department of Labor through its Employment and Training Administration (ETA) in the form of monetary benefits for direct trade readjustment allowances and service benefits that include allocations for job search, relocation, and training. Industrywide technical consultation provided through Commerce-sponsored programs is designed to restore the economic viability of U.S. industries adversely affected by international import competition.<sup>10</sup>

## Assistance to Workers

The Department of Labor instituted 1,274 investigations during fiscal year 1994 (October 1, 1993, through September 30, 1994) on the basis of petitions filed for trade adjustment assistance. This figure represents an increase from the 1,221 petitions instituted in fiscal 1993. The results of investigations completed or terminated in fiscal 1994, including those in process from the previous fiscal year, are shown in the following tabulation:<sup>11</sup>

Item	Number of investigations or petitions	Estimated number of workers
Completed certifications .....	602	60,057
Partial certifications ..	8	4,066
Petitions denied .....	607	57,550
Petitions terminated or withdrawn .....	28	1,176
<b>Total .....</b>	<b>1,245</b>	<b>122,849</b>

The number of completed and partial certifications in fiscal 1994 increased to 610, up slightly from 590 in fiscal 1993. Figures for fiscal 1994 indicate that Labor expenditures for direct Trade Readjustment Allowances (TRA) to certified workers increased to \$120.1 million, a 138-percent increase from the \$50.5 million expenditures in fiscal 1993.

In addition, Labor provided training, job search, and relocation services valued at a preliminary estimate of \$98.9 million in fiscal 1994. Data for fiscal 1994 indicated that an estimated 29,250 workers used available service benefits, representing an increase of 31 percent from the number of workers receiving such services in the previous fiscal year, as shown in the following tabulation:<sup>12</sup>

Item	Estimated number of participants
Training .....	26,300
Job search .....	650
Relocation allowances .....	2,300
<b>Total .....</b>	<b>29,250</b>

## NAFTA-Related Assistance to Workers

The NAFTA Implementation Act<sup>13</sup> includes establishment of a Transitional Adjustment Assistance program. The program, which began operation January 1, 1994, provides job search, training, and relocation assistance to workers in companies affected by imports from Canada or Mexico or by shifts of U.S. production to those countries. Preliminary data for fiscal 1994 (January 1, 1994 through September 30, 1994) from the Department of Labor indicate that 250 petitions were filed for assistance under the program. Petition activity under the program in fiscal 1994 is summarized in the following tabulation:<sup>14</sup>

Item	Number of investigations or petitions
Petitions filed .....	250
Worker groups certified .....	103
Petitions denied .....	113
Petitions terminated .....	5

The number of completed certifications in fiscal 1994 was 103, covering approximately 10,345 workers. Fiscal 1994 figures indicate that Labor expenditures for direct TRA to certified workers were \$105,000.<sup>15</sup>

The Department of Labor also provided training, job search, and relocation services valued at an estimated \$174,200 in fiscal 1994. Data for fiscal 1994 indicated that 650 workers used available service benefits, as shown in the following tabulation:<sup>16</sup>

Item	Estimated number of participants	Cost (dollars)
Training .....	643	159,000
Job search .....	3	700
Relocations .....	4	14,500
<b>Total .....</b>	<b>650</b>	<b>174,200</b>

## **Assistance to Firms and Industries**

Through its Trade Adjustment Assistance Division (TAAD), the U.S. Department of Commerce's Economic Development Administration (EDA) certified 153 firms as eligible to apply for trade adjustment assistance during fiscal year 1994. This figure represents a 40-percent decrease from the 253 firms certified in the previous fiscal year. The TAAD administers its firm assistance programs through a nationwide network of 12 Trade Adjustment Assistance Centers (TAACs). Technical services are provided to certified firms through TAAC staffs and independent consultants under direct contract with TAACs. Funding for the TAACs during fiscal 1994 totaled \$13.4 million for provision of technical services to 118 firms adversely affected by international import competition.

In addition to technical assistance for firms, under another component of the TAAD program, Commerce funded two industry development projects valued at \$350,000. The projects receiving such funding included gear research by the Gear Research Institute and defense-related research by the University of Texas at San Antonio.

## **Laws Against Unfair Trade Practices**

The U.S. Department of Commerce issued 17 new antidumping orders during 1994, following completion of investigations by Commerce and the U.S. International Trade Commission (the Commission or the USITC).<sup>17</sup> In addition, Commerce issued one new countervailing duty order, following completion of investigations by Commerce and the Commission. There were no countervailing duty orders issued in 1994, based on an investigation by Commerce alone. During 1994, the Commission completed 14 investigations under section 337 of the Tariff Act of 1930, as amended, involving allegations of patent, trademark, or copyright infringement or other unfair methods of competition. In two of the section 337 investigations, the Commission issued general exclusion orders prohibiting the importation of merchandise, and in another investigation the Commission issued a temporary limited exclusion order barring the importation of accused products during the course of the investigation.

In 1994, USTR initiated four new section 301 investigations. A fifth petition seeking a 301

investigation was filed in 1994. USTR initiated the investigation in 1995. Further developments occurred in two investigations initiated prior to 1994. Table 5-1 summarizes USTR activities on section 301 investigations during 1994.<sup>18</sup>

## **Antidumping Investigations**

The present antidumping law is contained in title VII of the Tariff Act of 1930.<sup>19</sup> The antidumping law provides relief in the form of special additional duties that are intended to offset margins of dumping. Antidumping duties are imposed when (1) Commerce (the administering authority) has determined that imports are being, or are likely to be, sold at less than fair value (LTFV) in the United States and (2) the Commission has determined that a U.S. industry is materially injured or threatened with material injury or that the establishment of an industry in the United States is materially retarded by reason of such imports.

In general, imports are considered to be sold at LTFV when the United States price (i.e., the purchase price or the exporter's sales price, as adjusted) is less than the foreign market value, which is usually the home-market price, or, in certain cases, the price in a third country, or a "constructed" value, calculated as set out by statute.<sup>20</sup> The antidumping duty is designed to equal the difference between the U.S. price and the foreign-market value. The duty specified in an antidumping order reflects the dumping margin found by Commerce during its period of investigation. This rate of duty will be applied to subsequent imports if no request for annual reviews is received by Commerce. If a request is received, Commerce will calculate the antidumping duties for that year for each entry. Most investigations are conducted on the basis of a petition filed with Commerce and the Commission by or on behalf of a U.S. industry.

Commerce and the Commission each conduct preliminary and final antidumping investigations in making their separate determinations.<sup>21</sup> In 1994, the Commission completed 49 preliminary and 27 final antidumping injury investigations.<sup>22</sup> Antidumping orders were imposed as a result of affirmative Commission and Commerce determinations in 17 of the 27 final investigations on products imported from 9 different countries. Details of antidumping actions and orders, including suspension agreements,<sup>23</sup> in effect in 1994, are presented in tables A-24 and A-25. The tabulation on page 124 summarizes the number of antidumping investigations during 1992-94.<sup>24</sup>

**Table 5-1**

**Summary of activity on sec. 301 investigations during 1994**

Product/service and country	Docket No.	Petitioner/ initiator and date <sup>1</sup>	Status at yearend 1994
<b>Petitions filed or investigations self-initiated in 1994:</b>			
Country Music Television, Canada	301-98	Country Music Television Dec. 1994	On Dec. 23, 1994, Country Music Television, a U.S.-owned cable programming service, filed a petition seeking a sec. 301 investigation of Canada's revocation of its authorization to be distributed in Canada. USTR decided on Feb. 6, 1995, to accept the petition and requested comment on a proposed determination that Canada's practices in regards to the granting or termination of cable authorizations for U.S. firms are actionable under sec. 301.
Meat, Korea	301-95	National Pork Producers Council Nov. 1994	On Nov. 18, 1994, the National Pork Producers Council, the American Meat Institute, and the National Cattlemen's Assoc. filed a petition alleging that various policies and practices of the Korean Government deny U.S. meat producers access to the Korean market. On Nov. 22, 1994, USTR initiated a sec. 301 investigation of Korean practices with respect to the importation of U.S. beef and pork. (For more details, see ch. 4.)
Auto Parts, Japan	301-93	USTR Oct. 1994	On Oct. 1, 1994, USTR self-initiated an investigation with respect to barriers to access to the auto parts replacement market in Japan.
Banana Import Regime, EU	301-94	Chiquita Brands International, Inc. Sept. 1994	On Sept. 2, 1994, Chiquita Brands International, Inc. and the Hawaii Banana Industry Association filed a petition alleging that various practices of the European Union, Colombia, Costa Rica, Nicaragua, and Venezuela concerning trade in bananas are discriminatory, unreasonable, and burden or restrict U.S. commerce. On Oct. 17, 1994, USTR initiated an investigation of the practices of the European Union, but decided not to initiate an investigation of the practices of the four Latin American countries at that time. The petition alleged that the EU's banana policies discriminate against U.S. banana marketing and distribution companies in the allocation of import licenses for the importation of bananas from Latin America. The petition also alleged that a Framework Agreement on bananas between the EU and the Latin American countries named in the petition further discriminates against U.S. firms causing them additional economic harm. (For more details, see ch. 4.)
Intellectual Property, China	301-92	USTR June 1994	On June 30, 1994, USTR designated the People's Republic of China as a "priority foreign country" under sec. 182 of the Trade Act of 1974 (Special 301) for failing to provide adequate and effective intellectual property protection and market access to persons that rely on intellectual property protection. Also on June 30, 1994, USTR initiated a sec. 301 investigation of these practices. On Dec. 29, 1994,

See footnote at end of table.

**Table 5-1—Continued  
Summary of activity on sec. 301 investigations during 1994**

Product/service and country	Docket No.	Petitioner/ initiator and date <sup>1</sup>	Status at yearend 1994
<b>Other investigations acted upon in 1994:</b>			
Intellectual Property, Brazil	301-91	USTR May 1993	<p>the USTR announced that it was extending the deadline for the investigation to Feb. 4, 1995, and published a proposed retaliation list. Public hearings on the proposed list were scheduled for Jan. 24 and 25, 1995. (For more details, see ch. 4.)</p> <p>On May 28, 1993, USTR initiated an investigation with respect to certain policies and practices of Brazil that deny adequate and effective protection of intellectual property rights. In 1994, Brazil indicated that it had undertaken and will undertake as part of its domestic reform a number of actions to improve the protection of intellectual property in Brazil and to provide greater market access for products relying on the protection of intellectual property. On the basis of such measures and assurances, the USTR decided to terminate the investigation effective Feb. 28, 1995.</p>
Softwood lumber, Canada	301-87	USTR Oct. 1991	<p>On Oct. 4, 1991, USTR self-initiated an investigation of Canadian practices affecting exports of softwood lumber to the United States. The Administration announced the following action: (1) intention to self-initiate a countervailing duty (CVD) investigation of softwood lumber imports from Canada (which was initiated on Oct. 31, 1991); and (2) until preliminary results of that investigation are available, interim customs suspension of liquidation to prevent disruption of the U.S. lumber market as a consequence of the abrupt termination of an MOU undertaking. On Mar. 6, 1992, the Department of Commerce issued an affirmative preliminary CVD determination. Consequently, the bond requirement imposed by the 301 investigation was terminated. Meanwhile, Canada challenged the initiation of the 301 and CVD investigations before the GATT. Final affirmative determinations were issued in May 1992 and a CVD order was issued in June 1992. On Dec. 7, 1992 a GATT dispute panel requested by Canada upheld the U.S. decision to self-initiate the CVD investigation. In Oct. 1993, the panel report was adopted.</p> <p>In mid-1992 Canada filed challenges under chapter 19 of the U.S.-Canada Free Trade Agreement (CFTA) to the CVD determinations of the ITC and Commerce. A binational CFTA panel directed Commerce to find no CVD subsidies. On Oct. 19, 1994, USTR terminated the 301 action and ordered the Customs Service to cease the suspension of liquidation in light of the completion of the binational panel proceedings under the CFTA. (For more details, see ch. 4.)</p>

<sup>1</sup> Above date(s) are either the month and year an interested party filed a petition, alleging practices inconsistent with sec. 301, or the month and year USTR self-initiated an investigation without a petition.

Source: Compiled by the staff of the U.S. International Trade Commission.

<b>Antidumping duty investigations</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
Petitions filed .....	99	42	43
Preliminary Commission determinations:			
Negative .....	13	5	3
Affirmative (includes partial affirmatives) .....	72	30	46
Terminated <sup>25</sup> .....	11	8	1
Final Commerce determinations:			
Negative .....	2	1	2
Affirmative .....	24	76	33
Terminated .....	2	0	0
Suspended .....	7	0	2
Final Commission determinations:			
Negative .....	4	32	10
Affirmative (includes partial affirmatives) .....	16	41	17
Terminated .....	1	0	2

## ***Countervailing Duty Investigations***

The United States countervailing duty law is set forth in section 303 and title VII of the Tariff Act of 1930. It provides for the levying of special additional duties to offset foreign subsidies on products imported into the United States.<sup>26</sup> In general, procedures for such investigations are similar to those under the antidumping law. Petitions are filed with Commerce (the administering authority) and with the Commission. Before a countervailing duty order can be issued, Commerce must find a countervailable subsidy. In most cases, the Commission must make an affirmative determination of material injury, threat of material injury, or material retardation by reason of the subsidized imports.

During 1994, investigations were conducted under section 701 of the Tariff Act if the subject article was imported from a country that had signed the General Agreement on Tariffs and Trade (GATT) Code on Subsidies and Countervailing Duties<sup>27</sup> or had otherwise been designated a "country under the

agreement."<sup>28</sup> Investigations with respect to imports from other countries were conducted under section 303 of the Tariff Act. Such imports were subject to an injury investigation by the Commission only if (1) they normally enter free of duty and (2) international obligations of the United States require an injury investigation.<sup>29</sup> For imports not falling under this category or under section 701, a countervailing duty order could be issued under section 303 on the basis of an affirmative subsidy determination by Commerce alone.<sup>30</sup>

One new countervailing duty order was imposed in 1994 as a result of investigations involving both Commerce and the Commission. No new countervailing duty orders were imposed on products following investigation by Commerce alone under section 303 of the Tariff Act. In 1994, the Commission completed 7 preliminary and 1 final injury investigations.<sup>31</sup> Details of countervailing duty actions and outstanding orders, including suspension agreements<sup>32</sup> in effect in 1994, are presented in tables A-26 and A-27. The following tabulation summarizes the number of countervailing duty investigations during 1992-94:<sup>33</sup>

<b>Countervailing duty investigations</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>
Petitions filed .....	43	5	7
Preliminary Commission determinations:			
Negative .....	6	2	1
Affirmative (includes partial affirmatives) .....	43	2	6
Final Commerce determinations:			
Negative .....	2	0	0
Affirmative .....	4	36	1
Suspended .....	0	0	0
Final Commission determinations:			
Negative .....	0	18	0
Affirmative (includes partial affirmatives) .....	2	18	1
Terminated .....	3	0	0



## ***Reviews of Outstanding Antidumping and Countervailing Duty Orders***

Section 751 of the Tariff Act of 1930, as amended (19 U.S.C. 1675), requires Commerce (the administering authority), if requested, to conduct annual reviews of outstanding antidumping and countervailing duty orders to determine the amount of any net subsidy or dumping margin and to determine compliance with suspension agreements. Section 751 also authorizes Commerce and the Commission, as appropriate, to review certain outstanding determinations and agreements after receiving information or a petition that shows changed circumstances. In these circumstances, the party seeking revocation or modification of an antidumping or countervailing duty order or suspension agreement has the burden of persuading Commerce and the Commission that circumstances have changed sufficiently to warrant review and revocation. Based on either of the reviews above, Commerce may revoke a countervailing duty or antidumping order in whole or in part or terminate or resume a suspended investigation. Neither Commerce nor the Commission instituted an investigation under section 751 in 1994.

## ***Section 337 Investigations***

Section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), authorizes the Commission, on the basis of a complaint or on its own initiative, to conduct investigations with respect to certain practices in import trade. Section 337 declares unlawful the importation into the United States, the sale for importation, or the sale within the United States after importation of articles that infringe a valid and enforceable U.S. patent, registered trademark, registered copyright, or registered mask work, for which a domestic industry exists or is in the process of being established.<sup>34</sup>

If the Commission determines that a violation exists, it can issue an order excluding the subject imports from entry into the United States, or can order the violating parties to cease and desist from engaging in the unlawful practices.<sup>35</sup> The President may disapprove a Commission order within 60 days of its issuance for "policy reasons."

In 1994, as in previous years, most complaints filed with the Commission under section 337 alleged infringement of a U.S. patent by imported merchandise. The Commission completed a total of 14 investigations under section 337 (including 1 ancillary

candor proceeding) in 1994, compared with 15 in 1993. As in recent years, the section 337 caseload in 1994 was highlighted by investigations involving several high-technology products. Significant among these were computer-related investigations involving semiconductor devices, multitasking memory management, connecting devices for local area networks, computer disk drives, and facsimile machines. In addition, several section 337 investigations involved other sophisticated technology, including pharmaceuticals (a widely used cardiovascular medication and recombinantly produced human growth hormones), microwave filters used in satellites, industrial polymer products, and chemical adhesives. During 1994, the Commission also instituted a formal enforcement proceeding based on allegations of violations of a cease and desist order issued by the Commission in a section 337 investigation involving plastic-encapsulated integrated circuits.

General exclusion orders were issued in two investigations. One temporary limited exclusion order was also issued. Several investigations were terminated by the Commission without determining whether section 337 had been violated. Generally, these terminations were based on settlement agreements or consent orders. At the close of 1994, there were 10 section 337 investigations, including an advisory opinion proceeding and a formal enforcement proceeding, pending at the Commission. Commission activities involving section 337 actions in 1994 are presented in table A-28.

As of December 31, 1994, a total of 46 outstanding exclusion orders based on violations of section 337 were in effect. Twenty-eight of these orders involved patent violations. Table A-29 lists the investigations in which these exclusion orders were issued.

## **Other Import Administration Laws and Programs**

The United States now administers three unilateral tariff preference programs as part of its overall program of import administration: the GSP, the CBERA, and the ATPA. More than 44 percent of overall imports entering the United States in 1994 (\$656 billion) entered free of duty, the same percentage as in 1993. Of that amount, 3.2 percent of total U.S. imports for consumption benefited from the duty-free privileges of the three programs described in this section. GSP duty-free imports accounted for 2.8 percent, CBERA duty-free imports accounted for 0.3

percent, and ATPA duty-free imports accounted for 0.1 percent of total U.S. imports for consumption. The following tabulation shows total U.S. imports from the world as well as total duty-free imports for the programs described in this section (in millions of dollars):<sup>36</sup>

U.S. imports	1993	1994
Total .....	574,863	655,767
Duty-free imports:		
GSP .....	19,520	18,379
CBERA .....	1,904	2,050
ATPA .....	401	684

This section will also cover four other U.S. import laws and programs—national security import restrictions, the Agricultural Adjustment Act, the Meat Import Act of 1979, and programs affecting textile and apparel imports, including the Arrangement Regarding International Trade in Textiles.

## Tariff Preference Programs

### Generalized System of Preferences

During the 1960s, the United Nations Conference on Trade and Development suggested that developed countries offer unilateral preferential tariff treatment to developing countries. The underlying rationale was

that free trade would promote economic development and diversification more effectively than foreign aid. The U.S. GSP program was enacted in the Trade Act of 1974 and renewed in the Trade and Tariff Act of 1984.<sup>37</sup> Pursuant to the latter statute, the U.S. GSP expired on July 4, 1993; it was renewed retroactively through September 30, 1994, by the Omnibus Budget Reconciliation Act of 1993, and again renewed retroactively through July 31, 1995, by the Uruguay Round Agreements Act. Under this program, the President is authorized, subject to various conditions and requirements, to grant duty-free treatment to selected imports from designated developing countries.

In 1994, under the GSP program, the United States granted duty-free entry to eligible imports from over 150 beneficiary countries.<sup>38</sup> Such imports are classified in nearly 4600 *Harmonized Tariff Schedule (HTS)* tariff categories.<sup>39</sup> As shown in table 5-2, \$18.4 billion in imports from GSP-beneficiary countries actually received duty-free entry under the GSP program in 1994, out of \$29.2 billion in goods from GSP beneficiaries that were classified in GSP-designated HTS provisions. These figures compare with \$104 billion in total imports from GSP beneficiaries in 1994 and \$656 billion in total imports from the world. Table 5-3 shows the 10 beneficiary countries of the GSP program in 1994. Table A-30 shows the top 20 GSP products or product categories in 1994, and table A-31 shows the overall sectoral distribution of GSP benefits.

**Table 5-2**  
**U.S. imports for consumption<sup>1</sup> from GSP beneficiaries and the world, 1994**

(Million dollars)

Item	All GSP beneficiaries	World
Total .....	103,974	655,767 <sup>2</sup>
GSP eligible products <sup>3</sup> .....	29,221	255,294
Duty-free under GSP <sup>4</sup> .....	18,379	18,379
GSP program exclusion .....	4,674	4,674
All other .....	6,168	232,241
Noneligible product imports .....	74,753	400,473

<sup>1</sup> Customs-value basis.

<sup>2</sup> Excludes imports into the U.S. Virgin Islands.

<sup>3</sup> The import data show total imports from all beneficiary countries and from the world that are eligible for duty-free entry under GSP. For a variety of reasons, all imports from beneficiary countries under HTS provisions that appear to be eligible for GSP treatment do not always and necessarily receive duty-free entry under the GSP. Such eligible goods may not actually receive duty-free entry under GSP for at least four types of reasons: (1) the importer fails to claim GSP benefits affirmatively, (2) the goods are from a beneficiary country that has lost GSP benefits on that product for exceeding the so-called "competitive need" limits, (3) the goods are from a beneficiary country that has lost GSP on that product because of a petition to remove that country from GSP benefits for that product, and (4) the goods fail to meet the rule-of-origin or direct-shipment requirements in the GSP statute.

<sup>4</sup> These data show total imports from all GSP beneficiary countries that actually received duty-free entry under the GSP.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table 5-3**  
**U.S. imports for consumption under the GSP from leading beneficiaries,<sup>1</sup> and total, 1994**

(Million dollars)

Rank	Beneficiary	Total imports	Imports of GSP articles	
			GSP-eligible	GSP duty-free <sup>2</sup>
1	Malaysia .....	13,877	6,985	5,033
2	Thailand .....	10,273	3,938	2,487
3	Brazil .....	8,813	3,007	2,185
4	Philippines .....	5,711	1,819	1,450
5	Indonesia .....	6,400	2,040	1,241
6	India .....	5,284	1,155	851
7	Argentina .....	1,651	828	491
8	Venezuela .....	7,951	493	473
9	Israel .....	5,216	1,952	423
10	Russia .....	3,215	430	359
	Top 10 .....	68,391	22,647	14,992
	Total .....	103,974	29,221	18,379

<sup>1</sup> These import data show total imports from the top 10 beneficiary countries that fall in HTS provisions that are eligible for duty-free entry under GSP. For a variety of reasons, all imports from beneficiary countries under HTS provisions that appear to be eligible for GSP do not always and necessarily receive duty-free entry under the GSP. See note 3 to table 5-2.

<sup>2</sup> These import data show the total imports from the top 10 GSP beneficiary countries that actually received duty-free entry under the GSP program.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Each year, the Trade Policy Staff Committee (TPSC), an interagency coordinating committee chaired by USTR, conducts a review that leads to modifications in product eligibility and country eligibility. In 1994, the TPSC completed the 1993 annual GSP review. As a result of the 1993 GSP review, 10 new products were added to the GSP program, 1 article (extruded rubber thread) was removed from the program and 1 other article (steel grating from Venezuela) was removed with respect to that country. Designations of the following countries as beneficiary developing countries under the GSP program were issued and became effective in 1994: Kazakhstan, Romania, Ukraine, South Africa, Belarus, and Uzbekistan. As required in the NAFTA Implementation Act, the President withdrew beneficiary status under the GSP program from Mexico effective on January 1, 1994.

In 1994, the TPSC did not accept any petitions to begin or conduct a 1994 annual GSP review although it did continue to review several countries' GSP eligibility, because of petitions accepted in prior annual reviews concerning a country's providing for worker's rights or protection of intellectual property rights. On August 12, 1994, USTR announced an initiation of a review of certain GSP benefits that Thailand lost in

1989, following a determination that Thailand did not provide adequate and effective intellectual property rights protection. Also on December 20, 1994, USTR announced the initiation of a review of "reverse preferences" (a review to determine whether any GSP-beneficiary country affords preferential treatment, as a result of an economic association agreement or otherwise, to the products of a developed country, other than the United States, that has, or is likely to have, an adverse effect on U.S. commerce). This review will consider reverse preferences granted by any GSP beneficiary, but will focus mostly on the countries of Central and Eastern Europe that have association agreements with the European Union.<sup>40</sup>

As noted above, the U.S. GSP program was extended through July 31, 1995, as part of the Uruguay Round Agreements Act signed in December 1994. During 1994, the administration continued its consideration of possible proposals for the long-term renewal of the GSP program. The administration had prepared a draft bill which provided for minor modifications to the program and renewed the program for 10 years. It originally was included in the Uruguay Round Agreements implementing bill, but was deleted before the final bill was presented to Congress and ultimately enacted.

## Caribbean Basin Economic Recovery Act

Eligible imports from 24 Caribbean Basin countries entered the United States duty-free or at reduced duties under the CBERA during 1994.<sup>41</sup> CBERA has been operative since January 1, 1984, and, as amended, the act currently has no statutory expiration date.<sup>42</sup> CBERA is the trade-related component of the Caribbean Basin Initiative (CBI).<sup>43</sup> President Reagan launched CBI in 1982 to promote export-led economic growth and economic diversification in the countries in the Caribbean Basin.<sup>44</sup>

A wide range of Caribbean products are eligible for duty-free entry under CBERA.<sup>45</sup> Excluded from duty-free entry, however, are canned tuna, petroleum and petroleum derivatives, certain footwear, some watches and watch parts, sugar from any "Communist" country, and most textiles and apparel. Certain agricultural products (including sugar, dairy products, cotton, peanuts, and beef) may receive duty-free entry, subject to U.S. quotas and/or health requirements. Other restrictions apply to ethyl alcohol produced from non-Caribbean feedstock. Handbags, luggage, flat goods (such as wallets, change purses, and eyeglass cases), work gloves, and leather wearing apparel are not eligible for CBERA duty-free entry; however, duties on these articles are being reduced by a total of 20 percent beginning January 1, 1992, in five equal annual installments.

Certain Caribbean textile and apparel products are eligible for preferential tariff treatment under the special Guaranteed Access Levels (GAL) program. While separate from the statutes governing CBERA, the GAL program is open only to countries that receive CBERA benefits. The GAL program was established in 1986 to improve access for Caribbean products within the context of overall U.S. textile policy

implementing the Multifiber Arrangement. Under the program, the United States sets flexible quotas on a case-by-case basis for textile and apparel items assembled in eligible Caribbean Basin countries that have signed GAL agreements. Costa Rica, the Dominican Republic, Guatemala, Haiti,<sup>46</sup> and Jamaica benefited from such agreements during 1994.<sup>47</sup> An agreement with Panama expired on March 31, 1994. GAL imports, which must be made from fabric formed and cut to pattern in the United States, receive the tariff treatment accorded to other imports under *HTS* subheadings 9802.00.60 and 9802.00.80.<sup>48</sup>

Total U.S. imports from CBERA countries in 1994 were \$11.2 billion, or 1.7 percent of all U.S. imports. Imports under CBERA provisions accounted for 18.3 percent of all imports from CBERA countries, approximately the same as in 1993 (table 5-4).

The leading items afforded duty-free entry under CBERA in 1994 were leather footwear uppers; precious-metal jewelry; frozen, chilled and fresh boneless beef; medical instruments and appliances; and sugar (table A-32). In 1994, five CBERA countries—the Dominican Republic, Costa Rica, Guatemala, Trinidad and Tobago, and Honduras—accounted for over four-fifths of all U.S. imports under CBERA provisions (table A-33).

## Andean Trade Preference Act

Designated imports from Bolivia, Colombia, Ecuador, and Peru entered the United States duty-free under ATPA during 1994.<sup>49</sup> ATPA has been operative since December 4, 1991, and is scheduled to expire on December 4, 2001.<sup>50</sup> ATPA is the trade-related component of the Andean Trade Initiative. President Bush launched the initiative in 1990 to combat the production of illegal narcotics by helping beneficiaries with economic development projects and programs.<sup>51</sup>

**Table 5-4**  
**U.S. imports for consumption from CBERA countries, 1992-94**

Item	1992	1993	1994
Total imports (1,000 dollars) . . . . .	9,425,616	10,094,033	11,200,280
Imports under CBERA <sup>1</sup>			
1,000 dollars . . . . .	1,498,556	1,903,613	2,050,158
Percent of total . . . . .	15.9	18.9	18.3

<sup>1</sup> Value of imports under CBERA has been reduced by the value of most-favored-nation (MFN) duty-free imports and ineligible items that were misreported as entering under the program.

Source: Compiled from official statistics of the U.S. Department of Commerce.

ATPA benefits were modeled after CBERA. A wide range of Andean products is eligible for duty-free entry.<sup>52</sup> ATPA excludes from duty-free entry the same list of articles excluded under CBERA. Rum also is excluded.<sup>53</sup> As under CBERA, handbags, luggage, flat goods (such as wallets, change purses, and eyeglass cases), work gloves, and leather wearing apparel are not eligible for ATPA duty-free entry; however, duties on these articles are being reduced by a total of 20 percent beginning January 1, 1992, in five equal annual installments. Unlike CBERA beneficiaries, the four Andean countries are not eligible for GALs.

Imports from Colombia and Bolivia have been eligible for duty-free entry under ATPA since 1992. Imports from Ecuador and Peru became eligible for ATPA benefits during 1993.<sup>54</sup> U.S. imports from the four Andean countries totaled \$5.9 billion in 1994, or 0.9 percent of all U.S. imports. Table 5-5 shows that imports under ATPA provisions totaled \$683.8 million in 1994 or 11.6 percent of all U.S. imports from the four Andean countries (shown by country in table A-34).

The leading items afforded duty-free entry under ATPA in 1994 were fresh cut flowers, including chrysanthemums, standard carnations, anthuriums, orchids, roses, and other cut flowers and flower buds; precious metal jewelry, including ropes and chains; and nonadhesive plates, sheets, and foils (table A-35).

## ***National Security Import Restrictions***

Section 232 of the Trade Expansion Act of 1962 authorizes the President, on the basis of a formal investigation and report by the Secretary of Commerce, to impose restrictions on imports that threaten to impair the national security of the United States. Among the most important criteria considered by Commerce are—

- Requirements of the defense and essential civilian sectors;

- Maximum domestic production capacity;
- Quantity, quality, and availability of imports;
- Impact of foreign competition on the economic welfare of the essential domestic industry; and
- Other factors relevant to the unique circumstances of the specific case.

The President has 90 days to decide on appropriate action after receipt of the Secretary's findings. The section 232 authority to adjust imports has been used sparingly in the past. It has most notably been employed in connection with the imposition of quotas, fees, or economic sanctions on imports of petroleum products.

On March 11, 1994, Commerce received a petition from the Independent Petroleum Association of America (IPAA) requesting an investigation to determine the impact of imports of crude oil and refined petroleum products on national security.<sup>55</sup> Commerce accepted the petition and instituted an investigation on April 5, 1994. The petitioners alleged that "U.S. energy security worsened since the Department's last section 232 oil import investigation in 1988 because oil imports grew both in absolute terms and as a percentage of U.S. oil consumption, leaving the United States further subject to an oil supply disruption with the resultant economic costs." The IPAA also maintained that imports of low-priced oil adversely affected the domestic petroleum industry such that it would not be able to meet the needs of the U.S. military in the event of a major conventional war.

In December 1994, Commerce issued a report finding that crude oil and refined petroleum products were being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security. However, Commerce recommended that the President not use his authority to adjust imports because, on balance, the costs of such an action would outweigh the potential benefits.

**Table 5-5**  
**U.S. imports for consumption from Andean countries, 1992-94**

Item	1992	1993	1994
Total imports ( <i>1,000 dollars</i> ) . . . . .	3,049,595	5,282,292	5,879,505
Imports under ATPA <sup>1</sup>			
<i>1,000 dollars</i> . . . . .	97,117	401,421	683,817
Percent of total . . . . .	3.2	7.6	11.6

<sup>1</sup> Value of imports under ATPA has been reduced by the value of most-favored-nation (MFN) duty-free imports and ineligible items that were misreported as entering under the program.

Source: Compiled from official statistics of the U.S. Department of Commerce.

The Coors Electronic Package Co. and Ceramic Process Systems Corp. filed a petition on November 10, 1992, with Commerce requesting an investigation to determine the impact of imports of ceramic semiconductor packages on national security. The petitioners alleged that imports from Japan were having an adverse impact on the domestic ceramic semiconductor industry. Coors and Ceramic Process Systems also alleged that one Japanese company enjoyed a near monopoly of supply to the U.S. market.<sup>56</sup> In August 1993 Commerce issued a report finding that ceramic semiconductor packages were not being imported into the United States in quantities and under such circumstances as to threaten to impair national security. Commerce made several recommendations to the domestic industry and the Department of Defense on how to assist and support this industry. Commerce forwarded its findings to the President in February 1994. No further action was taken during 1994.

## ***Agricultural Adjustment Act***

Under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624), the President may take action to restrict imports that render, or tend to render, ineffective or materially interfere with the operation of any U.S. Department of Agriculture (USDA) program. The President acts on the basis of an investigation and report by the USITC, although he may take emergency action pending receipt of that report. Following advice of the Secretary of Agriculture and the investigation of the USITC, the President may modify, suspend, or terminate import restrictions because of changed circumstances.

As directed by the President, on January 18, 1994, the Commission instituted investigation No. 22-54 under section 22 to determine whether wheat, wheat flour, and semolina are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with the price support, payment, and production adjustment program conducted by the U.S. Department of Agriculture for wheat. On July 15, 1994, the USITC reported its split findings: (1) three Commissioners found that wheat, wheat flour, and semolina are not being imported under such conditions and in such quantities as to “render, or tend to render, ineffective” the USDA wheat program but that the evidence of regional impact of increased wheat imports could support the President finding either “material interference” or “no material interference”; and (2) three Commissioners found (in two separate opinions) that wheat, wheat flour, and

semolina are being imported into the United States under such conditions and in such quantities as to materially interfere with certain USDA programs for wheat.<sup>57</sup>

Following transmittal of the Commission’s report to the President, the U.S. Government reached an agreement with the Government of Canada on August 2, 1994.<sup>58</sup> On that day, the President established separate tariff-rate quotas on durum and nondurum wheat that totaled 1.5 million metric tons.<sup>59</sup> The tariff-rate quotas applied to wheat imports from all countries and would last for 1 year or through September 11, 1995. However, virtually all U.S. wheat imports during the past 5 years have come from Canada. The section 22 restrictions did not affect U.S. imports of semolina, wheat flour, or white wheat.<sup>60</sup>

In addition to the U.S. tariff-rate quota on wheat of 1.5 million metric tons, the United States and Canada established a Joint Commission on Grains to examine the countries’ marketing and support systems for all grains, and agreed to a “peace clause” for 1 year to assure that there would be no additional restrictions or countermeasures. This Joint Commission is to be composed of U.S. and Canadian private-sector experts who will provide nonbinding recommendations to help the two countries find solutions to bilateral grain trade problems.<sup>61</sup>

On January 19, 1994, as directed by the President, the Commission instituted investigation No. 22-55 under section 22 to determine whether peanut butter and peanut paste are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with the price support and production adjustment program conducted by the U.S. Department of Agriculture for peanuts. On June 29, 1994, the Commission suspended the investigation on peanut butter and peanut paste in response to a letter from the President requesting the suspension.

Section 22 quantitative import restrictions continued in effect through the end of 1994 on cotton products of certain specified staple lengths; cotton waste; peanuts; specified dairy products; and certain products containing added sugar, such as sweetened cocoa, imported pancake flours, and iced-tea mixes. Import fees also remained in effect on refined sugar.

In 1995, section 22 authority will be markedly different. With the completion of the Uruguay Round Agreements,<sup>62</sup> the Uruguay Round Agreements Act (URAA)<sup>63</sup> amended section 22 to limit its application to imports from non-WTO countries after December 31, 1994. Under a process known as “tariffication,”

section 22 quotas and fees on agricultural products were converted to bound tariffs. The URAA also provided minimum import access to the U.S. market for these products through tariff-rate quotas<sup>64</sup> and established special safeguard provisions.

## ***Meat Import Act of 1979***

The U.S. Meat Import Act of 1979<sup>65</sup> requires the President to impose quotas on imports of bovine meat—primarily fresh, chilled, or frozen beef<sup>66</sup>—if the projected aggregate quantity of the subject meats for the calendar year, as estimated by the USDA, is expected to exceed a specified “trigger” level.<sup>67</sup> The trigger level, equivalent to 110 percent of the applicable quota for meat imports in a given year, is calculated on the basis of a formula outlined in the law.

Meat imports subject to the law are reviewed quarterly by the Secretary of Agriculture for conformance to the trigger levels, at which time an estimate is made of total imports for the year. If the annual unrestrained meat import level is projected to exceed the trigger level, attempts are made to negotiate voluntary restraint agreements (VRAs) with major suppliers. To date, VRAs have reduced the need for unilateral Presidential action, such as the imposition of quotas.

On January 6, 1994, the USDA announced that the quota level for meat imports in 1994 was 1,108.1 million pounds, which translated into a 1,218.9-million-pound trigger level.<sup>68</sup> Actual imports of meat subject to the act totaled 1,214.3 million pounds in 1994, as shown in the following tabulation:

<b>Country</b>	<b>Quantity</b>
Australia .....	662.8
New Zealand .....	392.2
Costa Rica .....	49.9
Nicaragua .....	44.8
Honduras .....	35.5
Guatemala .....	12.1
Dominican Republic .....	11.4
Sweden .....	3.0
Finland .....	2.0
EU .....	.5
Israel .....	.1
Japan .....	( <sup>1</sup> )
<b>Total .....</b>	<b>1,214.3</b>

<sup>1</sup> Less than 100,000 pounds.

In 1993, Australia and New Zealand agreed to limit voluntarily exports of quota meat to 664.9 million pounds and 406.6 million pounds, respectively, for

calendar year 1994.<sup>69</sup> On the basis of these agreements, the USDA estimated that 1,218.8 million pounds of meat would be imported during 1994, nearly equal to the trigger level. As a result, the United States imposed no quota limitations in 1994.

On January 6, 1995, the USDA released its initial estimate of 1995 meat imports in the absence of the restraint. Meat imports subject to the law were projected to total 1,250 million pounds—17.9 million pounds below the 1995 trigger level of 1,267.9 million pounds that would mandate quantitative restrictions.<sup>70</sup> However, with the passage of the URAA, the Meat Import Act was terminated; instead, meat imports are subject to a bound tariff of 31.1 percent ad valorem. The URAA also established a tariff-rate quota of 656,621 metric tons (1,448 million pounds). Amounts exceeding the quota are subject to a tariff of 31.1 percent ad valorem in 1995, to be reduced in equal annual installments over 6 years to 26.4 percent ad valorem, a 15-percent reduction from the original rate. In-quota amounts are subject to a duty equal to 4.4¢/kg.

## ***U.S. Trade Programs Affecting Textile and Apparel Imports***

### **The Multifiber Arrangement**

World trade in textiles and apparel during the past 20 years has been largely governed by quotas negotiated under the Arrangement Regarding International Trade in Textiles, known as the Multifiber Arrangement (MFA). The MFA was intended to deal with market disruption in importing developed countries, while allowing exporting developing countries to expand their share of world trade in these goods. Under the MFA, developed countries negotiated bilateral agreements with exporting developing countries for the purpose of setting quotas and quota growth rates. These quotas were a departure from the GATT in that they were applied on a country-specific basis, in contradiction to the nondiscrimination principle that all GATT member countries be treated equally when quotas or other trade restrictions are applied.

On December 9, 1993, the MFA was extended for a sixth time, to December 31, 1994. The last three extensions of the MFA were intended to bridge its expiration with the adoption of the Uruguay Round Agreement on Textiles and Clothing (ATC). On January 1, 1995, all agreements negotiated under the MFA with WTO members were superseded by the ATC (table 5-6). Under the ATC, textile and apparel

**Table 5-6**  
**Countries with which the United States has textile and apparel quotas, as of March 1995:<sup>1</sup> U.S.**  
**general imports under the Multifiber Arrangement in 1994**

(1,000 dollars)

Country	Imports
<b>Subject to the World Trade Organization (WTO) Agreement on Textiles and Clothing</b>	
Bahrain .....	66,079
Bangladesh .....	927,394
Brazil .....	320,471
Costa Rica .....	693,795
Czech Republic .....	37,669
Dominican Republic .....	1,618,031
Hong Kong .....	4,405,426
Hungary .....	64,435
India .....	1,520,315
Indonesia .....	1,170,247
Jamaica .....	455,066
Kenya .....	37,432
Kuwait .....	24,206
Macau .....	606,967
Malaysia .....	703,968
Mauritius .....	187,192
Pakistan .....	767,906
Philippines .....	1,457,012
Republic of Korea .....	2,448,814
Romania .....	41,131
Singapore .....	473,804
Slovakia .....	15,329
Sri Lanka .....	892,403
Thailand .....	1,233,960
Turkey .....	688,240
Uruguay .....	16,999
<b>Subject to bilateral agreements (non-WTO members)</b>	
Bulgaria .....	43,194
China .....	4,930,599
Colombia .....	384,030
Egypt .....	254,461
El Salvador .....	420,915
Fiji .....	55,150
Guatemala .....	612,101
Haiti .....	30,232
Laos .....	6,884
Macedonia <sup>2</sup> .....	32,902
Myanmar (Burma) <sup>2</sup> .....	46,715
Nepal .....	112,536
Oman .....	102,280
Poland .....	70,436
Qatar .....	58,406
Taiwan .....	2,829,705
Ukraine .....	45,517
United Arab Emirates .....	184,029
<b>Subject to North American Free-Trade Agreement</b>	
Mexico .....	1,897,351

<sup>1</sup> The United States also has visa arrangements with Japan, Lebanon, Maldives, Panama, Peru, and Trinidad and Tobago. The arrangement with Panama also includes anticircumvention language.

<sup>2</sup> Subject to unilateral restraints.

Source: Trade data compiled from official statistics of the U.S. Department of Commerce, Bureau of the Census. Information on quota status from the U.S. Department of Commerce, International Trade Administration, Office of Textiles and Apparel.



quotas will be phased out over 10 years.<sup>71</sup> Quotas for countries that are currently not WTO members are subject to section 204 of the Agricultural Act of 1956 (7 U.S.C. 1854). The United States is not obligated under the ATC to phase out quotas for non-WTO members.

Bilateral quota agreements negotiated under the MFA governed most U.S. imports of textiles and apparel during 1994. The MFA covered textiles and apparel of cotton, other vegetable fibers, wool, manmade fibers, and silk blends. The United States had quotas on MFA-product imports from about 45 countries during 1994, which supplied 78 percent of total MFA imports that year (table 5-6).

Transshipments of textiles and apparel through third countries to evade quotas continued to be a problem during 1994. Textile and apparel transshipments from China, the country involved in the most significant amount of illegal transshipments, totaled an estimated \$2 billion annually in recent years.<sup>72</sup> In an effort to curtail this practice and other types of fraud, the United States continued to negotiate stronger fraud and anticircumvention language in bilateral agreements that were extended or renegotiated in 1994.<sup>73</sup> The new language clarifies the right of the United States to charge illegal transshipments against quota, gives it the right to make plant visits to verify production capacity of a foreign manufacturer, and permits it to charge up to three times the amount of the transshipments against quotas in instances of repeated violations involving a particular country.<sup>74</sup> By the end of 1994, bilateral agreements with 31 countries contained the stronger anticircumvention language.

After a series of negotiations with China in 1993 and early 1994, the USTR announced on January 17, 1994, that the two countries concluded a 3-year textile agreement. The new agreement called for zero growth in China's quotas in 1994 and for 1-percent annual growth for 1995-96.<sup>75</sup> China also agreed to anticircumvention language similar to that included in bilateral agreements renegotiated with other countries. For the first time, the two countries also negotiated an agreement to bring chiefly silk apparel from China under quota. This agreement limits China's shipments of such silk apparel, which was not covered by the MFA, to annual quota growth of 1 percent.<sup>76</sup>

The United States also extended or renegotiated bilateral agreements in 1994 with India, Pakistan, Macau, Thailand, the Philippines, Indonesia, Hungary, Poland, Romania, Nepal, Jamaica, Costa Rica, Brazil, Bangladesh, and Uruguay.<sup>77</sup> New bilateral agreements were negotiated with Kuwait, El Salvador, and Kenya during 1994.<sup>78</sup>

The bilateral textile and apparel agreement with Mexico expired on December 31, 1993. Schedule 3.1.2 of annex 300-B of NAFTA, which entered into force on January 1, 1994, provides for limits on nonoriginating textile and apparel products imported from Mexico and sets forth a schedule for the progressive elimination of such limits by the year 2004. When NAFTA entered into force, the United States immediately lifted quotas on slightly more than 90 percent of U.S. apparel imports and 65 percent of textile imports from Mexico (based on 1991 trade, the base year for NAFTA negotiations). Also during the first year, about 30 percent of U.S. apparel imports and 17 percent of textile imports became eligible for duty-free treatment (also based on 1991 trade). All other quotas on Mexican textiles and apparel are being phased out over a 10-year period, and almost all other U.S. tariffs on Mexican garments that meet NAFTA rules of origin will be removed within 6 years and the remainder, within 10 years.<sup>79</sup>

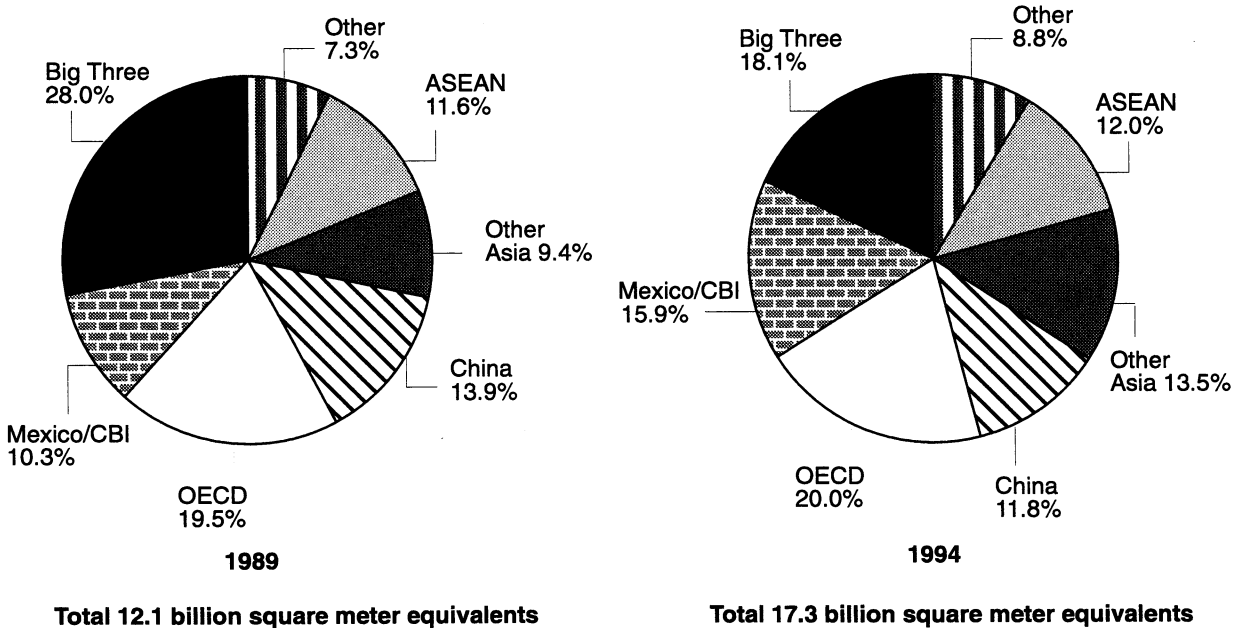
Also during 1994, the United States sought market-access commitments from signatories to the Uruguay Round Agreements that are significant exporters of textiles and apparel to the United States. This was done in preparation for the passage of the ATC, which requires both developed and developing countries to reduce trade barriers on textiles and apparel in their home markets. Developing countries such as Egypt, India, Pakistan, the Philippines, Thailand, and Turkey agreed to open their markets to U.S. textile and apparel exports.<sup>80</sup>

## U.S. Trade in 1994

U.S. imports of MFA products in 1994 rose by 9 percent over the 1993 level to a record 17.3 billion square meter equivalents (SMEs) valued at almost \$40 billion (see figure 5-1). This growth was equal to the gain in MFA imports in 1993, but smaller than the 1992 gain of 13 percent. Import growth averaged 11 percent a year during the 1980s, before slowing to less than 1 percent in 1990 and to 5 percent in 1991. Most of the gain in 1994 came in apparel, imports of which grew almost twice as fast as they had in 1993, or by 12 percent compared with an annual rate of 7 percent in 1993. By contrast, the annual growth rate for imports of nonapparel products slowed to 7 percent in 1994 compared with annual growth of 12 percent in 1993.

Mexico was the fastest growing major supplier of textiles and apparel to the U.S. market in 1994. Mexico's shipments of these products, which consist mostly of apparel, escalated by 31 percent in quantity and by 38 percent in value over 1993 levels to 977.0 million SMEs valued at \$1.9 billion. Mexico's

**Figure 5-1**  
**U.S. imports of textiles and apparel covered by the MFA, by major suppliers, 1989 and 1994**



Note.—The Big Three refers to Hong Kong, Korea, and Taiwan. Other Asia consists of the following countries: Bangladesh, India, Pakistan, Sri Lanka, and Macau. In addition, OECD does not include Mexico, a member country.

Source: Compiled from official statistics of the U.S. Department of Commerce.

shipments of apparel alone grew by 50 percent in quantity and by 42 percent in value, reaching 482.1 million SMEs, valued at \$1.6 billion in 1994. The growth in apparel imports in 1994 was more than double the 1993 growth in these imports. Much of the 1994 increase can be attributed to the quota elimination and duty reductions under the NAFTA. The majority of the imports from Mexico (52 percent of the total quantity of textile and apparel imports and 90 percent of the total quantity of apparel imports alone) consisted of apparel assembled in Mexico of U.S. formed and cut fabrics that were classified under *HTS* item number 9802—formerly tariff item 807. The rapid growth in Mexico's shipments of these products in 1994 enabled Mexico to surpass Korea as the fifth-largest supplier to the United States of textiles and apparel, trailing only China, Canada, Taiwan, and Hong Kong.

Growth in textile and apparel imports from the Caribbean countries slowed in 1994 from annual growth rates of 19 percent in 1993, 21 percent in 1992, and 23 percent in 1991. U.S. textile and apparel imports from the Caribbean countries grew by 15

percent in quantity and by 13 percent in value in 1994 over 1993 levels to 1.8 billion SMEs valued at \$4.6 billion. Apparel imports from the Caribbean countries accounted for 91 percent of the total quantity and 98 percent of the total value of textile and apparel imports from the region in 1994. Approximately 82 percent of the total quantity of apparel imports in 1994 consisted of apparel assembled from U.S. components, whose duties are assessed only on the value added offshore and which enter under the 807 tariff provision. Garments assembled in the region from fabrics formed and cut in the United States additionally benefit from preferential quota access to the U.S. market. The slowdown in growth of 1994 imports from this region reflects a shift in some U.S. trade from Caribbean countries to Mexico as Caribbean nations usually compete with Mexico for assembly work from U.S. apparel firms. During 1994, Mexico benefited from liberalized textile and apparel trade under the NAFTA as approximately 90 percent of the apparel imports from Mexico (based on 1991 trade) became quota free in 1994 and about one-third of apparel imports from

Mexico became eligible for duty-free treatment in 1994. The Caribbean countries have expressed concern over losing apparel investment and market share to Mexico because of the benefits Mexico receives. Responding to this concern, the Clinton administration in May 1994 proposed an "Interim Trade Program for the Caribbean Basin" that would give the Caribbean countries almost the same access to the U.S. apparel market as Mexico receives under NAFTA. Although the administration had expressed a desire to include this trade program in the Uruguay Round implementing legislation, the program was not included. Legislation introduced in the 104th Congress, the Caribbean Basin Trade Security Act (H.R. 553 and S. 529), would temporarily provide CBERA countries tariff and quota treatment equivalent to that accorded products from Mexico under NAFTA.

China remained the largest U.S. foreign supplier of textiles and apparel in 1994, accounting for 12 percent of total imports. However, during 1994, imports from China fell by 3 percent in quantity terms from the 1993 level, to 2.0 billion SMEs. At the same time, the value of China's shipments rose by 3 percent to \$4.9 billion. This was the first decline in textile and apparel shipments from China in quantity terms in 5 years.

U.S. imports of textiles and apparel from the traditional Big Three Asian suppliers—Hong Kong, Korea, and Taiwan—increased for the first time in 5 years, by 3 percent, to 3.1 billion SMEs valued at \$9.7 billion. The increase came almost entirely from Hong Kong, whose shipments, primarily apparel, increased by 9 percent in 1994 to 1.0 billion SMEs (\$4.4 billion). Imports from Taiwan in 1994 remained unchanged at 1.2 billion SMEs (\$2.8 billion) and those from Korea fell by 1 percent to 864.1 million SMEs (\$2.4 billion).

Growth in imports from the Association of Southeast Asian Nations (ASEAN) continued to slow in 1994 when their shipments rose by only 3 percent, after having increased by 8 percent in 1993, and by 25 percent in 1992. The Philippines was the only ASEAN country whose shipments to the United States grew at a faster rate in 1994 than the previous year—11-percent growth compared with 8-percent growth in 1993. Shipments from Indonesia slowed to an annual growth rate of 8 percent in 1994 compared with an annual growth rate of 20 percent in 1993. Imports from Singapore continued to decline in 1994, dropping by 17 percent in 1994, compared with a 22-percent drop in 1993.

## New Rules of Origin for Textiles and Apparel

Significant changes in trade patterns, particularly for apparel, will likely result from a provision in the URAA, the U.S. legislation implementing the Uruguay Round Agreements, which establishes for the first time by statute specific principles for rules of origin for U.S. imports of textiles and apparel. This provision, section 334 of the act, which is not required by the GATT Uruguay Round Agreements, requires that the Secretary of the Treasury issue new rules of origin for public comment not later than July 1, 1995. The rules, subject to exceptions for existing contracts at the time the law was enacted, are required to become effective July 1, 1996. The principles set forth in the act as guidelines for the new rules generally conform with current practices with respect to fibers, yarns, and fabrics. However, with respect to apparel assembled in one country from parts cut elsewhere, the act requires that the rules be based on the country of assembly rather than that of cutting.<sup>81</sup>

The new rules would change the current U.S. practice that allows apparel manufacturers in relatively high-labor-cost countries with available quota, such as Hong Kong, Korea, Taiwan, and Singapore, to cut fabric into parts and have the parts sewn together in nearby low-cost countries, such as China, Thailand, or Vietnam. The finished garments can be exported to the United States, and the country where the parts were cut is considered to be the country of origin. U.S. industry sources contend that the current rules essentially allow low-labor-cost countries, particularly China, legally to circumvent quotas by producing garments that are charged to quotas of other countries.<sup>82</sup>

As the President and Congress were drafting the URAA, U.S. textile and apparel manufacturers lobbied for a change in rules of origin for textile products.<sup>83</sup> Representatives of the U.S. textile and apparel industry argued that "cutting should not subordinate the entire assembly process merely because cutting causes a change from a fabric to an assemblage of components. It is the assembly process that turns these components into a useable garment."<sup>84</sup> They further stated that with high-tech, electronically controlled cutting systems, cutting contributes a minor part (roughly 5 percent) to the costs of garment construction.<sup>85</sup> Finally, they added that origin rules were being used to "legally circumvent" quotas by permitting greater and greater amounts of assembly work to be done in low-wage countries while the finished garments were

being charged to quotas of the higher wage country in which the garment parts were cut or were considered to originate in a cutting country without quota.<sup>86</sup> During House-Senate conferences to reconcile differences between the draft language advocated by each body of Congress, the specific principle that assembly confers origin for apparel was included in the final text of the URAA later passed by Congress and signed into law by President Clinton.

Textile and apparel importers expressed concern about the impact of the proposed rules of origin insofar as they conflict with many origin rulings previously issued by Customs.<sup>87</sup> Investment decisions often are made based on these rulings. On the other hand, some importers have stated that the proposed rules are more

transparent than the current rules and thus are likely to result in fewer inconsistent rulings by Customs.<sup>88</sup> Importer advocates also raise the point that establishing the new rules of origin as prescribed by the URAA is counterproductive because the Uruguay Round Agreements provide for a 3-year program to harmonize rules of origin.<sup>89</sup> They contend that the new U.S. rules would prejudice this work, to be undertaken under the Customs Cooperation Council and the WTO. The Clinton administration has stated that it believes the proposed new U.S. rules of origin for apparel based on assembly are not inconsistent with this effort because “conferring origin on the basis of cutting in certain circumstances was a departure from the practice applied in other major importing countries....”<sup>90</sup>

## ENDNOTES

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<sup>1</sup> 19 U.S.C. 2251 et seq.

<sup>2</sup> 19 U.S.C. 2436.

<sup>3</sup> 19 U.S.C. 3351.

<sup>4</sup> Ibid.

<sup>5</sup> 58 F.R. 54169, instituting investigation No. TA-406-13.

<sup>6</sup> USITC, *Honey From China* (investigation No. TA-406-13), USITC publication 2715, Jan. 1994, pp. I-3 and I-4. The honey products covered by the investigation included natural honey, artificial honey containing natural honey, and preparations of honey from China.

<sup>7</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 103.

<sup>8</sup> The program and certain eligibility standards were modified by the Deficit Reduction Act of 1984 and by the Omnibus Budget Reconciliation Acts of 1981 and 1985. Additional modifications, primarily in job-training assistance and in coverage of certain workers in the oil and gas industries, were made through provisions of the Omnibus Trade and Competitiveness Act of 1988. Public Law 100-418, sec. 1421-1430.

<sup>9</sup> NAFTA Implementation Act, title V, NAFTA Transitional Adjustment Assistance and Other Provisions, Public Law No. 103-182, 107 Stat. 2057, sec. 501-507 (Dec. 8, 1993).

<sup>10</sup> Sections 251 through 264 of the TAA.

<sup>11</sup> Derived from official statistics of the U.S. Department of Labor, Employment and Training Administration, Office of Trade Adjustment Assistance Management Information System.

<sup>12</sup> Ibid.

<sup>13</sup> NAFTA Implementation Act, Title V, NAFTA Transitional Adjustment Assistance and Other Provisions, Public Law No. 103-182, 107 Stat. 2057, sec. 501-507 (Dec. 8, 1993).

<sup>14</sup> U.S. Department of Labor, "NAFTA Transitional Adjustment Assistance Program," *U.S. Department of Labor Program Highlights*, Fact Sheet No. ETA 94-17.

<sup>15</sup> During fiscal 1994, 1,019 workers filed for TRA and 81 workers received at least their first payment.

<sup>16</sup> U.S. Department of Labor, "NAFTA Transitional Adjustment Assistance Program," *U.S. Department of Labor Program Highlights*, Fact Sheet No. ETA 94-17.

<sup>17</sup> Three of the orders were issued in response to reviews of outstanding antidumping orders and suspension agreements.

<sup>18</sup> Information contained in this table was compiled from USTR, *Report to Congress on Section 301 Developments Required by Section 309(a)(3) of the Trade Act of 1974*.

<sup>19</sup> See 19 U.S.C. 1673 et seq.

<sup>20</sup> 19 U.S.C. 1677b; 19 CFR part 353, subpart D.

<sup>21</sup> Upon the filing of a petition, the Commission has 45 days to make a preliminary determination of whether there is a reasonable indication of material injury or threat of material injury to an industry or of a material retardation of the establishment of an industry. If this determination is affirmative, Commerce continues its investigation and makes preliminary and final determinations concerning whether the imported article is being, or is likely to be, sold at LTFV. If Commerce reaches a final affirmative dumping determination, the Commission has 45 days thereafter to make its final injury determination. If the Commission's preliminary determination is negative, by contrast, both the Commission and Commerce terminate further investigation.

<sup>22</sup> The figures set forth in this section do not include court-remanded investigations on which new votes were taken or investigations terminated before a determination was reached.

<sup>23</sup> An antidumping investigation may be suspended through an agreement before a final determination by the U.S. Department of Commerce. An investigation may be suspended if exporters accounting for substantially all of the imports of the merchandise under investigation agree either to eliminate the dumping or to cease exports of the merchandise to the United States within 6 months. In extraordinary circumstances, an investigation may be suspended if exporters agree to revise prices to completely eliminate the injurious effect of the imports. A suspended investigation is reinstated should LTFV sales recur. See 19 U.S.C. 1673c.

<sup>24</sup> When a petition alleges dumping (or subsidies) with respect to more than one like product and/or by more than one country, separate investigations generally are instituted for imports of each product from each country and each such investigation may be given a separate number. For this reason, the numbers of investigations instituted and determinations made may exceed the number of petitions filed. Moreover, an investigation based on a petition filed in 1 calendar year may not be completed until the next year. Thus, the number of petitions filed may not correspond closely to the number of determinations made. Additionally, the numbers set forth in this tabulation do not include determinations made following court-ordered remands.

<sup>25</sup> These figures include petitions withdrawn voluntarily by petitioners.

<sup>26</sup> A subsidy is defined as a bounty or grant bestowed directly or indirectly by any country, dependency, colony, province, or other political subdivision on the manufacture, production, or export of products. See 19 U.S.C. 1303(a)(1), 1677(5), and 1677-1(a).

<sup>27</sup> Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade.

<sup>28</sup> See 19 U.S.C. 1671.

<sup>29</sup> Section 303(a)(2) provides that "[i]n the case of any imported article or merchandise which is free

of duty, duties may be imposed under this section only if there are affirmative [injury] determinations by the Commission . . . except that such a determination shall not be required unless a determination of injury is required by the international obligations of the United States.” 19 U.S.C. 1303(a)(2).

<sup>30</sup> Section 303 was repealed by the URAA, effective Jan. 1, 1995.

<sup>31</sup> The figures set forth in this section do not include court-remanded cases on which new votes were taken or investigations terminated before a determination was reached.

<sup>32</sup> A countervailing duty investigation may be suspended through an agreement before a final determination by Commerce if—(1) the subsidizing country, or exporters accounting for substantially all of the imports of the merchandise under investigation, agree to eliminate the subsidy, to completely offset the net subsidy, or to cease exports of the merchandise to the United States within 6 months; or (2) extraordinary circumstances are present and the government or exporters described above agree to completely eliminate the injurious effect of the imports of the merchandise under investigation. A suspended investigation is reinstated if subsidization recurs. See 19 U.S.C. 1671c.

<sup>33</sup> The numbers of investigations instituted and determinations made generally exceed the number of petitions filed.

<sup>34</sup> Also unlawful under section 337 are other unfair methods of competition or unfair acts in the importation of articles into the United States or in the sale of imported articles, the threat or effect of which is to destroy or substantially injure a domestic industry, to prevent the establishment of an industry, or to restrain or monopolize trade and commerce in the United States. Examples of “other” unfair acts are misappropriation of trade secrets, common law trademark infringement, misappropriation of trade dress, false advertising, and false designation of origin. Unfair practices that involve the importation of dumped or subsidized merchandise must be pursued under antidumping and countervailing duty provisions and not under section 337.

<sup>35</sup> Section 337 proceedings at the Commission are conducted before an administrative law judge in accordance with the Administrative Procedure Act, 5 U.S.C. 551 et seq. The administrative law judge conducts an evidentiary hearing and makes an initial determination, which is transmitted to the Commission. The Commission may adopt the determination by deciding not to review it, or it may choose to review it. If the Commission finds a violation, it must determine the appropriate remedy, the amount of any bond to be collected while its determination is under review by the President, and whether certain public interest considerations preclude the issuance of any remedy.

<sup>36</sup> The figures reported as duty-free imports under CBERA and ATPA include reduced-duty imports. However, in 1994 these reduced-duty imports accounted for less than 0.5 percent of total imports from designated countries.

<sup>37</sup> Title V of the Trade Act of 1974 (Public Law 93-618, 88 stat. 2066 and following), and title V of the Trade and Tariff Act of 1984 (Public Law 98-573, 98 stat. 3018 and following) as amended (19 U.S.C. 2461 and following). For general background information about the GSP program, see USTR, *A Guide to the Generalized System of Preferences* (Aug. 91); and U.S. Congress, Committee on Ways and Means, *The President's Report to the Congress on the Generalized System of Preferences as Required by Section 505(B) of the Trade Act of 1974*, as amended, WMCP 101-23 (Washington, DC, 1990).

<sup>38</sup> The countries that are designated as “beneficiary developing countries” for purposes of the GSP program are listed in general note 4(a) to the *Harmonized Tariff Schedule of the United States (HTS)*.

<sup>39</sup> For purposes of the U.S. GSP program, *HTS* provisions that have the letter “A” or “A\*” in the special subcolumn of rates of duty column 1 encompass the designated “eligible articles.” The “A” indicates that all goods classifiable in that provision from all beneficiary countries are eligible for duty-free entry. The “A\*” indicates that all goods classifiable in that provision are eligible for duty-free entry, but that goods from at least one beneficiary country are not eligible for duty-free entry. General note 4(d) to the *HTS* lists those *HTS* provisions and the beneficiary countries whose goods are not eligible for duty-free entry.

<sup>40</sup> 59 F.R. 65547.

<sup>41</sup> CBERA countries are listed in table A-33.

<sup>42</sup> Public Law 98-67, title II, 97 Stat. 384, 19 U.S.C. 2701 et seq. Relatively minor amendments were made to CBERA by Public Laws 98-573, 99-514, 99-570, and 100-418. CBERA was significantly expanded by the Caribbean Basin Economic Recovery Expansion Act of 1990, Public Law 101-382, title II, 104 Stat. 629, 19 U.S.C. 2101 note.

<sup>43</sup> For a more detailed description of the CBERA, including country and product eligibility, see USITC, *The First Ten Years of CBERA: Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers: Ninth Report, 1993* (investigation No. 332-227), USITC publication 2813, Sept. 1994.

<sup>44</sup> President, “Address Before the Permanent Council of the Organization of American States,” *Weekly Compilation of Presidential Documents*, Mar. 1, 1982, pp. 217-223.

<sup>45</sup> Section 213(a) of CBERA (19 U.S.C. 2703(a)) establishes criteria, or rules of origin, to determine which articles are eligible for duty-free treatment under the act.

<sup>46</sup> Haiti was reinstated on October 21, 1994.

<sup>47</sup> An agreement with El Salvador became effective on January 11, 1995, and on March 27, 1995, the United States requested consultations with Honduras for a bilateral agreement to include GALs.

<sup>48</sup> U.S. customs duties, otherwise payable at the normal duty rate, are assessed only on the value added to the U.S. components as a result of processing or assembly in the foreign location; the

U.S. content is duty-free. Both the dutiable and the duty-free components of GAL imports are reported under HTS statistical reporting number 9802.00.8015.

<sup>49</sup> For more background on ATPA, see USITC, *Annual Report on the Impact of the Andean Trade Preference Act on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution* (investigation No. 332-352), USITC publication No. 2814, Sept. 1994.

<sup>50</sup> Public Law 102-182, title II, 105 Stat. 1236, 19 U.S.C. 3202.

<sup>51</sup> President, "Remarks Following Discussions With President Rodrigo Borja Cevallos of Ecuador," *Weekly Compilation of Presidential Documents*, July 23, 1990, pp. 1140-1143.

<sup>52</sup> Section 204(a) of ATPA (19 U.S.C. 3203(a)) establishes rules of origin to determine which articles are eligible for duty-free treatment under the act.

<sup>53</sup> ATPA sec. 204(b), 19 U.S.C. 3203(b).

<sup>54</sup> President, "Proclamation 6544—To Modify the Duty-Free Treatment Under the Andean Trade Preference Act, To Modify the Generalized System of Preferences, and for Other Purposes," *Weekly Compilation of Presidential Documents*, Apr. 14, 1993, pp. 583-586; and "Proclamation 6585—To Designate Peru as a Beneficiary Country for Purposes of the Andean Trade Preference Act," *Weekly Compilation of Presidential Documents*, Aug. 12, 1993, pp. 1608-1609.

<sup>55</sup> U.S. Department of Commerce, Bureau of Export Administration, *The Effect of Imports of Crude Oil and Refined Petroleum Products on the National Security*, Dec. 1994.

<sup>56</sup> U.S. Department of Commerce, Bureau of Export Administration, Office of Industrial Resource Administration, Strategic Analysis Division, *The Effect Of Imports of Ceramic Semiconductor Packages on the National Security*, Aug. 1993.

<sup>57</sup> USITC, *Wheat, Wheat Flour, and Semolina* (investigation No. 22-54), USITC publication 2794, July 1994, p. 3.

<sup>58</sup> USDA, "Joint Release from Secretary Espy and U.S. Trade Representative Kantor on U.S./Canada Wheat Trade," news release No. 0586.94, Aug. 2, 1994.

<sup>59</sup> Presidential Proclamation 6740 (To Establish Tariff Rate Quotas on Certain Wheat), effective Sept. 12, 1994.

<sup>60</sup> This bilateral dispute is explained in further detail in the chapter 4 section on Canada.

<sup>61</sup> U.S. farmers were particularly concerned about the trade practices of the Canadian Wheat Board and Canadian subsidy programs, such as those authorized by the Western Grain Transportation Act. These complaints are addressed in the chapter 4 section on Canada.

<sup>62</sup> For a description of the URA provisions for agricultural products receiving Government assistance, see USITC, *Potential Impact on the U.S. Economy and Industries of the GATT Uruguay Round Agreements* (investigation No. 332-353), USITC publication 2790, June 1994, pp. II-1 to II-7.

<sup>63</sup> Uruguay Round Agreements Act, Public Law 103-465, Dec. 8, 1994.

<sup>64</sup> A tariff-rate quota applies one tariff to imports up to a particular amount and a different, higher tariff rate to imports in excess of that amount.

<sup>65</sup> The U.S. Meat Import Act of 1979 (Pub. Law 88-482) became law on January 1, 1980, and amends the original statute, the Meat Import Act of 1964.

<sup>66</sup> The law, which also encompasses imports of certain veal, mutton, and goat meat, does not apply to imports of pork, lamb, fish, or poultry meat.

<sup>67</sup> U.S. imports from Canada became exempt from the law on Jan. 1, 1989, with the implementation of the U.S.-Canada Free-Trade Agreement (Public Law 100-499). U.S. imports from Mexico became exempt from the law on January 1, 1994, with the implementation of the NAFTA, (Pres. Proc. 6641).

<sup>68</sup> See 59 F.R. 727.

<sup>69</sup> Letter to the USTR, Dec. 23, 1993.

<sup>70</sup> See 60 F.R. 2074.

<sup>71</sup> For more information on the ATC, see USITC, *Potential Impact on the U.S. Economy and Industries of the GATT Uruguay Round Agreements* (investigation No. 332-353), USITC publication 2790, June 1994, pp. IV-5 to IV-7.

<sup>72</sup> USTR, "USTR Mickey Kantor Announces Chinese Textile Import Quotas to be Lowered," press release 93-80, Jan. 4, 1994.

<sup>73</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 105.

<sup>74</sup> Jennifer Hillman, chief textile negotiator, USTR, in testimony before the Commerce, Consumer, and Monetary Affairs Subcommittee of the Committee on Government Operations, U.S. House of Representatives, Oct. 5, 1993.

<sup>75</sup> The previous bilateral agreement with China allowed an overall average growth rate of 4.4 percent annually.

<sup>76</sup> For more information, see China section in chapter 4.

<sup>77</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 105.

<sup>78</sup> Ibid.

<sup>79</sup> For more information on the NAFTA provisions affecting the textile and apparel sector, see USITC, *Potential Impact on the U.S. Economy and Selected Industries of the North American Free-Trade Agreement* (investigation No. 332-337), USITC publication 2596, Jan. 1993, pp. 8-2 and 8-3.

<sup>80</sup> USTR, *1995 Trade Policy Agenda and 1994 Annual Report*, p. 105.

<sup>81</sup> H.R. 450, 104th Congress, The Regulatory Transition Act of 1995, if enacted, would suspend these and certain other new regulations. Although the bill would exempt regulations required to implement trade agreements, these regulations would likely fall outside the exemption because they are not "required" to implement a trade agreement. Bill Archer, letter to William F. Clinger, Jr., Chairman,

Committee on Government Reform and Oversight, U.S. House of Representatives (Washington, DC: Feb. 13, 1995).

<sup>82</sup> American Textile Manufacturers Institute, press release, "Textile and Apparel Trade Figures Show Need to Pass Rules of Origin Amendment" (Washington, DC: Aug. 18, 1994). Labor costs for apparel production workers in 1993 averaged \$3.77 per hour in Hong Kong and \$0.25 in China. Data for Hong Kong from U.S. Bureau of Labor Statistics, "International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, 1975-1993" (Washington, DC: Nov. 1994), p. 14; data for China from "Hourly Labor Costs in the Apparel Industry," Werner Associates, New York, NY, fax dated Sept. 6, 1994.

<sup>83</sup> Robin Bulman, "US Lawmakers Expected to Propose Tying Country of Origin to Assembly," *Journal of Commerce*, July 20, 1994, p. 1A.

<sup>84</sup> *Ibid.*

<sup>85</sup> American Textile Manufacturers Institute, press release, "Statement by William J. Armfield, IV, President, American Textile Manufacturers Institute regarding the Uruguay Round implementing legislation submitted to Congress by the administration" (Washington, DC: Sept. 28, 1994).

<sup>86</sup> U.S. Department of State telegram, "Textiles: Australian Concern Regarding Rule of Origin Amendment," message reference No. 217892, prepared by U.S. Department of State, Washington, DC, Aug. 13, 1994. The referenced telegram was written in response to Australian concerns that garment parts cut in Australia and sent to countries with quotas for assembly and subsequent importation into the United States would be subject to the assembly country's quotas under the proposed rules. Under current rules, they are considered to be of Australian origin and free of quota.

<sup>87</sup> Robin Bulman, "Some Textile Importers Fear Conflicts, Hidden Changes," *Journal of Commerce*, July 5, 1994.

<sup>88</sup> *Ibid.*

<sup>89</sup> Mudge Rose Guthrie Alexander & Ferndon, "Response to the Domestic Textile and Apparel Industry Initiative to Revise the Rules of Origin for Textiles and Apparel" (Washington, DC: July 18, 1994), p. 9.

<sup>90</sup> U.S. Department of State telegram, "Textiles: Australian Concern Regarding Rule of Origin Amendment," message reference No. 217892, prepared by U.S. Department of State, Washington, DC, Aug. 13, 1994.



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# APPENDIX STATISTICAL TABLES

**Table A-1**  
**U.S. merchandise trade with Canada, by SITC Nos. (revision 3), 1992-94**  
*(1,000 dollars)*

SITC section No.	Description	1992	1993	1994
			<b>U.S. exports</b>	
0	Food and live animals	4,512,079	4,869,061	5,106,293
1	Beverages and tobacco	143,439	138,042	176,064
2	Crude materials, inedible, except fuels	2,849,700	3,040,523	3,467,934
3	Mineral fuels, lubricants and related materials	1,359,462	1,231,804	1,251,419
4	Animal and vegetable oils, fats and waxes	72,684	87,577	104,695
5	Chemicals and related products, n.e.s.	7,284,821	8,224,173	9,415,595
6	Manufactured goods classified chiefly by material	10,845,220	11,947,189	13,486,923
7	Machinery and transport equipment	44,272,250	49,289,540	56,753,360
8	Miscellaneous manufactured articles	8,960,464	9,715,988	11,028,506
9	Commodities & transact. not classed elsewhere in SITC	2,917,410	3,322,005	2,852,041
	Total all commodities	83,217,528	91,865,900	103,642,830
			<b>U.S. imports</b>	
0	Food and live animals	4,508,403	4,895,036	5,328,174
1	Beverages and tobacco	827,120	986,698	703,823
2	Crude materials, inedible, except fuels	7,044,778	8,382,529	10,138,360
3	Mineral fuels, lubricants and related materials	10,562,904	11,530,935	12,501,798
4	Animal and vegetable oils, fats and waxes	174,257	213,976	309,632
5	Chemicals and related products, n.e.s.	4,942,655	5,493,832	6,679,247
6	Manufactured goods classified chiefly by material	16,261,686	17,747,484	20,395,478
7	Machinery and transport equipment	43,246,884	48,989,407	57,940,204
8	Miscellaneous manufactured articles	4,381,359	5,253,103	6,535,452
9	Commodities & transact. not classed elsewhere in SITC	6,292,454	6,989,456	8,221,068
	Total all commodities	98,242,500	110,482,456	128,753,235

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-2**  
**Leading exports to Canada, by Schedule B number, 1992-94**

(1,000 dollars)

Schedule B No.	Description	1992	1993	1994
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	3,573,762	3,985,369	4,697,421
8708.29	Parts and accessories, nesi, of bodies (including cabs) of the motor vehicles of headings 8701 to 8705	2,648,542	3,063,545	3,706,829
8708.99	Parts and accessories, nesi, of the motor-vehicles of headings 8701 to 8705	2,755,623	3,167,536	3,312,026
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	2,434,199	2,405,453	2,803,956
8708.40	Gear boxes of the motor-vehicles of headings 8701 to 8705	1,266,965	1,572,168	2,010,474
9880.00	Estimated "low value" shipments	1,934,931	1,950,642	1,854,117
8407.34	Reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, of a cylinder capacity exceeding 1,000 cc	1,630,287	1,858,123	1,846,383
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, G.V.W. not exceeding 5 metric tons	1,098,881	1,227,298	1,703,729
8542.11	Digital monolithic electronic integrated circuits	1,286,489	1,206,249	1,430,017
8471.91	Digital processing units which may contain in the same housing one or two storage units, input units or output units	1,024,304	1,189,214	1,376,669
8473.30	Parts and accessories of the machines of heading 8471	1,141,065	1,004,857	1,230,634
8701.20	Road tractors for semi-trailers	387,272	673,018	1,027,276
8409.91	Parts suitable for use solely or principally with spark-ignition internal combustion piston engines (including rotary engines)	569,823	726,579	935,755
8708.39	Brakes and servo-brakes and parts thereof of the motor vehicles of headings 8701 to 8705	552,356	768,848	871,153
8524.90	Recorded media for sound or other similarly recorded phenomena	544,904	643,500	792,827
4901.99	Printed books, brochures, leaflets and similar printed matter, other than in single sheets	695,182	689,603	720,487
7606.12	Rectangular plates, sheets and strip, of a thickness exceeding 0.2 mm, of aluminum alloys	533,913	557,092	693,876
9032.89	Automatic regulating or controlling instruments and apparatus, nesi	334,656	518,729	693,671
8408.20	Compression-ignition internal combustion piston engines of a kind used for the propulsion of vehicles of chapter 87	482,759	664,113	687,290
8803.30	Parts of airplanes or helicopters, nesi	522,677	566,195	662,710
	Total	25,418,589	28,438,130	33,057,299
	Total, U.S. exports to Canada	83,217,528	91,865,900	103,642,830

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included."  
Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-3**  
**Leading imports from Canada, by HTS number, 1992-94**

(1,000 dollars)

HTS No.	Description	1992	1993	1994
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	8,824,858	12,430,403	17,651,764
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, G.V.W. not exceeding 5 metric tons	6,138,850	6,201,040	6,198,105
4407.10	Coniferous wood sawn or chipped lengthwise, sliced or peeled, of a thickness exceeding 6 mm	3,223,579	4,649,723	5,544,330
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported and returned	3,731,751	3,951,022	5,002,381
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	4,813,746	4,999,274	4,916,983
2711.21	Natural gas, in gaseous state	2,728,952	3,245,344	3,902,744
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	4,506,462	4,476,804	3,819,082
8708.99	Parts and accessories, nesi, of the motor-vehicles of headings 8701 to 8705	2,981,525	3,208,656	3,513,213
4801.00	Newsprint, in rolls or sheets	3,565,746	3,546,762	3,296,140
8473.30	Parts and accessories of the machines of heading 8471	1,364,857	1,351,834	2,080,433
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations, nesi	1,600,303	1,663,354	1,574,702
7108.12	Nonmonetary gold (including gold plated with platinum) in unwrought forms (excluding powder)	1,140,128	1,336,580	1,427,457
4703.21	Chemical woodpulp, soda or sulfate, other than dissolving grades, of semibleached or bleached coniferous wood	1,366,547	1,210,595	1,408,898
9999.95	Estimated "low value" shipments	899,820	1,009,399	1,252,538
8542.11	Digital monolithic electronic integrated circuits	1,620,029	1,223,328	1,211,770
8701.20	Road tractors for semi-trailers	206,302	472,465	1,125,879
8407.34	Reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, of a cylinder capacity exceeding 1,000 cc	920,927	1,177,058	1,097,227
7601.20	Unwrought aluminum alloys	655,740	688,873	1,089,532
8480.71	Molds for rubber or plastics	222,111	325,992	1,048,041
8708.29	Parts and accessories of bodies of motor vehicles, nesi	476,984	725,814	1,036,101
	Total	50,989,216	57,894,322	68,197,316
	Total, U.S. imports from Canada	98,242,500	110,482,456	128,753,235

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-4**  
**U.S. merchandise trade with the European Union, by SITC Nos. (revision 3), 1992-94**  
*(1,000 dollars)*

SITC section No.	Description	1992	1993	1994
			<b>U.S. exports</b>	
0	Food and live animals	3,930,729	3,770,169	3,811,539
1	Beverages and tobacco	2,142,823	1,799,344	2,573,799
2	Crude materials, inedible, except fuels	6,081,290	5,144,899	5,498,366
3	Mineral fuels, lubricants and related materials	3,129,617	2,154,865	1,880,112
4	Animal and vegetable oils, fats and waxes	273,299	196,845	245,642
5	Chemicals and related products, n.e.s.	12,051,070	11,238,868	12,502,322
6	Manufactured goods classified chiefly by material	5,890,748	5,283,667	5,696,966
7	Machinery and transport equipment	46,021,812	42,008,670	46,445,892
8	Miscellaneous manufactured articles	13,313,176	12,345,353	12,303,912
9	Commodities & transact. not classed elsewhere in SITC	4,510,170	7,301,883	5,579,243
	Total all commodities	97,344,734	91,244,562	96,537,793
			<b>U.S. imports</b>	
0	Food and live animals	2,103,250	2,056,221	2,355,680
1	Beverages and tobacco	2,708,783	2,592,030	2,690,743
2	Crude materials, inedible, except fuels	1,003,778	1,077,751	1,150,648
3	Mineral fuels, lubricants and related materials	3,475,755	3,679,000	4,865,035
4	Animal and vegetable oils, fats and waxes	299,492	266,678	264,497
5	Chemicals and related products, n.e.s.	11,600,370	11,725,115	12,919,700
6	Manufactured goods classified chiefly by material	12,398,982	13,725,289	16,221,371
7	Machinery and transport equipment	39,932,333	42,390,414	47,435,292
8	Miscellaneous manufactured articles	13,606,893	14,243,566	15,866,875
9	Commodities & transact. not classed elsewhere in SITC	4,695,932	4,760,471	5,363,818
	Total all commodities	91,825,568	96,516,535	109,133,657

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-5**  
**Leading exports to the European Union, by Schedule B number, 1992-94**  
*(1,000 dollars)*

Schedule B No.	Description	1992	1993	1994
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15000 kg	6,828,782	4,392,348	4,803,955
8473.30	Parts and accessories of the machines of heading 8471	4,287,493	4,070,925	4,704,407
8803.30	Parts of airplanes or helicopters, nesl	2,862,152	2,568,974	2,636,545
9880.00	Estimated "low value" shipments	2,115,722	1,996,006	2,297,234
7108.12	Nonmonetary gold (including gold plated with platinum) in unwrought forms (excluding powder)	1,198,098	4,197,452	1,937,397
8471.91	Digital processing units which may contain in the same housing one or two storage units, input units or output units	1,642,206	1,613,377	1,759,712
8411.91	Parts of turbojets or turbopropellers	1,986,088	1,711,474	1,692,982
2402.20	Cigarettes containing tobacco	1,083,013	982,388	1,682,618
1201.00	Soybeans, whether or not broken	1,754,598	1,799,625	1,582,428
8542.11	Digital monolithic electronic integrated circuits	1,026,481	1,218,368	1,468,092
8471.93	Storage units of automatic data processing machines, whether or not entered with the rest of a system	1,362,616	1,311,106	1,423,713
8411.12	Turbojets of a thrust exceeding 25 kN	1,203,554	1,295,480	1,357,517
8471.92	Automatic data processing machines with or without input or output units or containing storage units in the same housing	1,395,934	1,419,624	1,322,008
2701.12	Bituminous coal, whether or not pulverized, but not agglomerated	2,167,752	1,424,888	1,267,675
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	1,093,125	841,969	1,190,501
8708.99	Parts and accessories, nesl, of the motor-vehicles of headings 8701 to 8705	799,149	1,000,666	1,144,477
8471.99	Units of automatic data processing machines, nesl	497,845	717,767	1,071,968
8524.90	Recorded media for sound or other similarly recorded phenomena	725,164	871,725	921,510
9018.90	Medical, surgical, dental or veterinary sciences instruments, appliances, and parts and accessories thereof, nesl	678,542	750,195	826,265
3822.00	Composite diagnostic or laboratory reagents other than those of 3002 or 3006	646,953	663,218	709,135
	Total	35,355,265	34,847,573	35,800,139
	Total, U.S. exports to the EU	97,344,734	91,244,562	96,537,793

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesl, stands for "not elsewhere specified or included."  
Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-6**  
**Leading imports from the European Union, by HTS items, 1992-94**  
*(1,000 dollars)*

HTS No.	Description	1992	1993	1994
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	2,601,916	3,519,790	4,411,449
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported and returned	3,271,141	3,251,355	3,853,365
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	3,489,786	3,768,946	3,762,324
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	1,496,492	2,039,815	2,763,264
8411.12	Turbojets of a thrust exceeding 25 kN	2,267,699	2,116,390	2,207,676
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations, nesi	1,877,642	1,560,883	1,920,554
8411.91	Parts of turbojets or turbopropellers	2,142,211	1,770,681	1,557,959
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15000 kg	2,122,430	2,013,308	1,479,997
7102.39	Nonindustrial diamonds, nesi	1,121,251	1,282,590	1,328,947
8542.11	Digital monolithic electronic integrated circuits	581,563	867,204	1,322,927
7113.19	Articles of jewelry and parts thereof, of precious metal (excluding silver)	1,108,459	1,260,253	1,288,696
8473.30	Parts and accessories of the machines of heading 8471	723,309	1,078,666	1,233,655
8802.30	Airplanes and other aircraft, of an unladen weight exceeding 2000 kg but not exceeding 15000 kg	704,557	733,723	1,126,029
9999.95	Estimated "low value" shipments	942,014	966,508	1,059,626
8803.30	Parts of airplanes or helicopters, nesi	1,282,638	1,056,946	1,052,919
8708.99	Parts and accessories, nesi, of the motor-vehicles of headings 8701 to 8705	827,448	889,134	1,036,382
9701.10	Paintings, drawings and pastels, executed entirely by hand, framed or not framed	753,842	920,998	1,003,616
3004.90	Certain medicaments put up in measured doses or in forms or packings for retail sale, nesi	459,565	636,147	825,472
8701.90	Tractors (other than tractors of heading 8709), nesi	676,454	582,383	690,549
2204.21	Wine, from grapes, nesi	710,319	577,596	613,886
	<b>Total</b>	<b>29,160,735</b>	<b>30,893,321</b>	<b>34,539,291</b>
	<b>Total, U.S. imports from the EU</b>	<b>91,825,568</b>	<b>96,516,535</b>	<b>109,133,657</b>

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-7**  
**U.S. merchandise trade with Japan, by SITC Nos. (revision 3), 1992-94**  
*(1,000 dollars)*

SITC section No.	Description	1992	1993	1994
			<b>U.S. exports</b>	
0	Food and live animals	8,446,926	8,448,403	8,908,032
1	Beverages and tobacco	1,911,274	1,816,861	2,181,149
2	Crude materials, inedible, except fuels	5,815,326	6,118,753	6,019,942
3	Mineral fuels, lubricants and related materials	1,161,517	1,135,336	861,992
4	Animal and vegetable oils, fats and waxes	64,023	83,839	104,719
5	Chemicals and related products, n.e.s.	4,709,782	4,966,111	5,201,033
6	Manufactured goods classified chiefly by material	3,045,443	2,741,094	2,920,846
7	Machinery and transport equipment	14,477,190	13,950,842	17,443,971
8	Miscellaneous manufactured articles	5,217,572	5,874,010	6,395,686
9	Commodities & transact. not classed elsewhere in SITC	1,000,522	909,800	1,024,059
	<b>Total all commodities</b>	<b>45,849,575</b>	<b>46,045,048</b>	<b>51,061,430</b>
			<b>U.S. imports</b>	
0	Food and live animals	287,408	299,722	318,456
1	Beverages and tobacco	34,094	34,914	32,014
2	Crude materials, inedible, except fuels	187,115	197,502	205,034
3	Mineral fuels, lubricants and related materials	190,457	164,324	203,350
4	Animal and vegetable oils, fats and waxes	16,172	16,267	19,252
5	Chemicals and related products, n.e.s.	3,217,698	3,572,487	4,181,354
6	Manufactured goods classified chiefly by material	6,111,902	5,991,537	6,875,872
7	Machinery and transport equipment	74,298,218	83,295,316	93,764,696
8	Miscellaneous manufactured articles	9,534,476	10,741,469	10,123,786
9	Commodities & transact. not classed elsewhere in SITC	1,642,036	1,848,955	1,807,781
	<b>Total all commodities</b>	<b>95,519,576</b>	<b>106,162,495</b>	<b>117,531,595</b>

Source: Compiled from official statistics of the U.S. Department of Commerce.



**Table A-8**  
**Leading exports to Japan, by Schedule B number, 1992-94**

(1,000 dollars)

HTS No.	Description	1992	1993	1994
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15000 kg	2,574,413	1,765,101	2,156,829
4403.20	Coniferous wood in the rough, whether or not stripped of bark or sapwood or roughly squared, not treated with preservatives	1,503,461	1,835,123	1,728,365
2402.20	Cigarettes containing tobacco	1,291,988	1,264,909	1,428,168
1005.90	Corn (maize) excluding seed	1,475,626	1,529,472	1,352,186
8473.30	Parts and accessories of the machines of heading 8471	1,376,195	1,215,078	1,331,012
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	501,582	634,309	1,247,148
8471.91	Digital processing units which may contain in the same housing one or two storage units, input units or output units	1,028,983	792,052	967,867
8542.11	Digital monolithic electronic integrated circuits	600,972	696,998	911,098
1201.00	Soybeans, whether or not broken	878,180	981,202	837,694
8803.30	Parts of airplanes or helicopters, nesi	806,962	783,229	826,860
2844.20	Uranium enriched in U235 and plutonium and their compounds; alloys, dispersions, ceramic products and mixtures containing these products	657,256	699,449	683,183
0202.30	Boneless meat of bovine animals, frozen	651,727	684,677	640,307
4407.10	Coniferous wood sawn or chipped lengthwise, sliced or peeled, of a thickness exceeding 6 mm	498,787	613,091	626,745
0201.30	Boneless meat of bovine animals, fresh or chilled	378,440	476,004	620,441
9880.00	Estimated "low value" shipments	512,563	515,705	577,367
1001.90	Wheat and meslin, excluding durum wheat	584,270	518,974	573,514
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	195,726	366,305	543,773
8471.93	Storage units of automatic data processing machines, whether or not entered with the rest of a system	405,944	407,382	515,163
8479.89	Machines and mechanical appliances having individual functions, nesi	226,736	260,593	445,457
0303.10	Pacific salmon, frozen, excluding fillets, other meat portions and livers and roes	558,019	474,190	421,575
	Total	16,707,827	16,513,842	18,434,752
	Total, U.S. exports to Japan	45,849,575	46,045,048	51,061,430

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included."  
Source: Compiled from official statistics of the U.S. Department of Commerce.

(1,000 dollars)

**Table A-9**  
**Leading imports from Japan, by HTS number, 1992-94**

HTS No.	Description	1992	1993	1994
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	19,290,792	21,300,783	24,542,425
8542.11	Digital monolithic electronic integrated circuits	3,027,493	4,240,769	5,800,934
8471.92	Automatic data processing machines with or without input or output units or containing storage units in the same housing	4,018,319	4,366,032	5,770,887
8473.30	Parts and accessories of the machines of heading 8471	2,600,253	3,179,044	4,269,503
8471.93	Storage units of automatic data processing machines, whether or not entered with the rest of a system	3,161,152	3,455,847	3,544,119
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	2,660,242	3,156,501	3,201,129
8525.30	Television cameras	1,587,100	1,844,586	1,786,299
8703.22	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine over 1,000 but n/o 1,500 cc	1,846,703	1,842,040	1,742,785
8708.99	Parts and accessories, nesl, of the motor-vehicles of headings 8701 to 8705	1,346,231	1,351,067	1,528,375
9009.12	Electrostatic photocopying apparatus, operating by reproducing the original image via an intermediate onto the copy (indirect process)	1,232,425	1,333,817	1,413,737
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, G.V.W. not exceeding 5 metric tons	1,224,799	986,997	1,193,579
9009.90	Parts and accessories for photocopying apparatus incorporating an optical system or of the contact type, and thermocopying apparatus	891,966	1,043,774	1,114,339
9504.10	Video games of a kind used with a television receiver and parts and accessories thereof	1,567,387	2,063,334	1,064,236
8521.10	Magnetic tape-type video recording or reproducing apparatus	1,367,615	1,093,294	995,236
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported and returned	828,067	984,565	970,660
8517.82	Electrical telegraphic apparatus, nesl	791,301	850,422	920,987
8479.89	Machines and mechanical appliances having individual functions, nesl	537,666	693,264	828,826
9999.95	Estimated "low value" shipments	732,892	807,461	786,281
8525.20	Transmission apparatus incorporating reception apparatus	684,007	692,102	708,407
8409.91	Spark-ignition internal combustion piston engine parts, nesl	574,587	622,026	707,505
	Total	49,970,996	55,907,725	62,890,249
	Total, U.S. imports from Japan	95,519,576	106,162,495	117,531,595

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-10**  
**U.S. merchandise trade with Mexico, by SITC Nos. (revision 3), 1992-94**  
*(1,000 dollars)*

SITC section No.	Description	1992	1993	1994
			<b>U.S. exports</b>	
0	Food and live animals	2,664,676	2,424,434	3,173,114
1	Beverages and tobacco	75,449	119,564	170,436
2	Crude materials, inedible, except fuels	1,833,323	1,798,793	2,088,369
3	Mineral fuels, lubricants and related materials	1,233,034	1,040,334	1,009,634
4	Animal and vegetable oils, fats and waxes	164,120	207,773	244,283
5	Chemicals and related products, n.e.s.	3,120,866	3,422,338	4,359,814
6	Manufactured goods classified chiefly by material	5,433,071	5,448,947	6,679,912
7	Machinery and transport equipment	18,418,563	18,802,646	22,840,998
8	Miscellaneous manufactured articles	4,770,636	5,182,639	6,344,476
9	Commodities & transact. not classed elsewhere in SITC	1,891,161	1,818,009	2,225,009
	<b>Total all commodities</b>	<b>39,604,899</b>	<b>40,265,478</b>	<b>49,136,046</b>
			<b>U.S. imports</b>	
0	Food and live animals	2,299,990	2,665,882	2,862,953
1	Beverages and tobacco	277,487	312,869	332,884
2	Crude materials, inedible, except fuels	670,306	640,310	774,197
3	Mineral fuels, lubricants and related materials	4,580,704	4,735,367	4,975,874
4	Animal and vegetable oils, fats and waxes	16,580	13,492	10,434
5	Chemicals and related products, n.e.s.	820,082	765,008	1,022,243
6	Manufactured goods classified chiefly by material	2,467,022	2,813,817	3,582,623
7	Machinery and transport equipment	16,985,900	19,911,077	26,480,892
8	Miscellaneous manufactured articles	4,292,654	5,094,578	6,543,989
9	Commodities & transact. not classed elsewhere in SITC	1,523,838	1,715,264	2,019,170
	<b>Total all commodities</b>	<b>33,934,561</b>	<b>38,667,664</b>	<b>48,605,259</b>

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-11**  
**Leading exports to Mexico, by Schedule B number, 1992-94**

(1,000 dollars)

HTS No.	Description	1992	1993	1994
8708.99	Parts and accessories, nesi, of the motor-vehicles of headings 8701 to 8705	1,282,236	1,252,895	1,775,818
9880.00	Estimated "low value" shipments	1,375,287	1,411,996	1,756,361
8708.29	Parts and accessories, nesi, of bodies (including cabs) of the motor vehicles of headings 8701 to 8705	1,331,263	1,292,703	1,498,549
8544.30	Insulated ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	656,863	810,170	719,065
2710.00	Petroleum oils and oils from bituminous minerals, other than crude; and preparations, nesi	808,476	717,719	689,668
3926.90	Articles of plastics and articles of other materials of headings 3901 to 3914, nesi	335,576	389,311	664,476
8473.30	Parts and accessories of the machines of heading 8471	421,454	611,548	631,536
1201.00	Soybeans, whether or not broken	450,254	420,948	536,717
8504.90	Parts of electrical transformers, static converters and inductors	370,609	432,863	514,832
8529.90	Parts suitable for use solely or principally with the apparatus of headings 8525 to 8528, excluding antennas and antenna reflectors of all kinds	749,142	673,013	487,175
8540.11	Cathode-ray color television picture tubes, including video monitor cathode-ray tubes	246,340	359,588	471,568
8542.11	Digital monolithic electronic integrated circuits	110,779	149,107	458,529
9401.90	Parts of seats (other than those of heading 9402)	392,071	456,049	402,683
1007.00	Grain sorghum	573,183	386,199	400,417
8407.34	Reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, of a cylinder capacity exceeding 1,000 cc	347,892	327,459	393,823
9032.90	Parts and accessories of automatic regulating or controlling instruments and apparatus	367,762	389,349	385,799
8536.90	Electrical apparatus for switching or protecting electrical circuits, nesi	138,413	172,816	368,833
8538.90	Parts, nesi, suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	397,326	370,297	368,575
4819.10	Cartons, boxes and cases of corrugated paper or paperboard	238,346	270,682	364,681
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	64,074	71,686	354,163
	Total	10,657,347	10,966,395	13,243,268
	Total, U.S. exports to Mexico	39,604,899	40,265,478	49,136,046

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included."  
Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-12**  
**Leading imports from Mexico, by HTS number, 1992-94**

(1,000 dollars)

HTS No.	Description	1992	1993	1994
2709.00	Petroleum oils and oils obtained from bituminous minerals, crude	4,272,347	4,185,219	4,594,008
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	2,779,088	3,416,900	4,054,241
8544.30	Insulated ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	1,478,580	1,620,781	2,504,442
8528.10	Color television receivers	1,228,167	1,534,477	2,217,876
9801.00	U.S. articles exported and returned, not advanced or improved in condition; animals exported and returned	1,124,284	1,256,962	1,471,917
8703.24	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 3,000 cc	452,111	560,062	934,475
8708.21	Safety seat belts for bodies (including cabs) of the motor vehicles of headings 8701 to 8705	710,616	954,002	881,559
8529.90	Parts suitable for use solely or principally with the apparatus of headings 8525 to 8528, excluding antennas and antenna reflectors of all kinds	768,510	753,829	807,396
9401.90	Parts of seats (other than those of heading 9402)	458,018	531,952	721,486
8473.30	Parts and accessories of the machines of heading 8471	413,839	484,947	587,567
8407.34	Reciprocating piston engines of a kind used for the propulsion of vehicles of chapter 87, of a cylinder capacity exceeding 1,000 cc	364,162	259,190	561,675
8525.10	Transmission apparatus for radio or television	133,647	170,429	528,632
8704.31	Motor vehicles for transporting goods, with spark-ignition internal-combustion piston engine, G.V.W. not exceeding 5 metric tons	66,696	191,624	523,216
8708.99	Parts and accessories, nesi, of the motor-vehicles of headings 8701 to 8705	430,500	457,900	488,672
8527.21	Radiobroadcast receivers for motor vehicles	195,306	240,244	474,496
8536.50	Switches, nesi, for switching or making connections to or in electrical circuits, for a voltage not exceeding 1,000 V	310,017	399,346	461,072
9029.20	Speedometers and tachometers; stroboscopes	17,679	168,035	448,169
8471.20	Digital automatic data processing machines, containing in the same housing at least a central processing unit and an input and output unit	8,742	81,501	415,045
6203.42	Men's or boys' trousers, bib and brace overalls, breeches and shorts, not knitted or crocheted, of cotton	219,548	293,999	371,952
8501.40	Other AC motors single-phase, nesi	240,622	272,632	363,167
	Total	15,672,477	17,834,031	23,411,064
	Total, U.S. imports from Mexico	33,934,561	38,667,664	48,605,259

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-13**  
**U.S. merchandise trade with China, by SITC Nos. (revision 3), 1992-94**  
*(1,000 dollars)*

SITC section No.	Description	1992	1993	1994
			<b>U.S. exports</b>	
0	Food and live animals	322,892	349,828	273,038
1	Beverages and tobacco	11,081	12,435	6,388
2	Crude materials, inedible, except fuels	664,609	423,632	1,151,459
3	Mineral fuels, lubricants and related materials	200,139	239,783	61,123
4	Animal and vegetable oils, fats and waxes	9,275	1,452	134,790
5	Chemicals and related products, n.e.s.	1,208,356	838,819	1,505,270
6	Manufactured goods classified chiefly by material	448,444	413,380	402,371
7	Machinery and transport equipment	3,946,461	5,715,640	5,050,630
8	Miscellaneous manufactured articles	437,590	526,886	480,407
9	Commodities & transact. not classed elsewhere in SITC	89,745	97,455	112,408
	Total all commodities	7,338,594	8,619,310	9,177,884
			<b>U.S. imports</b>	
0	Food and live animals	638,941	568,743	529,927
1	Beverages and tobacco	19,410	46,931	13,409
2	Crude materials, inedible, except fuels	190,797	207,243	248,685
3	Mineral fuels, lubricants and related materials	511,602	275,307	373,499
4	Animal and vegetable oils, fats and waxes	1,572	2,748	3,111
5	Chemicals and related products, n.e.s.	501,000	576,022	740,668
6	Manufactured goods classified chiefly by material	2,258,495	2,704,273	3,318,280
7	Machinery and transport equipment	4,413,961	6,007,001	8,905,939
8	Miscellaneous manufactured articles	16,547,364	20,756,807	24,131,343
9	Commodities & transact. not classed elsewhere in SITC	431,187	280,290	307,636
	Total all commodities	25,514,328	31,425,366	38,572,496

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-14**  
**Leading exports to China, by Schedule B number, 1992-94**

(1,000 dollars)

Schedule B No.	Description	1992	1993	1994
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15000 kg	1,713,338	1,999,993	1,657,606
3100.00	Fertilizers	629,079	292,685	944,121
5201.00	Cotton, not carded or combed	185,943	179	644,986
8525.20	Transmission apparatus incorporating reception apparatus	67,353	249,810	196,598
1001.90	Wheat and meslin, excluding durum wheat	272,951	274,186	166,228
8803.30	Parts of airplanes or helicopters, nesl	219,900	153,165	121,040
8517.90	Parts of telephonic or telegraphic apparatus	39,618	100,137	116,934
8529.90	Parts suitable for use solely or principally with the apparatus of headings 8525 to 8528, excluding antennas and antenna reflectors of all kinds	32,515	66,195	110,060
1507.10	Soybean oil and fractions, crude, whether or not degummed	7,880	270	104,192
8479.89	Machines and mechanical appliances having individual functions, nesl	73,456	88,958	93,755
2917.36	Terephthalic acid and its salts	67,943	66,740	86,261
4804.11	Uncoated, unbleached kraftliner paper or paperboard, in rolls or sheets, nesl	83,998	80,381	84,146
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	82,439	323,828	83,794
8471.91	Digital processing units which may contain in the same housing one or two storage units, input units or output units	63,431	75,451	79,549
8431.43	Parts for boring or sinking machinery of subheading 8430.41 or 8430.49	58,811	61,415	76,459
7404.00	Copper waste and scrap	59,972	39,031	65,000
8802.50	Spacecraft including satellites and spacecraft vehicles	77,969	3,764	64,864
8473.30	Parts and accessories of the machines of heading 8471	23,032	40,693	59,023
8414.80	Air and gas pumps, compressors and fans etc., nesl	29,494	28,242	58,046
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations nesl	194,449	232,768	56,056
	Total	3,983,572	4,177,890	4,868,720
	Total, U.S. exports to China	7,338,594	8,619,310	9,177,884

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesl, stands for "not elsewhere specified or included."  
Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-15**  
**Leading imports from China, by HTS number, 1992-94**

(1,000 dollars)

HTS No.	Description	1992	1993	1994
6403.99	Footwear not covering the ankles, with outer soles of rubber or plastics or composition leather and uppers of leather	968,454	1,302,674	1,571,605
6402.99	Footwear with outer soles and uppers of rubber or plastics, nesi	1,006,229	1,211,578	1,149,805
9503.90	Other toys and models, nesi	853,162	955,521	1,019,753
6403.91	Footwear, covering the ankles, with outer soles of rubber, plastics or composition leather and uppers of leather	497,408	690,142	901,211
6110.90	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of textile materials, nesi	762,876	750,548	758,095
8525.20	Transmission apparatus incorporating reception apparatus	280,322	412,690	726,154
8527.11	Reception apparatus for radiotelephony, radiotelegraphy or radio broadcasting combined with sound recording or reproducing apparatus	431,963	439,233	693,793
4203.10	Articles of apparel of leather or of composition leather	285,832	413,317	656,368
9503.41	Stuffed toys representing animals or non-human creatures and parts and accessories thereof	503,334	568,200	616,054
9502.10	Dolls representing only human beings and parts and accessories thereof, whether or not dressed	530,392	503,049	600,005
8473.30	Parts and accessories of the machines of heading 8471	147,773	300,187	561,900
6402.91	Footwear covering the ankle, with outer soles and uppers of rubber or plastics, excluding waterproof footwear	292,240	442,369	547,584
9505.10	Articles for Christmas festivities and parts and accessories thereof	377,760	447,390	538,512
4202.92	Trunks, cases, bags and similar containers, with outer surface of plastic sheeting or of textile materials	306,391	410,421	497,494
6206.10	Women's or girls' blouses, shirts and shirt-blouses, not knitted or crocheted, of silk or silk waste	442,176	764,179	491,987
6702.90	Artificial flowers, foliage & fruit & parts thereof, & articles made up of artificial flowers, foliage or fruit, of materials other than plastics	340,448	353,710	434,517
3926.90	Articles of plastics and articles of other materials of headings 3901 to 3914, nesi	275,183	380,495	429,205
9504.90	Game machines	176,286	244,704	423,319
6404.19	Footwear, nesi, with outer soles of rubber or plastics and uppers of textile materials	233,989	309,336	397,300
8527.31	Radiobroadcast receivers, nesi	165,006	230,889	353,642
	Total	8,877,227	11,130,633	13,368,302
	Total, U.S. imports from China	25,514,328	31,425,366	38,572,496

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.



**Table A-16**  
**U.S. merchandise trade with Taiwan, by SITC Nos. (revision 3), 1992-94**  
*(1,000 dollars)*

SITC section No.	Description	1992	1993	1994
			<b>U.S. exports</b>	
0	Food and live animals	1,199,541	1,256,865	1,363,145
1	Beverages and tobacco	135,892	128,842	146,291
2	Crude materials, inedible, except fuels	1,225,482	1,273,488	1,306,015
3	Mineral fuels, lubricants and related materials	404,828	448,527	374,434
4	Animal and vegetable oils, fats and waxes	8,584	9,199	19,942
5	Chemicals and related products, n.e.s.	1,988,599	2,000,383	2,430,521
6	Manufactured goods classified chiefly by material	860,247	915,229	937,915
7	Machinery and transport equipment	6,866,740	7,539,600	7,452,355
8	Miscellaneous manufactured articles	1,042,887	1,288,688	1,343,865
9	Commodities & transact. not classed elsewhere in SITC	800,680	724,538	865,795
	Total all commodities	14,533,478	15,585,360	16,240,279
			<b>U.S. imports</b>	
0	Food and live animals	280,181	282,776	286,335
1	Beverages and tobacco	5,843	5,102	5,942
2	Crude materials, inedible, except fuels	82,749	103,713	98,779
3	Mineral fuels, lubricants and related materials	100	1,013	733
4	Animal and vegetable oils, fats and waxes	2,434	2,438	2,972
5	Chemicals and related products, n.e.s.	404,902	396,111	398,247
6	Manufactured goods classified chiefly by material	3,382,932	3,472,753	3,719,700
7	Machinery and transport equipment	10,907,426	12,150,233	13,941,947
8	Miscellaneous manufactured articles	9,132,046	8,219,319	7,779,121
9	Commodities & transact. not classed elsewhere in SITC	332,175	347,366	351,731
	Total all commodities	24,530,788	24,980,824	26,585,506

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-17**

**Leading exports to Taiwan, by Schedule B number, 1992-94**

(1,000 dollars)

Schedule B No.	Description	1992	1993	1994
8542.11	Digital monolithic electronic integrated circuits	737,735	840,301	1,128,377
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	1,244,540	984,703	946,394
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15000 kg	865,987	1,339,814	902,429
1005.90	Corn (maize) excluding seed	587,090	599,820	566,132
8803.30	Parts of airplanes or helicopters, nesi	264,196	425,448	472,469
1201.00	Soybeans, whether or not broken	454,244	554,995	441,804
7108.12	Nonmonetary gold (including gold plated with platinum) in unwrought forms (excluding powder)	472,525	375,440	403,845
2902.50	Styrene	111,019	237,586	323,741
8542.19	Monolithic electronic integrated circuits, other than digital	157,941	188,466	258,178
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude, and preparations, nesi	222,994	271,272	207,402
9880.00	Estimated "low value" shipments	165,182	177,538	198,347
9306.90	Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof	80,800	218,650	194,173
8479.89	Machines and mechanical appliances having individual functions, nesi	64,922	108,620	174,515
9803.20	Exports of military equipment, not identified	99,953	80,409	171,120
4101.21	Whole raw hides and skins of bovine animals, nesi, fresh or wet-salted	106,549	111,344	166,040
8473.30	Parts and accessories of the machines of heading 8471	135,183	159,358	160,387
1001.90	Wheat and meslin, excluding durum wheat	118,804	147,205	155,390
7403.11	Cathodes and sections of cathodes of refined copper	122,589	151,233	132,510
2701.12	Bituminous coal, whether or not pulverized, but not agglomerated	146,600	135,674	130,386
8528.10	Color television receivers	92,058	120,184	128,323
	Total	6,250,910	7,228,060	7,261,961
	Total, U.S. exports to Taiwan	14,533,478	15,585,360	16,240,279

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesi, stands for "not elsewhere specified or included."  
 Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-18**  
**Leading imports from Taiwan, by HTS number, 1992-94**

(1,000 dollars)

HTS No.	Description	1992	1993	1994
8473.30	Parts and accessories of the machines of heading 8471	1,409,954	1,755,430	2,436,566
8471.92	Automatic data processing machines with or without input or output units or containing storage units in the same housing	1,647,308	2,004,175	2,029,815
8542.11	Digital monolithic electronic integrated circuits	605,332	886,659	1,288,019
8471.20	Digital automatic data processing machines, containing in the same housing at least a central processing unit and an input and output unit	342,201	479,017	506,112
8542.19	Monolithic electronic integrated circuits, other than digital	218,221	359,429	466,880
8471.99	Units of automatic data processing machines, nesi	301,560	438,059	399,839
6110.30	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of man-made fibers	283,420	324,740	339,537
8712.00	Bicycles and other cycles (including delivery tricycles), not motorized	338,804	345,758	322,367
8414.51	Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of an output not exceeding 125 W	326,193	284,991	321,189
9403.60	Wooden furniture, other than of a kind used in the bedroom	343,736	354,044	318,134
8534.00	Printed circuits	218,866	262,625	301,267
9403.20	Metal furniture, other than of a kind used in offices	241,441	254,486	261,602
8471.93	Storage units of automatic data processing machines, whether or not entered with the rest of a system	53,411	172,017	261,568
9506.91	Gymnasium, playground or other exercise articles and equipment; parts and accessories thereof	222,330	199,987	249,264
7318.15	Threaded screws and bolts, of iron or steel, nesi, whether or not with their nuts or washers	185,767	208,420	246,342
8525.10	Transmission apparatus for radio or television	124,843	148,834	205,180
8481.80	Taps, cocks, valves and similar appliances, nesi	157,615	157,237	197,670
9999.95	Estimated "low value" shipments	201,078	197,115	183,933
6104.63	Women's/girls' suits, jackets, dresses, trousers, overalls and similar articles, of synthetic fibers	127,455	154,425	169,744
3926.90	Articles of plastics and articles of other materials of headings 3901 to 3914, nesi	195,644	163,515	167,392
	Total	7,545,181	9,150,964	10,672,418
	Total, U.S. imports from Taiwan	24,530,788	24,980,824	26,585,506

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-19**  
**U.S. merchandise trade with Korea, by SITC Nos. (revision 3), 1992-94**  
*(1,000 dollars)*

SITC section No.	Description	1992	1993	1994
			<b>U.S. exports</b>	
0	Food and live animals	1,060,635	836,108	1,137,203
1	Beverages and tobacco	121,808	122,867	139,373
2	Crude materials, inedible, except fuels	2,399,858	2,383,371	2,466,423
3	Mineral fuels, lubricants and related materials	696,576	626,305	561,255
4	Animal and vegetable oils, fats and waxes	47,820	48,099	57,824
5	Chemicals and related products, n.e.s.	1,493,929	1,676,000	1,867,528
6	Manufactured goods classified chiefly by material	882,462	853,816	1,021,271
7	Machinery and transport equipment	6,106,253	6,332,571	8,407,669
8	Miscellaneous manufactured articles	1,141,932	1,237,510	1,532,907
9	Commodities & transact. not classed elsewhere in SITC	269,159	241,889	307,677
	<b>Total all commodities</b>	<b>14,220,431</b>	<b>14,358,535</b>	<b>17,499,129</b>
			<b>U.S. imports</b>	
0	Food and live animals	155,711	153,751	146,102
1	Beverages and tobacco	5,560	7,014	8,426
2	Crude materials, inedible, except fuels	97,404	98,733	127,593
3	Mineral fuels, lubricants and related materials	101,808	161,106	149,058
4	Animal and vegetable oils, fats and waxes	856	1,044	1,472
5	Chemicals and related products, n.e.s.	265,537	300,744	364,773
6	Manufactured goods classified chiefly by material	1,980,098	1,861,143	2,129,282
7	Machinery and transport equipment	7,508,524	8,838,882	11,746,617
8	Miscellaneous manufactured articles	6,242,633	5,385,777	4,689,339
9	Commodities & transact. not classed elsewhere in SITC	165,030	178,169	184,472
	<b>Total all commodities</b>	<b>16,523,160</b>	<b>16,986,362</b>	<b>19,547,134</b>

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-20**  
**Leading exports to Korea, by Schedule B number, 1992-94**

(1,000 dollars)

Schedule B No.	Description	1992	1993	1994
8542.11	Digital monolithic electronic integrated circuits	540,051	680,987	993,777
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15000 kg	931,877	929,212	922,481
8803.30	Parts of airplanes or helicopters, nesl	298,627	424,359	654,175
4101.21	Whole raw hides and skins of bovine animals, nesl, fresh or wet-salted	535,468	494,572	539,079
8525.20	Transmission apparatus incorporating reception apparatus	146,298	195,987	424,455
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations, nesl	487,449	413,981	319,523
5201.00	Cotton, not carded or combed	346,950	294,718	316,561
8479.90	Parts of machines and mechanical appliances having individual functions, nesl	143,139	205,745	300,121
8479.89	Machines and mechanical appliances having individual functions, nesl	80,892	126,329	260,822
1005.90	Corn (maize) excluding seed	204,580	51,007	251,815
7204.49	Ferrous waste and scrap, nesl	156,027	275,466	231,656
1201.00	Soybeans, whether or not broken	246,726	246,669	228,443
1001.90	Wheat and meslin, excluding durum wheat	235,559	227,603	227,732
8471.91	Digital processing units which may contain in the same housing one or two storage units, input units or output units	151,303	154,047	217,670
8473.30	Parts and accessories of the machines of heading 8471	145,964	168,441	215,883
0202.30	Boneless meat of bovine animals, frozen	159,488	122,902	187,047
8517.90	Parts of electrical apparatus for line telephony or telegraphy	53,914	91,214	176,621
4703.29	Chemical woodpulp, soda or sulfate, other than dissolving grades, of semibleached or bleached nonconiferous wood	175,360	119,900	169,913
8708.99	Parts and accessories, nesl, of the motor-vehicles of headings 8701 to 8705	99,992	135,073	166,936
9880.00	Estimated "low value" shipments	113,647	112,432	161,271
	Total	5,253,311	5,470,642	6,965,980
	Total, U.S. exports to Korea	14,220,431	14,358,535	17,499,129

Note.—Because of rounding, figures may not add to the totals shown. The abbreviation, nesl, stands for "not elsewhere specified or included."  
Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-21**  
**Leading Imports from Korea, by HTS number, 1992-94**

(1,000 dollars)

HTS No.	Description	1992	1993	1994
8542.11	Digital monolithic electronic integrated circuits	1,720,740	2,235,668	3,582,922
8473.30	Parts and accessories of the machines of heading 8471	382,705	725,560	1,183,375
8471.92	Automatic data processing machines with or without input or output units or containing storage units in the same housing	754,268	1,063,832	1,012,097
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, over 1,500 but n/o 3,000 cc	301,155	351,390	772,907
8703.22	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine over 1,000 but n/o 1,500 cc	451,621	385,366	696,204
8521.10	Magnetic tape-type video recording or reproducing apparatus	617,881	620,647	604,555
8516.50	Microwave ovens of a kind used for domestic purposes	257,265	285,742	390,883
6110.30	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of man-made fibers	238,399	226,613	275,038
4203.10	Articles of apparel of leather or of composition leather	639,224	457,840	258,770
8525.20	Transmission apparatus incorporating reception apparatus	139,724	146,538	233,935
6201.93	Men's/boys' anoraks (incl. ski-jackets), windbreakers & like articles (incl. padded, sleeveless jackets), of man-made fibers, not knit/crochet	164,703	202,972	218,313
8542.19	Monolithic electronic integrated circuits, other than digital	140,294	156,375	204,935
6403.99	Footwear not covering the ankles, with outer soles of rubber or plastics or composition leather and uppers of leather	464,848	238,513	190,928
8527.11	Reception apparatus for radiotelephony, radiotelegraphy or radio broadcasting combined with sound recording or reproducing apparatus	197,335	190,186	190,694
6403.91	Footwear, covering the ankles, with outer soles of rubber, plastics or composition leather and uppers of leather	480,332	287,442	164,929
6404.11	Sports footwear; tennis, basketball, gym, training shoes and the like, with outer soles of rubber or plastics and uppers of textile materials	256,224	179,288	158,196
8527.21	Radio broadcast receivers not capable of operating without an external source of power, combined with sound recording or reproducing apparatus	178,514	181,845	148,438
6205.30	Men's or boys' shirts, not knitted or crocheted, of man-made fibers	166,913	157,782	143,742
8523.13	Prepared unrecorded magnetic tapes for sound recording or similar recording of other phenomena, of a width exceeding 6.5 mm	203,405	184,590	132,989
2710.00	Petroleum oils and oils obtained from bituminous minerals, other than crude; and preparations, nesl	91,024	121,222	126,740
	Total	7,846,572	8,399,412	10,690,590
	Total, U.S. imports from Korea	16,523,160	16,986,362	19,547,134

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-22  
Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
Argentina . . . . .	Austria	Coated paper	03-18-93		
	Belgium	Cold-rolled steel sheet	08-18-92	09-10-92	
	Belgium	Tinned and/or chromed sheet	04-15-93		
	Brazil	Lined Bristol board	08-18-92	09-23-92	
	Brazil	Cold-rolled steel sheet	10-29-92	01-08-93	
	Brazil	Copper wire	10-29-92	04-27-93	
	Brazil	Steel discs and blades	11-24-92	01-26-93	
	Brazil	Hot-rolled steel sheet	12-15-92	01-26-93	
	Brazil	Ophthalmic lenses	01-15-93	01-12-93	
	Brazil	N-terbutyl	01-26-93	05-31-93	
	Brazil	Benzothiazyl disulfide	01-26-93	05-31-93	
	Brazil	Taps	01-26-93	03-29-94	
	Brazil	Bicycle tires	03-18-93	04-23-93	
	Brazil	PVC films	03-18-93	05-21-93	
	Brazil	Billet	06-26-93		
	Brazil	Single-phase electric power meters	08-26-93	02-17-94	
	Brazil	Denim indigo	08-31-93	08-31-93	
	Brazil	Steel-copper javelins	02-10-94		
	Brazil	Aluminum cable		06-30-94	
	Brazil	Transformers		09-22-94	
	China	Blacklead and colored pencils	06-24-93	11-18-93	
	China	Lighters		06-26-93	04-04-94
	China	Men's long-sleeved shirts	01-06-94	01-08-94	
	China	Bicycles		09-22-94	
	China	Mopeds		09-22-94	
	China	Single-phase electric motors	09-22-94		
	Colombia	Disposable syringes	05-08-91		
	Colombia	PVC films	03-18-93	05-21-93	
	Czech Republic	Three-phase electric motors	06-22-93	11-25-93	
	Finland	Coated paper		03-18-93	
	Germany	Cold-rolled steel sheet	08-18-92	09-10-92	
	Germany	Electric lamps	03-18-93	06-23-93	
	Germany	Portland cement		09-22-94	
	Hong Kong	Men's long-sleeved shirts	01-06-94	01-08-94	
	Hungary	Electric lamps	03-18-93	06-23-93	
	India	Bicycle tires		02-07-94	
	Japan	13-3/8" Steel pipe for oil wells	08-18-92	01-21-93	
	Japan	Lighters	06-26-93	04-04-94	
	Korea	Color television receivers	08-19-92		11-18-94-DD
	Korea	Car radios		08-28-92	
	Korea	Lighters	06-26-93	04-04-94	
	Korea	Men's long-sleeved shirts	01-06-94	01-08-94	
	Korea	Microwave ovens		10-04-94	
	Mexico	Polyvinyl chloride, suspension	03-05-92		12-09-93-DD

See footnotes at end of table.

**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
	Paraguay	Plywood of guatambu, 3-4 mm	01-18-93	09-22-94	
	Poland	Electric lamps	03-18-93	06-23-93	
	Serbia	Cold-rolled steel sheet	08-18-92	09-10-92	
	Slovakia	Cold-rolled steel sheet	08-18-92	09-10-92	
	Spain	Tinned and/or chromed sheet	04-15-93		
	Taiwan	Lighters	06-26-93	04-04-94	
	Taiwan	Bicycles	09-22-94		
	United States	Polyvinyl chloride, suspension	03-05-92		12-09-93-DD
	United States	Tinned and/or chromed sheet	04-15-93		
	Venezuela	Aluminum cable	06-30-94		
Australia	Austria	Textured nylon yarn	11-22-93	03-18-94-NPF	
	Belgium	Phthalic anhydride	06-07-93	09-15-93	
	Belgium	Clear float glass	06-15-94-R		
	Brazil	A4 cut ream copy paper	06-07-93	09-15-93	01-27-94-DD
	Brazil	Black lead pencils	12-08-93-R		03-23-94-TRM
	Brazil	Polyvinyl chloride	10-06-93-R		05-23-94-DD
	Brazil	Fiberglass gun rovings	04-06-94	07-15-94	11-10-94-DD
	Canada	Polyvinyl chloride	10-06-93-R		05-23-94-DD
	China	Polyvinyl chloride	10-06-93-R		05-23-94-DD
	China	Fiberglass gun rovings	10-11-93	01-19-94	05-25-94-TRM
	China	Disposable plastic cutlery	06-03-94	08-26-94	
	China	Clear float glass	06-15-94-R		
	China	Clear float glass	09-14-94		
	China	Cementitious access floor panels	12-16-94		11-14-94-DD
	Finland	A4 cut ream copy paper	06-07-93	09-15-93	01-27-94-DD, PU
	France	Polyvinyl chloride	10-06-93-R		05-23-94-DD
	France	Textured nylon yarn	11-22-93	03-18-94	07-25-94-NI
	Germany	A4 cut ream copy paper	06-07-93	09-15-93	01-27-94-DD
	Germany	Textured nylon yarn	11-22-93	03-18-94-NPF	
	Germany	Clear float glass	06-15-94-R		
	Hong Kong	Clear float glass (entrepot)	11-14-93	03-04-94-TRM	
	Hong Kong	Disposable plastic cutlery	06-03-94	08-26-94	
	India	Phthalic anhydride	06-07-93	09-15-93	01-13-94-DD
	India	Sodium cyanide	11-16-93-R		03-29-94-NI
	Indonesia	A4 cut ream copy paper	06-07-93	09-15-93	01-27-94-PU
	Indonesia	Phthalic anhydride	06-07-93	09-15-93	01-13-94-PU
	Indonesia	Clear float glass (entrepot)	11-14-93	03-14-94	07-12-94-NI
	Indonesia	Clear float glass	06-15-94-R		
	Ireland	Canned ham	10-05-94-R		
	Israel	Textured nylon yarn	11-22-93	03-18-94-NPF	
	Italy	Textured nylon yarn	11-22-93	03-18-94-NPF	
	Italy	Canned tomatoes	05-21-94-R		09-94-NI
	Italy	Sodium cyanide	05-26-94-R		
	Italy	Glace cherries	07-26-94-R		
	Japan	Polyvinyl chloride	10-06-93-R		05-23-94-DD

See footnotes at end of table.



**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
	Japan	Textured nylon yarn	11-22-93-R	12-06-93-TRM	
	Japan	Blood collection packs	12-10-93	03-22-94-NPF	09-22-94-NI
	Japan	Sodium cyanide	05-26-94-R		05-25-94-PU
	Korea	Fiberglass gun rovings	10-11-93	01-18-94	
	Korea	Textured nylon yarn	11-22-93-R	03-18-94-NPF	
	Korea	Compact discs	11-29-93	03-09-94-NPF	
	Korea	Polyvinyl chloride resin	12-30-93	04-11-94-NPF	
	Korea	Sodium cyanide	05-26-94-R		09-22-94-NI
	Korea	Unsaturated polyester resin	06-11-94	09-22-94-NPF	
	Malaysia	Clear float glass (entrepot)	11-14-93	03-14-94-NPF	
	Malaysia	Certain fatty acid esters	11-29-93	03-09-94-NPF	
	Mexico	Polyvinyl chloride	10-06-93-R		
	Netherlands	Certain fatty acid esters	11-29-93	03-09-94-NPF	
	Norway	Polyvinyl chloride	10-06-93-R		05-23-94-DD
	Philippines	Clear float glass	06-15-94-R		05-23-94-DD
	Saudi Arabia	Polyvinyl chloride	10-06-93-R		07-12-94-DD
	Singapore	Clear float glass (entrepot)	11-14-93		
	Singapore	Certain fatty acid esters	11-29-93		03-09-94-NPF
	Singapore	Compact discs	11-29-93	03-14-94	
	Singapore	Polyvinyl chloride resin	12-30-93	03-09-94-NPF	
	Singapore	Unsaturated polyester resin	06-14-94	11-29-93	
	Singapore	A4 cut ream copy paper	06-07-93	02-10-94-TRM	
	South Africa	Formulated trifluralin	07-26-93	09-22-94-NPF	
	South Africa	Forged grinding balls	05-02-94	09-15-93	01-27-94-DD
	South Africa	Forged and cast grinding balls	05-18-94	01-25-94	05-24-94-TRM
	South Africa	Trifluralin in solvent	09-28-94	05-13-94-TRM	
	Spain	Fiberglass gun rovings	03-09-94	08-15-94-TRM	
	Taiwan	Fiberglass gun rovings	10-11-93	11-10-94-TRM	
	Taiwan	Textured nylon yarn	11-22-93	04-13-94-TRM	
	Taiwan	Compact discs	11-29-93	01-19-94	05-25-94-DD
	Taiwan	Unsaturated polyester resin	06-14-94	03-18-94-NPF	07-14-94-NI
	Thailand	Polyvinyl chloride	10-06-93-R	03-09-94	
	Thailand	Disposable plastic cutlery	06-03-94	09-22-94-NPF	05-23-94-DD
	Thailand	Clear float glass	06-15-94-R	08-26-94	
	Turkey	Textured nylon yarn	11-22-93		
	Turkey	Fiberglass gun rovings	03-09-94	02-10-94-NPF	
	United Kingdom	Phthalic anhydride	06-07-93	06-06-94-TRM	01-13-94-DD
	United Kingdom	Textured nylon yarn	11-22-93	09-15-93	
	United Kingdom	Fiberglass gun rovings	03-09-94	03-18-94-NPF	
	United Kingdom	Sodium cyanide	05-26-94-R	06-06-94-TRM	
	United Kingdom	Diagnostic reagent strips	06-15-94-R		09-22-94-NI
	United States	A4 cut ream copy paper	06-07-93	09-15-93	09-22-94-DD
	United States	Polyvinyl chloride	06-10-93-R		01-27-94-DD
	United States	Sodium cyanide	11-16-93-R		05-23-94-DD
	United States	Blood collection packs	12-10-93	03-22-94	03-29-94-NI
	United States				08-02-94-PU

See footnotes at end of table.

**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
Austria	United States	Diagnostic reagent strips	06-15-94-R		11-08-94-DD
	Venezuela	Fiberglass gun rovings	10-11-93	01-19-94	05-25-94-TRM
	Czech Republic	Ploughs	04-22-92		02-25-94-ND,NI
	Czech Republic	Harrowes with fixed tools	04-22-92		02-25-94-ND
	Czech Republic	Manure spreaders	04-22-92		02-25-94-NI
	Czech Republic	Mowers with cutter bars	04-22-92		02-25-94-PU
	Czech Republic	Rotary mowers	04-22-92		02-25-94-PU
	Czech Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg, new and used	03-18-93		03-17-94-NI
	Czech Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight of 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Czech Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg, new and used	03-18-93		03-17-94-NI
Canada	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg or less, new and used	03-18-93		03-17-94-NI
Canada	Argentina	Carbon steel welded pipe	06-08-94-R		10-06-94-DD
	Australia	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	Australia	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	Belgium	Carbon plate steel	11-30-94-R		04-08-94-DD
	Brazil	Women's leather and non-leather footwear	10-01-93-R		04-08-94-DD
	Brazil	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	Brazil	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	Brazil	Carbon steel welded pipe	06-08-94-R		10-06-94-DD
	China	Women's leather and non-leather footwear	10-01-93-R		04-08-94-DD
	China	Bicycles	03-04-94-R		06-30-94-DD
Canada	China	Paint brushes	11-24-93	08-24-94-R	06-22-94-DD
	Czech Republic	12-gauge shotshells	11-30-94-R	02-22-94	06-22-94-DD
	Czech Republic	Carbon steel plate	11-30-94-R		06-22-94-DD
	Czech Republic	Carbon steel plate	11-30-94-R		06-22-94-DD
	Denmark	Carbon steel plate	11-30-94-R		06-22-94-DD
	France	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	France	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	France	Corrosion resistant steel sheet	11-17-93		07-29-94-DD
	France	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	France	Corrosion resistant steel sheet	11-17-93		07-29-94-DD

See footnotes at end of table.

**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
	Germany	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	Germany	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	Germany	Carbon steel plate	11-30-94-R		
	Hungary	12-gauge shotshells	11-24-93	02-22-94	06-22-94-DD
	India	Black granite memorials	12-22-93	03-22-94	07-20-94-DD
	India	Black granite memorials	09-09-94-R		
	India	Carbon steel welded pipe	06-08-94-R		
	India	Carbon steel plate	10-18-93	01-17-94	10-06-94-DD
	Italy	Corrosion resistant steel sheet	11-17-93	03-31-94	05-17-94-DD
	Japan	Corrosion resistant steel sheet	08-12-94-R		07-29-94-DD
	Japan	Corrosion resistant steel sheet	09-22-93		12-09-94-DD
	Korea	Oil and gas well casings	12-02-94-R		01-28-94-DD
	Korea	Oil and gas well casings	10-18-93	01-17-94	05-17-94-DD
	Korea	Carbon steel plate	11-17-93	03-31-94	07-29-94-DD
	Korea	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	Korea	Corrosion resistant steel sheet	06-08-94-R		10-06-94-DD
	Korea	Carbon steel welded pipe	11-30-94-R		10-06-94-DD
	Korea	Carbon steel plate	11-17-93	03-31-94	07-29-94-DD
	Macedonia	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	New Zealand	Corrosion resistant steel sheet	11-24-93		02-22-94-NI
	New Zealand	12-gauge shotshells	06-08-94-R		10-06-94-DD
	Poland	Carbon steel welded pipe	10-18-93		
	Romania	Carbon steel welded pipe	06-08-94-R		
	Romania	Carbon steel plate	11-30-94-R		
	Romania	Carbon steel plate	10-18-93	01-17-94	05-17-94-DD
	Spain	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	Spain	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	Spain	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	Sweden	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	Sweden	Aluminum coil stock	06-20-94-R		
	Sweden	Women's leather and non-leather footwear	10-01-93-R		04-08-94-DD
	Taiwan	Bicycles	03-04-94-R		06-30-94-DD
	Taiwan	Carbon steel welded pipe	06-08-94-R		10-06-94-DD
	Taiwan	Stainless steel welded pipe	09-26-94-R		12-23-94-DD
	Thailand	Carbon steel welded pipe	06-08-94-R		10-06-94-DD
	Ukraine	Carbon steel plate	10-18-93	01-17-94	05-17-94-DD
	United Kingdom	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	United Kingdom	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	United Kingdom	Carbon steel plate	11-30-94-R		
	United States	Malt beverages (beer)	07-29-93-R		01-12-94-DD
	United States	Synthetic baller twine	07-30-93	12-23-93	04-22-94-DD
	United States	Synthetic baller twine	10-25-94-R		
	United States	Oil and gas well casings	09-22-93		01-28-94-DD
	United States	Oil and gas well casings	12-02-94-R		
	United States	Aluminum wedge clamps	10-15-93-R		PU
	United States	Copper and brass pipe fittings	10-25-93-R		04-18-94-DD

See footnotes at end of table.

**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
Chile	United States	Copper and brass pipe fittings	10-06-94-R		12-30-94-DD
	United States	Hanging file folders	10-27-93-R		05-09-94-PU
	United States	Corrosion resistant steel sheet	11-17-93	03-31-94	07-29-94-DD
	United States	Corrosion resistant steel sheet	08-12-94-R		12-09-94-DD
	United States	Fiberglass pipe insulation	11-19-93-R		05-19-94-DD
	United States	Plastic shrinkable bags	11-19-93		04-05-94-PU
	United States	Certain machine tufted carpeting	12-13-93-R		12-07-94-DD
	United States	Gypsum wallboard	06-24-94-R		10-19-94-DD
	United States	Red and golden delicious apples	07-14-94	10-12-94	12-11-94-TRM
	United States	Grinding balls	07-07-94-R		10-11-94-DD
	United States	Flat wooden toothpicks	07-13-94-R		12-07-94-PU
	United States	Residential steel storage bldgs	09-09-94		10-06-94-DD
	United States	Carbon steel welded pipe	06-08-94-R		
	Venezuela	Wheat flour		09-07-94-R	
	Argentina	Wheat flour		12-19-94	12-19-94
	Argentina	Phthalic anhydride	11-18-93		05-11-94-DD
	Venezuela	Phthalic anhydride	03-12-94	08-06-94	08-06-94-DD
Colombia	United States	Ethyl acetate	10-04-93	03-04-94	07-01-94-DD
	United States	Chrome plate	04-03-94		10-03-94-TRM
	Vietnam	Rice		09-14-94	
EEC	Armenia	Silicon carbide	10-26-91-R		04-13-94-TRM
	Austria	Container corner fittings	01-05-94-TRM		
	Austria	Urea			01-05-94-TRM
	Azerbaijan	Silicon carbide	10-26-91-R		04-13-94-TRM
	Belarus	Ammonium nitrate	11-24-92-R		05-21-94-TR
	Belarus	Potassium chloride	06-26-93-R		03-24-94-DD
	Belarus	Silicon carbide	06-26-93-R		04-13-94-TRM
	Belarus	Polyester staple fiber	08-03-94		
	Brazil	Hematite pig iron	12-09-92	01-15-94	07-16-94-DD
	Brazil	Ferrosilicomanganese	08-04-93	12-21-94	
	Brazil	Ferrosilicon		06-17-94-R	
	Bulgaria	Urea, ammonium nitrate solution	05-05-93	07-01-94	
	China	Silicon carbide	10-26-91-R		04-13-94-DD
	China	Refined antimony trioxide	03-21-92		07-09-94-ND
	China	Fluorspar	04-25-92	09-07-93	03-05-94-DD
	China	Ferrosilicon	07-09-92	09-22-93	03-19-94-DD
	China	Gum rosins	08-01-92		02-12-94-TRM
China	Calcium metal	11-14-92	04-23-94	10-21-94-DD	
China	Color television receivers	11-25-92	10-01-94		
China	Furfuraldehyde		07-31-93		
China	Potassium permanganate	09-11-93-R		07-21-94	
China	Furazolidone	11-09-93		11-19-94-DD	
China	Cotton fabric	01-20-94	07-08-94	11-04-94-DD	

See footnotes at end of table.

**Table A-22—Continued  
Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
	China	Certain tube or pipe fittings, of iron or steel	02-03-94		
	China	Activated powdered carbon	03-02-94		
	China	Peroxodisulphates	03-02-94		
	China	Coumarin	05-20-94		
	China	Artificial coumarin	06-22-94	06-22-94	10-21-94
	China	Artificial corundum		09-23-94	
	China	Tungsten ores and concentrates			
	Croatia	Certain tube or pipe fittings, of iron or steel	02-03-94		
	Czech Republic	Portland cement	04-28-94		
	Czech Republic	Hematite pig iron	05-21-94		
	Finland	Diesel engines			
	Georgia	Silicon carbide	10-26-91-R		01-05-94-TRM
	Georgia	Ammonium nitrate	11-24-92-R		04-13-94-TRM
	Hong Kong	3.5" microdisks	09-18-92		05-21-94-TRM
	Hong Kong	Videotape cassettes	09-17-94-R	03-11-94	09-10-94-DD
	Iceland	Ferrosilicon			
	India	Certain polyester yarns	12-22-92		01-05-94-TRM
	India	Synthetic staple fiber fabric	01-20-94		12-13-94-NI
	India	Cotton fabric	01-20-94		
	India	Bed linen	01-25-94		
	India	Polyester textured filament yarn	07-29-94		
	Indonesia	Synthetic staple fiber fabric	01-20-94		
	Indonesia	Cotton fabric	01-20-94		
	Indonesia	Bicycles	02-03-94		
	Indonesia	Certain polyester yarns	03-12-94-R		
	Indonesia	Monosodium glutamate	07-09-94-R		
	Indonesia	Polyester textured filament yarn	07-29-94		
	Indonesia	Television camera systems	03-10-93	10-30-93	04-30-94-DD
	Indonesia	Electronic weighing scales	03-12-94-R		
	Japan	Tapered roller bearings	07-02-94		
	Japan	Advertising matches	08-04-94		
	Japan	Rings of tapered roller bearings	10-20-94-R		
	Japan	Silicon carbide	10-26-91-R		04-13-94-TRM
	Kazakhstan	Unwrought magnesium	01-15-94		
	Kazakhstan	3.5" microdisks	09-18-92	03-11-94	09-10-94-DD
	Korea	Color television receivers	11-25-92	10-01-94	
	Korea	Large aluminum electrolytic capacitors		02-19-94	06-18-94-DD
	Korea	Monosodium glutamate	03-10-93		
	Korea	Videotape cassettes	07-09-94-R		
	Kyrgyzstan	Silicon carbide	09-17-94-R		
	Lithuania	Ammonium nitrate (UK only)	10-26-91-R		04-13-94-TRM
	Lithuania	Ammonium nitrate (EC-wide)	11-24-92-R		05-21-94-TRM
	Lithuania		06-09-94		

See footnotes at end of table.

**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
	Lithuania	Ammonium nitrate	12-06-94-R		
	Malaysia	Color television receivers	11-25-92	10-01-94	
	Malaysia	Watch movements	07-06-93	05-11-94	
	Malaysia	Bicycles	02-03-94		
	Malaysia	3.5" microdisks	09-02-94		
	Mexico	Certain acrylic fibers	06-05-93-R		04-13-94-TRM
	Moldova	3.5" microdisks	09-02-94		01-05-94-TRM
	Norway	Silicon carbide	09-02-94		01-05-94-TRM
	Norway	Silicon carbide	10-26-91-R		04-13-94-NI,ND
	Norway	Ferrosilicon			
	Norway	Silicon carbide	10-26-91-R		
	Pakistan	Synthetic staple fiber fabric	01-20-94		
	Pakistan	Cotton fabric			
	Pakistan	Bed linen			
	Poland	Silicon carbide	10-26-91-R		04-13-94-DD
	Poland	Hematite pig iron	12-09-92		07-16-94-DD
	Poland	Urea			06-30-94
	Poland	Ammonium nitrate solution	05-05-93		
	Poland	Portland cement	04-24-94		
	Russia	Hematite pig iron	09-21-91		
	Russia	Silicon carbide	10-26-91-R		07-16-94-DD
	Russia	Isobutanol	09-18-92		04-13-94-DD
	Russia	Calcium metal	11-14-92		03-31-94-DD
	Russia	Ammonium nitrate (UK only)	11-24-92		10-21-94-DD
	Russia	Ammonium nitrate (EC-wide)	06-09-94		
	Russia	Ammonium nitrate	12-06-94-R		
	Russia	Potassium chloride	06-26-93-R		03-24-94-DD
	Russia	Ferrosilicomanganese	08-04-93	12-21-94	
	Russia	Unwrought magnesium	01-15-94		
	Russia	Grain-oriented electrical sheets	05-20-94		
	Russia	Color television receivers	11-25-92	10-01-94	
	Singapore	Electronic weighing scales	04-28-94-R		
	Singapore	Certain tube or pipe fittings, of iron or steel			
	Slovak Republic	Portland cement	02-03-94		
	Slovak Republic	Ferrosilicon	04-28-94		
	South Africa	Ferrosilicomanganese	07-09-92	09-22-93	03-19-94-DD
	South Africa	Diesel engines	08-04-93	12-21-94	01-05-94-TRM
	Sweden	Ferrosilicon			01-05-94-TRM
	Sweden	Large aluminum electrolytic capacitors			06-18-94-DD
	Taiwan	Certain tube or pipe fittings, of iron or steel	03-10-93	02-19-94	
	Taiwan	Monosodium glutamate	02-03-94		
	Taiwan		07-09-94-R		

See footnotes at end of table.

**Table A-22—Continued  
Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
	Tajikistan	Silicon carbide	10-26-91-R		04-13-94-TRM
	Thailand	Color television receivers	11-25-92	10-01-94	
	Thailand	Watch movements	07-06-93	05-11-94	
	Thailand	Gas-fuelled pocket lighters	08-18-93	10-28-93	02-25-94-DD
	Thailand	Synthetic staple fibre fabric	01-20-94		
	Thailand	Bed linen	01-25-94		
	Thailand	Certain tube or pipe fittings, of iron or steel	02-03-94		
	Thailand	Bicycles	02-08-94		
	Thailand	Monosodium glutamate	07-09-94-R		
	Thailand	Polyester textured filament yarn	07-29-94		
	Turkey	Polyester yarn			
	Turkey	Cotton yarn	05-11-93		07-27-94-DD
	Turkey	Ferrosilicomanganese	08-04-93		
	Turkey	Synthetic handknitting yarn	08-05-93	12-21-94	02-26-94-TRM
	Turkey	Cotton fabric	01-20-94		
	Turkey	Bed linen	01-25-94		
	Turkmenistan	Silicon carbide	10-26-91-R		04-13-94-TRM
	Turkmenistan	Ammonium nitrate	11-24-92-R		05-21-94-TRM
	Ukraine	Hematite pig iron	09-21-91		07-16-94-DD
	Ukraine	Silicon carbide	10-26-91-R	01-15-94	04-13-94-DD
	Ukraine	Ammonium nitrate	11-24-92		05-21-94-TRM
	Ukraine	Potassium chloride	06-26-93-R		03-24-94-DD
	Ukraine	Unwrought magnesium	01-15-94		
	United States	Ethanolamine	08-08-92	08-04-93	02-02-94-DD
	United States	Aspartame	04-26-94-R		
	United States	3.5" microdisks	09-02-94		
	United States	PVC resin	06-10-92	02-02-93	01-18-94-NI
India	Argentina	PVC resin	06-10-92	02-02-93	01-18-94-NI
	Brazil	Isobutyl benzene	01-07-94		
	China	Bisphenol-A	08-12-92	08-10-93	03-11-94-DD
	Japan	PVC resin	06-10-92	02-02-93	01-18-94-DD
	Korea	PVC resin	06-10-92	02-02-93	01-18-94-DD
	Mexico	PVC resin	06-10-92	02-02-93	01-18-94-DD
	United States	PVC resin	06-10-92	02-02-93	01-18-94-DD
Japan	Pakistan	Cotton yarn	02-18-94		12-26-94-NI
	Belgium	Sodium hydroxide	05-13-94	10-28-94	12-26-94-NI
Korea	China	Sodium hydroxide	05-13-94	10-28-94	12-26-94-NI
	France	Sodium hydroxide	05-13-94	10-28-94	08-09-94-DD
	Japan	E-glass fiber	09-15-93	02-08-94	06-23-94-NI
	Russia	Disintegrated calcium phosphates	11-15-93	03-26-94	
	Taiwan	E-glass fiber	09-15-93	02-08-94	08-09-94-DD, PU
	United States	E-glass fiber	09-15-93	02-08-94	08-09-94-DD
	United States	Sodium hydroxide	05-13-94	10-28-94	12-26-94-NI

See footnotes at end of table.

**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
Mexico	Chile	Fish meal	10-06-93	02-10-94	
	China	Acid-grade fluorite	11-26-92	04-15-93	06-10-94-DD
	China	Pencils	03-09-93	04-20-94	
	China	Iron and steel valves	11-01-93	05-02-94	
	China	Pencil sharpeners	11-19-93	04-20-94	
	China	Suitcases and handbags	11-29-93	06-16-94	
	China	Door knob locks	05-02-94		
	Germany	Dioctylphthalate			03-28-94-TRM
	India	Diiodohydroxyquinoline	11-27-92-R		04-20-94-TRM
	Japan	Sulfuric acid	04-15-94		
	Spain	Graphitic carbon elements			04-15-94-TRM
	Taiwan	Low-carbon steel ballbearings			05-10-94-TRM
	United States	2-Ethylhexanol	11-27-92-R		02-25-94-TRM
	United States	Sulphate-bleached cellulose	07-19-93		05-02-94-TRM
	United States	Bond paper	10-05-93	06-02-94	
	United States	Liquid caustic soda	11-08-93	06-23-94	
	United States	Gasoline additives	11-08-93	05-23-94	
	United States	Commercial seamless steel tubes	02-10-94		
	United States	Ethylhexanol			02-25-94-TRM
	United States	Sausages			09-01-94-TRM
	United States	Diammonium phosphate	08-19-93		03-18-94-TRM
	United States	Sodium carbonate			03-18-94-TRM
	United States	Polybutadiene rubber			04-15-94-NI
	United States	Bovine meat and edible offals	06-03-94		
	United States	Diammonium phosphate	06-23-94		
	United States	Urea	11-08-93	06-16-94	
	Ex-USSR*				
	*Belarus, Estonia, Lithuania, Russia, Tajikistan, Ukraine, Uzbekistan				
New Zealand	China	Men's business shirts	01-31-94		04-26-94-TRM
	China	Certain women's footwear	11-23-94-R		
	China	Certain men's footwear	11-23-94-R		
	Hong Kong	Men's business shirts	01-31-94		04-26-94-TRM
	Indonesia	Lead acid automotive batteries	09-20-93-R		06-21-94-DD
	Indonesia	Aluminum foil in rolls	08-17-94		12-15-94-NI
	Indonesia	Certain men's footwear	11-23-94-R		
	Italy	Aluminum tread plate	10-06-94		11-09-94-NI
	Korea	Lead acid automotive batteries	09-20-93-R		06-21-94-DD
	Korea	PVC cling film	06-04-94-R		
	Korea	Certain men's footwear	11-23-94-R		
	Malaysia	Lead acid automotive batteries	09-20-93-R		06-21-94-DD
	Pakistan	Leather jackets and coats	12-21-94		
	Singapore	Lead acid automotive batteries	09-20-93-R		06-21-94-DD
	Taiwan	Lead acid automotive batteries	09-20-93-R		06-21-94-DD

See footnotes at end of table.



**Table A-22—Continued**  
**Antidumping actions reported by signatories to the GATT Committee on Anti-Dumping Practices during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
	Taiwan	PVC cling film	06-04-94-R		
	Taiwan	Certain men's footwear	11-23-94-R		
	Thailand	Certain men's footwear	11-23-94-R		
	Thailand	Certain types of plasterboard	12-18-94-R		
	Thailand	Sweetened condensed milk	12-21-94		
	United States	Automotive oil filters	11-23-94-R		
Peru	Bolivia	Soybean oil in containers	09-06-94		
	China	Various fabrics	10-16-94		
	Colombia	Aluminum products	01-21-94-R		
	Colombia	Hollow sections of aluminum alloys	01-21-94-R	02-15-94	09-29-94-NI
	Korea	Radial tires for motor vehicles	06-14-94		
Singapore	Malaysia	Steel reinforcement bars	12-16-94		
	Turkey	Steel reinforcement bars	12-30-94		
Turkey	China	Non-refillable pocket lighters	09-28-94		
	Hong Kong	Non-refillable pocket lighters	09-28-94		
	Poland	Type I steel profiles	05-26-93		
Venezuela	China	Women's blue jeans	12-10-93	07-22-94	07-22-94-TRM
	China	Men's blue jeans	12-10-93	07-22-94	

<sup>1</sup> Initiation date codes: R = Review of existing antidumping measures.

<sup>2</sup> Provisional measures codes: NPF = Negative preliminary finding; NPM = No provisional measures; R = Revision.

<sup>3</sup> Final outcome codes: DD = Definitive duty; ND = No dumping; NI = No injury; PU = Price undertaking; R = Revision, TRM = Termination.

Source: The GATT.

**Table A-23  
Countervailing duty actions reported by signatories to the GATT Committee on Subsidies and Countervailing Measures during 1994**

Reporting country	Country of origin	Product	Initiation date <sup>1</sup>	Provisional measures <sup>2</sup>	Date and final outcome <sup>3</sup>
Argentina .....	EEC/Spain	Olive oil	08-22-94		
Australia .....	France	Bulk brandy	06-11-93-R		08-31-94-R
	Italy	Canned tomatoes	05-21-94-R		02-10-94-DD
	Italy	Dried egg white	11-03-94-R		09-19-94-DD
	Netherlands	Formulated trifluralin	07-26-93	11-03-93	04-14-94-DD
	South Africa	Forged grinding balls	05-02-94	05-13-94-TRM	
	South Africa	Forged and cast grinding balls	05-18-94	08-15-94-TRM	
	South Africa	Trifluralin in solvent	09-28-94	11-10-94-TR	
	Thailand	Canned tomatoes	06-29-94-R		10-19-94-NI
Austria .....	Czech Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg, new and used	03-18-93		03-17-94-NI
	Czech Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight of 3,700 kg or less, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight exceeding 3,700 kg, new and used	03-18-93		03-17-94-NI
	Slovak Republic	Tractors, other tractors (except road tractors) with a gross vehicle weight of 3,700 kg or less, new and used	03-18-93		03-17-94-NI
Canada .....	India	Black granite memorials	12-22-93	03-22-94	07-20-94-DD
EEC .....	India	Black granite memorials	09-09-94-R		
	Thailand	Ball bearings of up to 30 mm outside diameter	10-22-93-R		
Peru .....	Argentina	Candy	12-11-94		
New Zealand .....	Australia	Alloy wheels	03-10-93-R		

<sup>1</sup> Initiation date codes: R = Review of existing countervailing measure.

<sup>2</sup> Provisional measures codes: NPF = Negative preliminary finding.

<sup>3</sup> Final outcome codes: DD = Definitive duty; NI = No injury; PU = Price undertaking; TRM = Terminated.

Source: The GATT.

**Table A-24**  
**Antidumping cases active in 1994, filed under authority of title VII of the Tariff Act of 1930, by final outcomes and by USITC investigation number**  
*(Affirmative (A); Partial Affirmative (P); Negative (N); Suspension Agreement (S); Terminated (T); Discontinued (D))*

USITC Investigation No.	Product	Country of origin	Date original petition filed	Preliminary determination Commission ITA <sup>1</sup>	Final determination ITA <sup>1</sup>	Date of final action <sup>2</sup>
<b>Affirmative</b>						
731-TA-636	Stainless steel wire rod	Brazil	Dec. 30, 1992	A	A	Jan. 21, 1994
731-TA-637	Stainless steel wire rod	France	Dec. 30, 1992	A	A	Jan. 21, 1994
731-TA-639	Stainless steel flanges	India	Dec. 31, 1992	A	A	Feb. 2, 1994
731-TA-640	Stainless steel flanges	Taiwan	Dec. 31, 1992	A	A	Feb. 2, 1994
731-TA-641	Ferrosilicon	Brazil	Jan. 12, 1993	A	A	Jan. 24, 1994
731-TA-643	Defrost timers	Japan	Jan. 19, 1993	A	A	Feb. 22, 1994
731-TA-645	Certain calcium aluminate flux	France	Mar. 31, 1993	P	P	May 2, 1994
731-TA-652	Aramid fiber formed of poly para-phenylene terephthalamide	Netherlands	July 2, 1993	A	A	June 15, 1994
731-TA-653	Sebacic acid	China	July 19, 1993	A	A	July 5, 1994
731-TA-659	Grain-oriented silicon electrical steel	Italy	Aug. 26, 1993	A	A	Aug. 8, 1994
731-TA-660	Grain-oriented silicon electrical steel	Japan	Aug. 26, 1993	A	A	May 27, 1994
731-TA-663	Certain paper clips	China	Oct. 13, 1993	A	A	Nov. 14, 1994
731-TA-669	Certain cased pencils	China	Nov. 10, 1993	A	A	Dec. 15, 1994
731-TA-671	Silicomanganese	Brazil	Nov. 12, 1993	A	A	Dec. 14, 1994
731-TA-672	Silicomanganese	China	Nov. 12, 1993	A	A	Dec. 14, 1994
731-TA-673	Silicomanganese	Ukraine	Nov. 12, 1993	A	A	Dec. 14, 1994
731-TA-683	Fresh garlic	China	Jan. 31, 1994	A	A	Nov. 7, 1994
<b>Negative</b>						
731-TA-644	Welded stainless steel pipe	Malaysia	Feb. 16, 1993	A	A	Mar. 7, 1994
731-TA-646	Steel wire rod	Brazil	Apr. 23, 1993	A	A	Mar. 25, 1994
731-TA-648	Steel wire rod	Japan	Apr. 23, 1993	A	A	Mar. 25, 1994
731-TA-650	Nitromethane	China	May 24, 1993	A	A	May 6, 1994
731-TA-651	Silicon carbide	China	June 21, 1993	A	A	June 6, 1994
731-TA-668	Phthalic anhydride	Venezuela	Oct. 22, 1993	A	A	Sep. 21, 1994
731-TA-670	Certain cased pencils	Thailand	Nov. 10, 1993	A	A	Oct. 13, 1994
731-TA-674	Silicomanganese	Venezuela	Nov. 12, 1993	A	A	Dec. 14, 1994
731-TA-675	Saccharin	China	Nov. 18, 1993	A	A	Dec. 22, 1994
731-TA-676	Saccharin	Korea	Nov. 18, 1993	A	A	Dec. 22, 1994
731-TA-680	Stainless steel bar	Italy	Dec. 30, 1993	N	N	Dec. 28, 1994
731-TA-687	Certain steel wire rod	Germany	Feb. 14, 1994	A	(3)	Mar. 18, 1994
731-TA-705	Furfuryl alcohol	Thailand	May 31, 1994	N	(3)	Dec. 16, 1994
731-TA-719	Carbon steel pipe nipples	Mexico	Aug. 31, 1994	N	(3)	Sep. 26, 1994
731-TA-721	Wheel inserts	Taiwan	Sep. 15, 1994	N	(3)	Oct. 12, 1994

See footnotes at end of table.

**Table A-24—Continued**  
**Antidumping cases active in 1994, filed under authority of title VII of the Tariff Act of 1930, by final outcomes and by USITC investigation number**

(Affirmative (A); Partial Affirmative (P); Negative (N); Suspension Agreement (S); Terminated (T); Discontinued (D))

USITC Investigation No.	Product	Country of origin	Date original petition filed	Preliminary determination Commission ITA <sup>1</sup>	Final determination ITA <sup>1</sup> Commission	Date of final action <sup>2</sup>
<b>Suspended</b>						
731-TA-661	Photographic paper and certain chemical components	Japan	Aug. 31, 1993	A	S	Aug. 19, 1994
731-TA-662	Photographic paper and certain chemical components	Netherlands	Aug. 31, 1993	A	S	Aug. 19, 1994
<b>Discontinued</b>						
731-TA-686	Certain steel wire rod	Belgium	Feb. 14, 1994	A	D	June 29, 1994
<b>Terminated</b>						
731-TA-647	Steel wire rod	Canada	Apr. 23, 1993	A	A	May 3, 1994
731-TA-658	Class 150 stainless steel threaded pipe fittings	Taiwan	Aug. 2, 1993	A	A	July 26, 1994
731-TA-720	Wheel inserts	China	Sep. 15, 1994	T	T	Oct. 5, 1994
<b>In Progress</b>						
731-TA-677	Coumarin	China	Dec. 30, 1993	A	A	( <sup>4</sup> )
731-TA-678	Stainless steel bar	Brazil	Dec. 30, 1993	A	A	( <sup>4</sup> )
731-TA-679	Stainless steel bar	India	Dec. 30, 1993	A	A	( <sup>4</sup> )
731-TA-681	Stainless steel bar	Japan	Dec. 30, 1993	A	A	( <sup>4</sup> )
731-TA-682	Stainless steel bar	Spain	Dec. 30, 1993	A	A	( <sup>4</sup> )
731-TA-684	Fresh cut roses	Colombia	Feb. 14, 1994	A	A	( <sup>4</sup> )
731-TA-685	Fresh cut roses	Ecuador	Feb. 14, 1994	A	A	( <sup>4</sup> )
731-TA-688	Certain carbon steel butt-weld pipe fittings	France	Feb. 28, 1994	A	A	( <sup>4</sup> )
731-TA-689	Certain carbon steel butt-weld pipe fittings	India	Feb. 28, 1994	A	A	( <sup>4</sup> )
731-TA-690	Certain carbon steel butt-weld pipe fittings	Israel	Feb. 28, 1994	A	A	( <sup>4</sup> )
731-TA-691	Certain carbon steel butt-weld pipe fittings	Malaysia	Feb. 28, 1994	A	A	( <sup>4</sup> )
731-TA-692	Certain carbon steel butt-weld pipe fittings	Korea	Feb. 28, 1994	A	A	( <sup>4</sup> )
731-TA-693	Certain carbon steel butt-weld pipe fittings	Thailand	Feb. 28, 1994	A	A	( <sup>4</sup> )

See footnotes at end of table.

**Table A-24—Continued**  
**Antidumping cases active in 1994, filed under authority of title VII of the Tariff Act of 1930, by final outcomes and by USITC investigation number**

USITC Investigation No.	Product	Country of origin	Date original petition filed	Preliminary determination Commission ITA <sup>1</sup>	Final determination ITA <sup>1</sup> Commission	Date of final action <sup>2</sup>
731-TA-694	Certain carbon steel butt-weld pipe fittings	United Kingdom	Feb. 28, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-695	Certain carbon steel butt-weld pipe fittings	Venezuela	Feb. 28, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-696	Pure and alloy magnesium	China	Mar. 31, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-697	Pure and alloy magnesium	Russia	Mar. 31, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-698	Pure and alloy magnesium <sup>5</sup>	Ukraine	Mar. 31, 1994	P	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-699	Stainless steel angles	Japan	Apr. 8, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-700	Disposable lighters	China	May 9, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-701	Disposable lighters	Thailand	May 9, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-702	Ferovanadium and nitrided vanadium	Russia	May 31, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-703	Furfuryl alcohol	China	May 31, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-704	Furfuryl alcohol	South Africa	May 31, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-706	Canned pineapple	Thailand	June 8, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-707	Seamless carbon & alloy standard, line & pressure steel pipe	Argentina	June 23, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-708	Seamless carbon & alloy standard, line & pressure steel pipe	Brazil	June 23, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-709	Seamless carbon & alloy standard, line & pressure steel pipe	Germany	June 23, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-710	Seamless carbon & alloy standard, line & pressure steel pipe	Italy	June 23, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-711	Oil country tubular goods	Argentina	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-712	Oil country tubular goods	Austria	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-713	Oil country tubular goods	Italy	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-714	Oil country tubular goods	Japan	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-715	Oil country tubular goods	Korea	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-716	Oil country tubular goods	Mexico	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-717	Oil country tubular goods	Spain	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-718	Glycine	China	July 1, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-722	Honey	China	Oct. 3, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-723	Drawer slides	China	Oct. 31, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-724	Manganese metal	China	Nov. 8, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )
731-TA-725	Manganese sulfate	China	Nov. 30, 1994	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )

<sup>1</sup> U.S. Department of Commerce, International Trade Administration (ITA).

<sup>2</sup> For cases in which the final action was taken by the ITA, the date shown is the Federal Register notice date of that action.

<sup>3</sup> Not applicable.

<sup>4</sup> In progress.

<sup>5</sup> The investigation of alloy magnesium from Ukraine received a negative USITC vote, thus ending the investigation as of May 16, 1994. The pure magnesium investigation received affirmative votes from both the USITC and the ITA and is still in progress.

Source: U.S. International Trade Commission.

**Table A-25**  
**Antidumping orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
Argentina:	
Silicon metal .....	Sept. 26, 1991
Rectangular tubing .....	May 26, 1989
Barbed wire .....	Nov. 13, 1985
Carbon steel wire rods .....	Nov. 23, 1984
Armenia: Urea .....	July 14, 1987
Australia:	
Corrosion-resistant carbon steel flat products .....	Aug. 19, 1993
Canned Bartlett pears .....	Mar. 23, 1973
Austria: Railway track equipment .....	Feb. 17, 1978
Azerbaijan: Urea .....	July 14, 1987
Bangladesh: Shop towels .....	Mar. 20, 1992
Belarus-Baltic: Urea .....	July 14, 1987
Belgium:	
Cut-to-length carbon steel plate .....	Aug. 19, 1993
Phosphoric acid .....	Aug. 20, 1987
Sugar .....	June 13, 1979
Brazil:	
Silicomanganese .....	Dec. 22, 1994
Ferrosilicon .....	Mar. 14, 1994
Stainless steel wire rods .....	Jan. 28, 1994
Cut-to-length carbon steel plate .....	Aug. 19, 1993
Lead and bismuth steel .....	Mar. 22, 1993
Circular welded non-alloy pipe .....	Nov. 2, 1992
Silicon metal .....	July 31, 1991
Nitrocellulose .....	July 10, 1990
Orange juice .....	May 5, 1987
Brass sheet and strip .....	Jan. 12, 1987
Butt-weld pipe fittings .....	Dec. 17, 1986
Pipe fittings .....	May 21, 1986
Construction castings .....	May 9, 1986
Canada:	
Corrosion-resistant carbon steel flat products .....	Aug. 19, 1993
Cut-to-length carbon steel plate .....	Aug. 19, 1993
Magnesium .....	Aug. 31, 1992
Steel rail .....	Sept. 15, 1989
Color picture tubes .....	Jan. 7, 1988
Brass sheet and strip .....	Jan. 12, 1987
Oil country tubular goods .....	June 16, 1986
Construction castings .....	Mar. 5, 1986
Raspberries .....	June 24, 1985
Sugar and syrups .....	Apr. 9, 1980
Paving equipment .....	Sept. 7, 1977
Racing plates .....	Feb. 27, 1974
Elemental sulphur .....	Dec. 17, 1973
Steel jacks .....	Sept. 13, 1966
Chile: Standard carnations .....	Mar. 20, 1987
Colombia: Fresh cut flowers .....	Mar. 18, 1987
Ecuador: Fresh cut flowers .....	Mar. 18, 1987
Estonia: Urea .....	July 14, 1987
Finland: Cut-to-length carbon steel plate .....	Aug. 19, 1993
France:	
Calcium aluminate flux .....	June 13, 1994
Stainless steel wire rods .....	Jan. 28, 1994
Corrosion-resistant carbon steel flat products .....	Aug. 19, 1993
Lead and bismuth steel .....	Mar. 22, 1993
Ball bearings .....	May 15, 1989
Cylindrical roller bearings .....	May 15, 1989
Spherical plain bearings .....	May 15, 1989
Brass sheet and strip .....	Mar. 6, 1987
Nitrocellulose .....	Aug. 10, 1983
Sorbitol .....	Apr. 9, 1982
Anhydrous sodium metasilicate .....	Jan. 7, 1981
Sugar .....	June 13, 1979
Large power transformers .....	June 14, 1972

See footnote at end of table.

**Table A-25—Continued**  
**Antidumping orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
<b>Georgia:</b>	
Urea .....	July 14, 1987
Titanium sponge .....	Aug. 28, 1968
<b>Germany:</b>	
Cold-rolled carbon steel flat products .....	Aug. 19, 1993
Corrosion-resistant carbon steel flat products .....	Aug. 19, 1993
Cut-to-length carbon steel plate .....	Aug. 19, 1993
Lead and bismuth steel .....	Mar. 22, 1993
Rayon yarn .....	June 30, 1992
Sodium thiosulfate .....	Feb. 19, 1991
Nitrocellulose .....	July 10, 1990
Industrial belts (except synchronous and V-belts) .....	June 14, 1989
Ball bearings .....	May 15, 1989
Cylindrical roller bearings .....	May 15, 1989
Spherical plain bearings .....	May 15, 1989
Crankshafts .....	Sept. 23, 1987
Urea .....	July 14, 1987
Brass sheet and strip .....	Mar. 6, 1987
Barium carbonate .....	June 25, 1981
Sugar .....	June 13, 1979
Animal glue .....	Dec. 22, 1977
Drycleaning machinery .....	Nov. 8, 1972
Greece: Electrolytic manganese dioxide .....	Apr. 17, 1989
Hungary: Tapered roller bearings .....	June 19, 1987
<b>India:</b>	
Forged stainless steel flanges .....	Feb. 9, 1994
Stainless steel wire rod .....	Dec. 1, 1993
Sulfanilic acid .....	Mar. 2, 1993
Pipes and tubes .....	May 12, 1986
Iran: Pistachio nuts .....	July 17, 1986
<b>Israel:</b>	
Phosphoric acid .....	Aug. 19, 1987
Oil country tubular goods .....	Mar. 6, 1987
<b>Italy:</b>	
Grain-oriented electric steel .....	Aug. 12, 1994
Synchronous industrial belts and V-belts .....	June 14, 1989
Ball bearings .....	May 15, 1989
Cylindrical roller bearings .....	May 15, 1989
Granular polytetrafluoroethylene resin .....	Aug. 30, 1988
Tapered roller bearings .....	Aug. 14, 1987
Brass sheet and strip .....	Mar. 6, 1987
Brass fire protection equipment .....	Mar. 1, 1985
Woodwind pads .....	Sept. 21, 1984
Pressure sensitive tape .....	Oct. 21, 1977
Large power transformers .....	June 14, 1972
<b>Japan:</b>	
Grain-oriented electric steel .....	June 10, 1994
Defrost timers .....	Mar. 2, 1994
Corrosion-resistant carbon steel flat products .....	Aug. 19, 1993
Electric cutting tools .....	July 12, 1993
Lenses .....	Apr. 15, 1992
PET film .....	June 5, 1991
Cement .....	May 10, 1991
Benzyl paraben .....	Feb. 13, 1991
Laser light-scattering instruments .....	Nov. 19, 1990
Nitrocellulose .....	July 10, 1990
Mechanical transfer presses .....	Feb. 16, 1990
Drafting machines .....	Dec. 29, 1989
Small business telephone systems .....	Dec. 11, 1989
Industrial belts .....	June 14, 1989
Ball bearings .....	May 15, 1989
Cylindrical roller bearings .....	May 15, 1989
Spherical plain bearings .....	May 15, 1989
Electrolytic manganese dioxide .....	April 17, 1989
Microdisks .....	April 3, 1989

See footnote at end of table.

**Table A-25—Continued**  
**Antidumping orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
<i>Japan:—Continued</i>	
Granular polytetrafluoroethylene resin	Aug. 24, 1988
Brass sheet and strip	Aug. 12, 1988
Nitrile rubber	June 16, 1988
Forklift trucks	June 7, 1988
Stainless steel butt-weld pipe fittings	March 25, 1988
Color picture tubes	Jan. 7, 1988
Tapered roller bearings over 4 inches	Oct. 6, 1987
Filament fabric	Sept. 23, 1987
Cast-iron pipe fittings	July 6, 1987
Butt-weld pipe fittings	Feb. 10, 1987
Cellular mobile telephones	Dec. 19, 1985
Neoprene laminate	July 19, 1985
Calcium hypochlorite	Apr. 18, 1985
Titanium sponge	Nov. 30, 1984
Cyanuric acid	Apr. 27, 1984
Pagers	Aug. 16, 1983
High powered amplifiers	July 20, 1982
Large electric motors	Dec. 24, 1980
Steel wire strand	Dec. 8, 1978
Impression fabric	May 25, 1978
Melamine	Feb. 2, 1977
Acrylic sheet	Aug. 30, 1976
Tapered roller bearings 4 inches and under	Aug. 8, 1976
Polychloroprene rubber	Dec. 6, 1973
Steel wire rope	Oct. 15, 1973
Synthetic methionine	July 10, 1973
Roller chain	Apr. 12, 1973
Bicycle speedometers	Nov. 22, 1972
Large power transformers	June 14, 1972
Fishnetting	June 9, 1972
Television receiving sets	Mar. 10, 1971
<i>Kazakhstan:</i>	
Titanium sponge	Aug. 28, 1994
Ferrosilicon	Apr. 7, 1993
Urea	July 14, 1987
Kenya: Standard carnations	Apr. 23, 1987
Kyrgyzstan: Urea	July 14, 1987
Latvia-Baltic: Urea	July 14, 1987
Lithuania: Urea	July 14, 1987
Malaysia: Extruded rubber thread	Oct. 7, 1992
<i>Mexico:</i>	
Cut-to-length carbon steel plate	Aug. 19, 1993
Steel wire rope	Mar. 25, 1993
Circular welded non-alloy pipe	Nov. 2, 1992
Cement	Aug. 30, 1990
Fresh cut flowers	Apr. 23, 1987
Cookware	Dec. 2, 1986
Moldova: Urea	July 14, 1987
<i>Netherlands:</i>	
Aramid fiber	June 24, 1994
Cold-rolled carbon steel flat products	Aug. 19, 1993
Brass sheet and strip	Aug. 12, 1988
<i>New Zealand:</i>	
Kiwifruit	June 2, 1992
Brazing copper wire and rod	Dec. 4, 1985
Norway: Atlantic salmon	Apr. 12, 1991
<i>People's Republic of China:</i>	
Cased pencils	Dec. 28, 1994
Silicomanganese	Dec. 22, 1994
Paper clips	Nov. 25, 1994
Garlic	Nov. 16, 1994
Sebacic acid	July 14, 1994
Lock washers	Oct. 19, 1993
Ductile iron fittings	Sept. 7, 1993

See footnote at end of table.



**Table A-25—Continued**  
**Antidumping orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
<b>People's Republic of China:—Continued</b>	
Ferrosilicon	Mar. 11, 1993
Sulfanilic acid	Aug. 19, 1992
Butt-weld pipe fittings	July 6, 1992
Ceiling fans	Dec. 9, 1991
Tungsten ore concentrates	Nov. 21, 1991
Lug nuts	Sept. 20, 1991
Sparklers	June 18, 1991
Silicon metal	June 10, 1991
Sodium thiosulfate	Feb. 19, 1991
Hammers/sledges	Feb. 19, 1991
Picks/mattocks	Feb. 19, 1991
Bars/wedges	Feb. 19, 1991
Axes/adzes	Feb. 19, 1991
Nitrocellulose	July 10, 1990
Tapered roller bearings	June 15, 1987
Cookware	Dec. 2, 1986
Candles	Aug. 28, 1986
Construction castings	May 9, 1986
Paint brushes	Feb. 14, 1986
Barium chloride	Oct. 17, 1984
Chloropicrin	Mar. 22, 1984
Potassium permanganate	Jan. 31, 1984
Shop towels	Oct. 4, 1983
Printcloth	Sept. 16, 1983
Poland: Cut-to-length carbon steel plate	Aug. 19, 1993
<b>Romania:</b>	
Cut-to-length carbon steel plate	Aug. 19, 1993
Ball bearings	May 15, 1989
Urea	July 14, 1987
Tapered roller bearings	June 19, 1987
<b>Russia:</b>	
Ferrosilicon	June 24, 1993
Urea	July 14, 1987
Titanium sponge	Aug. 28, 1968
<b>Singapore:</b>	
V-belts	June 14, 1989
Ball bearings	May 15, 1989
Color picture tubes	Jan. 7, 1988
Rectangular pipes and tubes	Nov. 13, 1986
South Africa: Brazing copper wire and rod	Jan. 29, 1986
<b>South Korea:</b>	
Cold-rolled carbon steel flat products	Aug. 19, 1993
Corrosion-resistant carbon steel flat products	Aug. 19, 1993
DRAMS	May 10, 1993
Steel wire rope	Mar. 26, 1993
Stainless steel butt-weld pipe fittings	Feb. 23, 1993
Welded stainless steel pipes	Dec. 30, 1992
Circular welded non-alloy pipe	Nov. 2, 1992
PET film	June 5, 1991
Nitrocellulose	July 10, 1990
Small business telephone systems	Feb. 7, 1990
Color picture tubes	Jan. 7, 1988
Stainless steel cookware	Jan. 20, 1987
Brass sheet and strip	Jan. 12, 1987
Pipe fittings	May 23, 1986
Photo albums	Dec. 16, 1985
Television receiving sets	Apr. 30, 1984
<b>Spain:</b>	
Cut-to-length carbon steel plate	Aug. 19, 1993
Potassium permanganate	Jan. 19, 1984

See footnote at end of table.

**Table A-25—Continued**  
**Antidumping orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
<b>Sweden:</b>	
Cut-to-length carbon steel plate	Aug. 19, 1993
Ball bearings	May 15, 1989
Cylindrical roller bearings	May 15, 1989
Seamless stainless steel hollow products	Dec. 3, 1987
Brass sheet and strip	Mar. 6, 1987
Stainless steel plate	June 8, 1973
<b>Taiwan:</b>	
Forged stainless steel flanges	Feb. 9, 1994
Lockwashers	June 28, 1993
Stainless steel butt-weld pipe fittings	June 16, 1993
Welded stainless steel pipes	Dec. 30, 1992
Circular welded non-alloy pipe	Nov. 2, 1992
Lug nuts	Sept. 20, 1991
Small business telephone systems	Dec. 11, 1989
Rectangular tubing	Mar. 27, 1989
Stainless steel cookware	Jan. 20, 1987
Butt-weld pipe fittings	Dec. 17, 1986
Cookware	Dec. 2, 1986
Oil country tubular goods	June 18, 1986
Pipe fittings	May 23, 1986
Circular pipes and tubes	May 7, 1984
Television receiving sets	Apr. 30, 1984
Fireplace mesh panels	June 7, 1982
Carbon steel plate	June 13, 1979
Clear sheet glass	Aug. 21, 1971
<b>Tajikistan: Urea</b>	July 14, 1987
<b>Thailand:</b>	
Butt-weld pipe fittings	July 6, 1992
Ball bearings	May 15, 1989
Pipe fittings	Aug. 20, 1987
Circular welded pipes and tubes	Mar. 11, 1986
<b>Turkey:</b>	
Aspirin	Aug. 25, 1987
Pipes and tubes	May 15, 1986
<b>Turkmenistan:</b>	
Urea	July 14, 1987
Titanium sponge	Aug. 28, 1968
<b>Ukraine:</b>	
Uranium	Aug. 30, 1993
Ferrosilicon	Apr. 7, 1993
Urea	July 14, 1987
Titanium sponge	Aug. 28, 1968
<b>United Kingdom:</b>	
Cut-to-length carbon steel plate	Aug. 19, 1993
Lead and bismuth steel	Mar. 22, 1993
Sodium thiosulfate	Feb. 19, 1991
Nitrocellulose	July 10, 1990
Ball bearings	May 15, 1989
Cylindrical roller bearings	May 15, 1989
Crankshafts	Sept. 21, 1987
<b>Uzbekistan: Urea</b>	July 14, 1987
<b>Venezuela:</b>	
Ferrosilicon	June 24, 1993
Circular welded non-alloy pipe	Nov. 2, 1992
Aluminum sulfate	Dec. 15, 1989
Electrical conductor aluminum redraw rods	Aug. 22, 1988
<b>Yugoslavia:</b>	
Nitrocellulose	Oct. 16, 1990
Tapered roller bearings	Aug. 14, 1987
<b>Suspension agreements in effect:</b>	
<b>Canada: Potassium chloride</b>	Jan. 19, 1988
<b>Hungary: Truck trailer axles</b>	Jan. 4, 1982

See footnote at end of table.

**Table A-25—Continued**  
**Antidumping orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
<i>Japan:—Continued</i>	
Color negative photo paper .....	Aug. 12, 1994
Erasable programmable read-only memory chips .....	Aug. 16, 1986
Small motors .....	Nov. 6, 1980
Kazakhstan: Uranium .....	Oct. 26, 1992
Kyrgyzstan: Uranium .....	Oct. 26, 1992
Netherlands: Color negative photo paper .....	Aug. 12, 1994
Russia: Uranium .....	Oct. 26, 1992
Ukraine: Silicomanganese .....	Nov. 25, 1994
Uzbekistan: Uranium .....	Oct. 26, 1992
Venezuela: Cement .....	Feb. 27, 1992

<sup>1</sup> The U.S. Department of Commerce conducts a periodic review of outstanding antidumping duty orders and suspension agreements, upon request, to determine if the amount of the net margin of underselling has changed. If a change has occurred, the imposed antidumping duties are adjusted accordingly. The results of the periodic review must be published together with a formal notice of any antidumping duty to be assessed, estimated duty to be deposited, or investigation to be resumed.

Source: U.S. Department of Commerce, International Trade Administration.

**Table A-26**  
**Countervailing cases active in 1994, filed under authority of section 303 or title VII of the Tariff Act of 1930, by final outcomes and by USITC investigation number**  
*(Affirmative (A); Partial Affirmative (P); Negative (N); Suspension Agreement (S); Terminated (T); Discontinued (D))*

USITC Investigation No.	Product	Country of origin	Date original petition filed	Preliminary determination		Final determination		Date of final action <sup>2</sup>
				Commission	ITA <sup>1</sup>	Commission	ITA <sup>1</sup>	
<b>Affirmative</b>								
701-TA-355	Grain-oriented silicon electrical steel	Italy	Aug. 26, 1993	A	A	A	A	June 7, 1994
<b>Negative</b>								
701-TA-359	Certain steel wire rod	Germany	Feb. 14, 1994	N	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	Mar. 31, 1994
<b>In Progress</b>								
701-TA-360	Certain carbon steel butt-weld pipe fittings	India	Feb. 28, 1994	A	A	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
701-TA-361	Certain carbon steel butt-weld pipe fittings	Israel	Feb. 28, 1994	A	A	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
303-TA-25	Disposable lighters	Thailand	May 9, 1994	A	N	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
701-TA-362	Seamless carbon & alloy standard, line & pressure steel pipe	Italy	June 23, 1994	A	A	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
701-TA-363	Oil country tubular goods	Austria	June 30, 1994	A	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
701-TA-364	Oil country tubular goods	Italy	June 30, 1994	A	A	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )

<sup>1</sup> U.S. Department of Commerce, International Trade Administration (ITA).

<sup>2</sup> For cases in which the final action was taken by the ITA, the date shown is the *Federal Register* notice date of that action.

<sup>3</sup> Not applicable.

<sup>4</sup> In progress.

Note.—The International Trade Commission (ITC) conducts preliminary and final investigations under section 701 if the imports originate in a country that has signed the GATT Code on Subsidies and Countervailing Duties (formally known as the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade) or has undertaken comparable obligations. Similarly, ITC conducts preliminary and final investigations under section 303 if the imports enter the United States free of duty and the international obligations of the United States so require. With respect to dutiable imports from those countries that have neither signed the Subsidies Code nor undertaken substantially equivalent obligations, countervailing duties may be imposed after an affirmative finding by the Department of Commerce under section 303 of the Tariff Act of 1930 without an injury investigation by the ITC. Exceptions are granted in instances in which the exporting country becomes a signatory to the code or to an equivalent agreement during the investigation.

Source: U.S. International Trade Commission.

**Table A-27**  
**Countervailing-duty orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
<b>Argentina:</b>	
Leather .....	Oct. 2, 1990
Apparel .....	Mar. 12, 1985
Textile mill products .....	Mar. 12, 1985
Oil country tubular goods .....	Nov. 22, 1984
Cold-rolled flat products .....	Apr. 26, 1984
Wool .....	Apr. 4, 1983
Leather wearing apparel .....	Mar. 18, 1983
Nonrubber footwear .....	Jan. 17, 1979
Heavy-walled rectangular tubing .....	Sept. 27, 1988
Light-walled rectangular tubing .....	Sept. 27, 1988
Standard pipe .....	Sept. 27, 1988
Line pipe .....	Sept. 27, 1988
Belgium: Cut-to-length carbon steel plate .....	Aug. 17, 1993
<b>Brazil:</b>	
Cut-to-length carbon steel plate .....	Aug. 17, 1993
Lead and bismuth steel .....	Mar. 22, 1993
Brass sheet and strip .....	Jan. 8, 1987
Construction castings .....	May 15, 1986
Agricultural tillage tools .....	Oct. 22, 1985
Pig iron .....	Apr. 4, 1980
Cotton yarn .....	Mar. 15, 1977
Certain castor oil products .....	Mar. 16, 1976
<b>Canada:</b>	
Alloy magnesium .....	Aug. 31, 1992
Pure magnesium .....	Aug. 31, 1992
Steel rails .....	Sept. 22, 1989
Live swine .....	Aug. 15, 1985
<b>Chile: Standard carnations .....</b>	
<b>Ecuador: Fresh cut flowers .....</b>	
<b>European Union:<sup>2</sup> Sugar .....</b>	
<b>France:</b>	
Corrosion-resistant carbon steel flat products .....	Aug. 17, 1993
Lead and bismuth steel .....	Mar. 22, 1993
Brass sheet and strip .....	Mar. 6, 1987
<b>Germany:</b>	
Cold-rolled carbon steel flat products .....	Aug. 17, 1993
Corrosion-resistant carbon steel flat products .....	Aug. 17, 1993
Cut-to-length carbon steel flat products .....	Aug. 17, 1993
Lead and bismuth steel .....	Mar. 22, 1993
<b>India:</b>	
Sulfanilic acid .....	Mar. 2, 1993
Certain iron-metal castings .....	Oct. 16, 1980
<b>Iran:</b>	
Roasted pistachios .....	Oct. 7, 1986
Raw pistachios .....	Mar. 11, 1986
<b>Israel:</b>	
Industrial phosphoric acid .....	Aug. 19, 1987
Oil country tubular goods .....	Mar. 6, 1987
Fresh cut roses .....	Sept. 4, 1980
<b>Italy:</b>	
Grain-oriented electric steel .....	June 7, 1994
<b>Malaysia:</b>	
Extruded rubber thread .....	Aug. 25, 1992
Carbon steel wire rod .....	Apr. 22, 1988
<b>Mexico:</b>	
Cut-to-length carbon steel flat products .....	Aug. 17, 1993
Porcelain cookware .....	Dec. 12, 1986
Textile mill products .....	Mar. 18, 1985
Ceramic tile .....	May 10, 1982
Leather wearing apparel .....	Apr. 10, 1981
Netherlands: Standard chrysanthemums .....	Mar. 12, 1987
<b>New Zealand:</b>	
Steel wire nails .....	Oct. 5, 1987
Steel wire .....	Sept. 2, 1986

See footnotes at end of table.

**Table A-27—Continued**  
**Countervailing-duty orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
New Zealand:—Continued	
Carbon steel wire rod	Mar. 7, 1986
Lamb meat	Sept. 17, 1985
Brazing copper rod and wire	Aug. 5, 1985
Norway: Atlantic salmon	Apr. 12, 1991
Pakistan: Shop towels	Mar. 9, 1984
Peru:	
Pompon chrysanthemums	Apr. 23, 1987
Rebar	Nov. 27, 1985
Apparel	Mar. 12, 1985
Textiles	Mar. 12, 1985
Cotton sheeting and sateen	Feb. 1, 1983
Cotton yarn	Feb. 1, 1983
Singapore:	
Ball bearings	May 3, 1989
Cylindrical roller bearings	May 3, 1989
Needle roller bearings	May 3, 1989
Spherical plane bearings	May 3, 1989
Spherical roller bearings	May 3, 1989
South Africa: Ferrochrome	Mar. 11, 1981
South Korea:	
Cold-rolled carbon steel flat products	Aug. 17, 1993
Corrosion-resistant carbon steel flat products	Aug. 17, 1993
Stainless steel cookware	Jan. 20, 1987
Spain:	
Cut-to-length carbon steel flat products	Aug. 17, 1993
Stainless steel wire rod	Jan. 3, 1983
Sri Lanka: Textiles	Mar. 12, 1985
Sweden:	
Cut-to-length carbon steel flat products	Aug. 17, 1993
Certain carbon steel products	Oct. 11, 1985
Viscose rayon staple fiber	May 15, 1979
Taiwan: Stainless steel cookware	Jan. 20, 1987
Thailand:	
Steel wire rope	Sept. 11, 1991
Butt-weld pipe fittings	Jan. 18, 1990
Ball bearings	May 3, 1989
Malleable pipe fittings	Feb. 10, 1989
Steel wire nails	Oct. 2, 1987
Rice	Apr. 10, 1986
Pipes and tubes	Aug. 14, 1985
Certain apparel	Mar. 12, 1985
Turkey: Pipes and tubes	Mar. 7, 1986
United Kingdom:	
Cut-to-length carbon steel flat products	Aug. 17, 1993
Lead and bismuth steel	Mar. 22, 1993
Venezuela:	
Ferrosilicon	May 10, 1993
Circular welded nonalloy steel pipe	Sept. 17, 1992
Aluminum sulfate	Dec. 19, 1989
Electrical conductor redraw rods	Aug. 22, 1988
Zimbabwe: Wire rod	Aug. 15, 1986
Suspension agreements in effect:	
Argentina: Wire rod	Sept. 27, 1982
Brazil:	
Crankshafts	July 28, 1987
Orange juice	Mar. 2, 1983
Colombia:	
Miniature carnations	Jan. 13, 1987
Cut flowers	Jan. 9, 1986
Textiles	Mar. 12, 1985

See footnotes at end of table.

**Table A-27—Continued**  
**Countervailing-duty orders and findings in effect as of Dec. 31, 1994**

Country and commodity	Effective date of original action <sup>1</sup>
Costa Rica: Cut flowers .....	Jan. 13, 1987
Peru: Shop Towels .....	Sept. 12, 1984
Singapore: Compressors .....	Nov. 7, 1983
Thailand: Textiles .....	Mar. 12, 1985

<sup>1</sup> The U.S. Department of Commerce conducts a periodic review of outstanding countervailing-duty orders and suspension agreements, upon request, to determine if the amount of the net subsidy has changed. If a change has occurred, the imposed countervailing duties are adjusted accordingly.

<sup>2</sup> Includes Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.

Source: U.S. Department of Commerce, International Trade Administration.

**Table A-28****Sec. 337 investigations completed by the U.S. International Trade Commission during 1994 and those pending on Dec. 31, 1994**

<b>Status of Investigation</b>	<b>Article</b>	<b>Country<sup>1</sup></b>	<b>Commission Determination</b>
<b>Completed:</b> 337-TA-333	Woodworking Accessories	Taiwan	Ancillary candor proceeding completed.
337-TA-345	Anisotropically Etched One Megabit and Greater DRAMs, Components Thereof, and Products Containing Such DRAMs	Korea	Terminated based on a settlement agreement.
337-TA-347	Anti-Theft Deactivatable Resonant Tags and Components Thereof	Bermuda, Canada, Japan, Switzerland	Terminated based on a finding of no violation.
337-TA-350	Sputtered Carbon Coated Computer Disks and Products Containing Same, Including Disk Drives	Japan, Taiwan	Terminated based on a settlement agreement.
337-TA-351	Removable Hard Disk Cartridges and Products Containing Same	France	Terminated based on a settlement agreement.
337-TA-352	Personal Computers With Memory Management Information Stored In External Memory and Related Materials	Taiwan	Terminated based on summary determination of no violation.
337-TA-354	Tape Dispensers	Hong Kong, Taiwan	Issued a general exclusion order.
337-TA-355	Vehicle Security Systems and Components Thereof	Taiwan	Terminated based on summary determination of no violation.
337-TA-356	Integrated Circuit Devices, Processes For Making Same, Components Thereof, and Products Containing Same	Japan	Termination based on a settlement agreement.
337-TA-357	Sports Sandals and Components Thereof	Peoples Republic of China	Terminated based on a settlement agreement and consent order.

See footnotes at end of table.



**Table A-28—Continued**  
**Sec. 337 investigations completed by the U.S. International Trade Commission during 1994 and those pending on Dec. 31, 1994**

<b>Status of Investigation</b>	<b>Article</b>	<b>Country<sup>1</sup></b>	<b>Commission Determination</b>
<b>Completed:—Continued</b>			
337-TA-359	Dielectric Miniature Microwave Filters and Multiplexers Containing Same	Canada	Terminated based on a settlement agreement. (Note: Outstanding temporary limited exclusion order expired with the termination of the investigation.)
337-TA-360	Devices for Connecting Computers Via Telephone Lines	Taiwan	Issued a general exclusion order.
337-TA-362	Methods of Assembling Plastic Ball Valves and Components	Germany	Terminated as to two respondents based on a settlement agreement and as to the remaining respondents based on withdrawal of complaint.
337-TA-363	Multibrand Infrared Remote Control Transmitters	Hong Kong	Terminated based on withdrawal of complaint.
<b>Pending:</b>			
337-TA-228	Fans with Brushless DC Motors	Japan	Advisory opinion proceeding pending before the ALJ.
337-TA-315	Plastic Encapsulated Integrated Circuits	No foreign respondents	Enforcement proceeding pending before the ALJ.
337-TA-349	Diltiazem Hydrochloride and Diltiazem Preparations	Finland, Israel, Italy	Pending before the ALJ.
337-TA-358	Recombinantly Produced Human Growth Hormones <sup>2</sup>	Denmark, Israel	Pending before the Commission.
337-TA-361	Portable On-Car Disc Brake Lathes and Components Thereof	Germany	Pending before the Commission.
337-TA-364	Curable Fluorelastomer Compositions and Precursor Thereof	Italy	Pending before the Commission.
337-TA-365	Audible Alarm Devices for Divers	Taiwan	Pending before the ALJ.
337-TA-366	Microsphere Adhesives, Process For Making Same, and Products Containing Same, Including Self-Stick Repositionable Notes	Taiwan	Pending before the ALJ.
337-TA-367	Facsimile Machines and Components Thereof	Korea	Pending before the ALJ.

See footnotes at end of table.

**Table A-28—Continued**

**Sec. 337 investigations completed by the U.S. International Trade Commission during 1994 and those pending on Dec. 31, 1994**

<b>Status of Investigation</b>	<b>Article</b>	<b>Country<sup>1</sup></b>	<b>Commission Determination</b>
<b>Pending:—Continued</b> 337-TA-368	Rechargeable Nickel Metal Hydride Anode Materials and Batteries, and Products Containing Same	Japan	Pending before the ALJ.

<sup>1</sup> This column lists the countries of the foreign respondents named in the investigation.

<sup>2</sup> Subsequent to the filing of this Sec. 337 complaint, the Commission initiated a related Sec. 603 investigation. The Sec. 337 investigation was instituted upon termination of the Sec. 603 investigation.

Source: U.S. International Trade Commission, Office of Unfair Import Investigations.

**Table A-29**  
**Outstanding sec. 337 exclusion orders as of Dec. 31, 1994**

Investigation No.	Article	Country <sup>1</sup>	Date patent expires <sup>2</sup>
337-TA-55	Certain Novelty Glasses	Hong Kong	Non-patent
337-TA-59	Certain Pump-Top Insulated Containers	Korea, Taiwan	Sept. 12, 1995
337-TA-69	Certain Airtight Cast-Iron Stoves	Taiwan, Korea	Non-patent
337-TA-74	Certain Rotatable Photograph and Card Display Units and Components Thereof	Hong Kong	Non-patent
337-TA-87	Certain Coin-Operated Audio-Visual Games and Components Thereof	Japan, Taiwan	Non-patent
337-TA-105	Certain Coin-Operated Audio-Visual Games and Components Thereof	Japan, Taiwan	Non-patent
337-TA-112	Certain Cube Puzzles	Canada, Japan, Taiwan	Non-patent
337-TA-114	Certain Miniature Plug-In Blade Fuses	Taiwan	Non-patent Dec. 26, 1995
337-TA-118	Certain Sneakers With Fabric Uppers and Rubber Soles	Korea	Non-patent
337-TA-137	Certain Heavy-Duty Staple Gun Tackers	Korea, Hong Kong, Taiwan	Non-patent
337-TA-139	Certain Caulking Guns	Korea, Taiwan	Mar. 28, 1995
337-TA-140	Certain Personal Computers and Components Thereof	Hong Kong, Singapore, Switzerland, Taiwan	Jan. 23, 1996 July 14, 1998
337-TA-143	Certain Amorphous Metal Alloys and Amorphous Metal Articles	Japan, West Germany	Sept. 9, 1997
337-TA-146	Certain Canape Makers	No foreign respondents	Mar. 22, 1997
337-TA-152	Certain Plastic Food Storage Containers	Hong Kong, Taiwan	Non-patent
337-TA-161	Certain Trolley Wheel Assemblies	Korea	Aug. 29, 1995
337-TA-167	Certain Single Handle Faucets	Taiwan	Non-patent
337-TA-170	Certain Bag Closure Clips	Israel	Nov. 2, 1999 July 26, 2000
337-TA-174	Certain Woodworking Machines	South Africa, Taiwan	Non-patent Nov. 13, 1996 Mar. 13, 2001
337-TA-195	Certain Cloisonne Jewelry	Taiwan	Non-patent
337-TA-197	Certain Compound Action Metal Cutting Snips and Components Thereof	Taiwan	Non-patent
337-TA-228	Certain Fans With Brushless DC Motors	Japan	Jan. 15, 2002
337-TA-229	Certain Nut Jewelry and Parts Thereof	Philippines, Taiwan	Non-patent
337-TA-231	Certain Soft Sculpture Dolls, Popularly known as "Cabbage Patch Kids," Related Literature, and Packaging Therefor	No foreign respondents	Non-patent
337-TA-240	Certain Laser Inscribed Diamonds and the Method of Inscription Thereof	Israel	July 12, 2000
337-TA-242	Certain Dynamic Random Access Memories, Components Thereof, and Products Containing Same	Japan, Korea	Mar. 28, 1995 Aug. 26, 2002 Sept. 24, 2002
337-TA-254	Certain Small Aluminum Flashlights and Components Thereof	Hong Kong, Taiwan	Mar. 18, 2003
337-TA-266	Certain Reclosable Plastic Bags and Tubing	Singapore, Taiwan, Korea, Thailand, Hong Kong	Non-patent
337-TA-267	Certain Minoxidil Powder, Salts and Compositions for Use in Hair Treatment	Austria, Canada, Finland, Italy, Mexico, Switzerland	Feb. 13, 1996 Feb. 13, 1996
337-TA-276	Certain Erasable Programmable Read Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories	Korea	July 25, 1995 Sept. 16, 1997 July 12, 2000 May 21, 2002 Aug. 4, 2004
337-TA-279	Certain Plastic Light Duty Screw Anchors	Taiwan	Non-patent

See footnotes at end of table.

**Table A-29—Continued**  
**Outstanding sec. 337 exclusion orders as of Dec. 31, 1994**

Investigation No.	Article	Country <sup>1</sup>	Date patent expires <sup>2</sup>
337-TA-285 ...	Certain Chemiluminescent Compositions and Components Thereof and Methods of Using, and Products Incorporating, the Same	France	Non-patent Feb. 28, 1995 Feb. 2, 1999
337-TA-287 ...	Certain Strip Lights	Taiwan	Non-patent Mar. 15, 2000
337-TA-293 ...	Certain Crystalline Cefadroxil Monohydrate	Italy, Spain, Switzerland	Mar. 12, 2002
337-TA-295 ...	Certain Novelty Teleidoscopes	Hong Kong	Non-patent
337-TA-308 ...	Certain Key Blanks For Keys of High Security Cylinder Locks	Korea	Jan. 13, 2004 Jan. 13, 2004
337-TA-314 ...	Certain Battery-Powered Ride-On Toy Vehicles and Components Thereof	Taiwan	Sept. 22, 2001 Dec. 10, 2002 Jan. 31, 2003 Jan. 27, 2004 Dec. 01, 2004
337-TA-319 ....	Certain Automotive Fuel Caps and Radiator Caps and Related Packaging and Promotional Materials	Taiwan	Non-patent Apr. 11, 1995 May 30, 1995 Dec. 11, 1996 June 30, 2004 Aug. 23, 2005
337-TA-320 ....	Certain Rotary Printing Apparatus Using Heated Composition, Components Thereof, and Systems Containing Said Apparatus and Components	France, Spain	Dec. 24, 2002
337-TA-321 ....	Certain Soft Drinks and Their Containers	Colombia	Non-patent
337-TA-324 ...	Certain Acid-Washed Denim Garments and Accessories	Brazil, Chile, Hong Kong, Taiwan	Apr. 26, 2005
337-TA-333 ...	Certain Woodworking Accessories	Taiwan	Feb. 21, 2006
337-TA-337 ...	Certain Integrated Circuit Telecommunication Chips and Products Containing Same, Including Dialing Apparatus	Taiwan	May 1, 2001
337-TA-344 ...	Certain Cutting Tools For Flexible Plastic Conduit and Components Thereof	Taiwan	June 29, 1999
337-TA-354 ....	Certain Tape Dispensers	Hong Kong, Taiwan	Apr. 7, 2001
337-TA-360 ....	Certain Devices For Connecting Computers Via Telephone Lines	Taiwan	Feb. 13, 2007

<sup>1</sup> This column lists the countries of the foreign respondents named in the investigation.

<sup>2</sup> Multiple dates indicate the expiration dates of separate patents within the investigation.

Source: U.S. International Trade Commission, Office of Unfair Import Investigations.

**Table A-30**  
**U.S. imports for consumption of leading GSP-duty-free imports, 1994**

(1,000 dollars)

HTS Rank	HTS Item No.	Description	Total U.S. imports for consumption	Imports of GSP articles	
				GSP-eligible <sup>1</sup>	GSP duty-free <sup>2</sup>
1	8521.10.60	Color, cartridge or cassette magnetic tape-type video	3,002,354	1,185,564	592,040
2	8471.91.00	Digital processing units, whether or not entered with the rest of a system	2,949,819	572,127	485,900
3	8525.20.50	Cordless handset telephones	1,389,388	405,425	365,346
4	8527.11.11	Reception apparatus for radiotelephony incorporating tape players	899,471	312,516	281,170
5	1701.11.01	Raw cane sugar not flavored or colored	422,694	387,637	274,224
6	8519.99.00	Other sound reproducing apparatus, nesi	1,234,202	308,907	262,308
7	9403.60.80	Wooden (except bent-wood) furniture, other than seats	1,370,255	349,387	254,064
8	8517.10.00	Telephone sets	1,064,804	371,462	232,099
9	8527.11.60	Reception apparatus for radiotelephony incorporating optica disc players	525,992	229,858	218,544
10	8527.39.00	Radiobroadcast receivers, nesi, including apparatus	470,087	217,589	204,123
11	8528.10.14	Television receivers incorporating video recording or reproducing apparatus	309,018	204,706	192,435
12	8525.20.30	Transceivers, nesi, for radiotelephony, radiotelegraphy	542,257	229,027	191,353
13	2905.11.20	Saturated monohydric alcohols, nesi	482,206	283,096	191,213
14	8544.30.00	Insulated ignition wiring sets and other wiring sets	3,290,634	487,861	189,367
15	2401.10.40	Oriental or Turkish type cigarette leaf, not stemmed	216,499	176,423	169,621
16	9401.69.60	Parts of seats of a kind used for motor vehicles	434,909	195,538	157,014
17	7113.19.29	Rope, cable, chain, etc. in continuous lengths, of precious metal	632,306	169,156	153,305
18	8527.90.80	Other reception apparatus, nesi	255,425	145,100	140,383
19	7113.19.50	Articles of jewelry and parts thereof, of precious metal	2,060,681	888,837	139,383
20	8516.50.00	Microwave ovens	611,689	140,678	133,712
Total, above items			22,164,688	7,261,065	4,827,603
Total, all GSP items			255,294,456	29,221,313	18,378,685

<sup>1</sup> These import data show total imports of the top 20 products reported under an HTS subheading that establishes eligibility for duty-free treatment under GSP. For a variety of reasons, all imports from beneficiary countries that are "eligible" for GSP do not always necessarily receive duty-free GSP treatment. Such "eligible" imports may not actually receive GSP duty-free treatment for at least four types of reasons: (1) the importer fails to claim GSP benefits affirmatively; (2) the imports are from a beneficiary country that has lost GSP on that product or category for exceeding the so-called "competitive need" limits; (3) the imports are from a beneficiary country that has lost GSP on that product because of a petition to remove that country from GSP for that product; and (4) the imports fail to meet the rules of origin or direct shipment requirements in the GSP statute.

<sup>2</sup> These import data show the total imports of the top 20 products that actually received duty-free treatment under the GSP program.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-31**  
**U.S. imports for consumption and imports eligible for GSP treatment, by import categories under the Harmonized Tariff Schedule (HTS),**  
**1994**

(Million dollars)

HTS section	Description	Total U.S. imports for consumption <sup>1</sup>	Imports of GSP articles	
			GSP-eligible <sup>2</sup>	GSP duty-free <sup>3</sup>
I	Live animals; animal products	10,110	186	117
II	Vegetable products	9,724	619	168
III	Animals or vegetable fats, and waxes	1,199	116	111
IV	Prepared foodstuffs, beverages, and tobacco	12,510	1,549	1,086
V	Mineral products	56,727	129	65
VI	Products of the chemical and allied industries	30,234	1,526	895
VII	Plastics and rubber, and articles thereof	17,354	1,537	770
VIII	Hides and skins; leather and articles thereof; travel goods, handbags, and similar containers	6,408	577	484
IX	Articles of wood, cork, or plaiting material	10,397	1,111	630
X	Wood pulp; paper, paperboard, and articles thereof	13,613	153	126
XI	Textiles and textile articles	42,895	227	174
XII	Footwear, and headgear, and artificial flowers	13,483	454	171
XIII	Articles of stone or ceramics; glass and glassware	6,631	570	507
XIV	Pearls; precious stones and metals; jewelry; coin	14,921	1,942	701
XV	Base metals and articles of base metal	37,113	2,052	1,455
XVI	Machinery and mechanical appliances; electrical equipment; parts and accessories thereof	193,642	11,723	7,651
XVII	Vehicles, aircraft, and other transport equipment	109,560	811	655
XVIII	Optical; photographic, measuring, and medical apparatus; clocks and watches; musical instruments	22,621	1,351	552
XIX	Arms and ammunition; parts and accessories	777	121	63
XX	Miscellaneous manufactured articles	22,630	2,467	1,999
XXI	Works of art, collectors' pieces and antiques	2,405	0	0
XXII	Special classification provisions	20,812	0	0
	Total, above items	655,767	29,221	18,379

<sup>1</sup> Excludes imports into the U.S. Virgin Islands.

<sup>2</sup> These import data show total imports, by sector, that are reported under an HTS provision that establishes eligibility for duty-free entry under GSP. For a variety of reasons, all imports from beneficiary countries under HTS provisions that appear to be "eligible" for GSP do not always necessarily receive duty-free entry under GSP. Such "eligible" imports may not actually receive duty-free entry under GSP for at least four types of reasons: (1) the importer fails to claim GSP benefits affirmatively; (2) the goods are from a beneficiary country that has lost GSP benefits on that product for exceeding the so-called "competitive need" limits; (3) the goods are from a beneficiary country that has lost GSP benefits on that product because of a petition to remove that country from GSP for that product; and (4) the goods fail to meet the rule of origin or direct shipment requirements of the GSP statute.

<sup>3</sup> These import data show the total imports, by sector, that actually received duty-free entry under the GSP.

Note.—Because of rounding, figures may not add to the totals shown.  
Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-32**  
**U.S. imports for consumption of leading imports under CBERA, 1993-94**  
*(1,000 dollars)*

HTS No.	Description	1993	1994
6406.10.65	Footwear uppers, other than formed, of leather	162,741	219,360
7113.19.50	Articles of jewelry and parts of precious metal, nesi	84,682	139,224
0202.30.60	Nonretail cuts of meat of bovine animals, frozen, boneless, nesi	113,250	101,758
9018.90.80	Instruments and appliances medical, surgical, dental and other, nesi	53,104	92,555
0201.30.60	Nonretail cuts of meat of bovine animals, fresh, chilled, boneless, nesi	64,556	62,837
1701.11.02	Other sugar to be used for the production (other than by distillation) of polyhydric alcohols	54,743	59,142
7213.31.30	Bars and rods, hot-rolled, of iron or nonalloy steel	21,680	56,032
2905.11.20	Methanol (methyl alcohol), nesi	6,392	54,617
1701.11.01	Cane sugar entered pursuant to its provisions	76,232	52,156
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued \$.23 or over	38,539	50,073
2207.10.60	Undenatured ethyl alcohol of 80 percent volume alcohol, for nonbeverage use	40,690	47,450
0807.10.20	Cantaloupes, fresh, if entered from 9/16-7/31	44,844	43,963
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates	35,432	35,885
0302.69.40	Fish, nesi, excluding fillets, livers and roes, fresh or chilled	28,138	34,989
8538.90.80	Parts suitable for use solely or principally with the apparatus of headings 8535, 8536, 8537	*	31,086
8516.31.00	Electrothermic hair dryers	26,992	28,939
8536.50.80	Electrical apparatus for switching or protecting electrical circuits, nesi	*	23,917
2918.90.30	Aromatic drugs derived from carboxylic acids with additional oxygen	152,261	23,261
9506.69.20	Baseballs and softball	22,532	22,100
0807.10.70	Melons, nesi, fresh, if entered from 12/1-5/31	24,227	21,123
	Total of above items	1,051,035	1,200,467
	Total, all items entering under CBERA	1,903,613	2,050,158

\*.—Headings created in January 1994.

Note.—Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-33**  
**U.S. imports for consumption under CBERA, by country, 1990-94**

(1,000 dollars)

Rank	Country	1980	1991	1992	1993	1994
1	Dominican Republic .....	311,075	402,507	543,124	657,673	751,028
2	Costa Rica .....	218,380	249,553	294,803	388,251	478,109
3	Guatemala .....	154,205	137,157	189,649	208,262	171,381
4	Trinidad and Tobago .....	38,274	26,542	44,695	44,602	142,901
5	Honduras .....	67,891	80,464	112,511	127,399	139,838
6	Nicaragua .....	174	16,849	40,018	74,408	80,554
7	Jamaica .....	60,689	60,080	48,154	76,496	69,316
8	Bahamas .....	8,578	10,652	93,324	167,110	45,062
9	El Salvador .....	28,313	30,041	27,075	26,530	41,126
10	Panama .....	12,344	17,417	23,753	38,523	35,141
11	Barbados .....	15,198	15,728	15,478	20,176	21,313
12	St. Kitts and Nevis .....	10,136	5,857	14,172	15,985	17,220
13	Haiti .....	63,793	50,053	17,277	33,378	15,770
14	Belize .....	18,566	5,445	23,733	12,526	13,112
15	Guyana .....	521	506	1,202	1,246	13,100
16	St. Lucia .....	3,552	3,195	3,935	4,463	6,077
17	Netherlands Antilles .....	4,518	5,241	2,964	3,489	3,214
18	Dominica .....	1,330	1,365	1,008	1,293	2,112
19	St. Vincent and Grenadines .....	1,517	140	165	233	1,299
20	Montserrat .....	0	0	41	271	886
21	Antigua .....	675	548	324	1,110	809
22	Grenada .....	2,809	1,307	1,081	144	768
23	Aruba .....	4	0	10	21	12
24	British Virgin Islands .....	157	52	68	17	11
	Total .....	1,022,686	1,120,697	1,498,556	1,903,613	2,050,158

Note.—Figures may not add to the totals given due to rounding.

Source: Compiled from official statistics of the U.S. Department of Commerce.



**Table A-34**  
**U.S. imports for consumption under ATPA, by country, 1993-94**

*(1,000 dollars)*

Rank	Country	1993	1994
1	Colombia .....	323,369	411,642
2	Peru .....	11,594	107,430
3	Bolivia .....	32,124	91,840
4	Ecuador .....	34,335	72,905
	Total .....	401,421	683,817

Note.—Because of rounding, figures may not add to the totals given.

Source: Compiled from official statistics of the U.S. Department of Commerce.

**Table A-35**

**U.S. imports for consumption of leading imports under ATPA, 1994**

(1,000 dollars)

HTS no.	Commodity	1994
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids	121,036
0603.10.60	Roses, fresh cut	105,475
7113.19.50	Articles of jewelry, and parts thereof, nesi, of precious metals	85,205
0603.10.80	Cut flowers and flower buds suitable for bouquets, nesi	45,187
7113.19.10	Rope, curb, etc. in continuous lengths, of precious metal	29,036
3921.12.11	Nonadhesive plates, sheets, film, foil, strip, cellular plastics	28,260
0603.10.30	Miniature (spray) carnations, fresh cut	24,391
0302.69.40	Fish, nesi, excl. fillets, livers and roes, fresh or chilled	17,055
1701.11.01	Cane sugar, entered pursuant to its provisions	16,668
1604.14.40	Tunas and skipjack, not in airtight containers, not in oil	13,802
7901.11.00	Unwrought zinc, not alloyed	13,782
7801.10.00	Refined lead, unwrought	12,114
7113.19.29	Necklaces and neck chains of gold, nesi	10,493
4202.11.00	Trunks, suitcases, vanity cases, occupational luggage, with outer surface of leather	9,430
7113.19.21	Rope necklaces and neck chains of gold	9,351
0709.20.90	Asparagus, nesi, fresh or chilled	8,760
7403.11.00	Cathodes and sections of cathodes of refined copper	8,239
4202.91.00	Cases, bags and containers nesi, with outer surface of leather	6,093
1704.90.20	Confections or sweetmeats ready for consumption	6,055
0709.20.10	Asparagus, nesi, fresh or chilled, not reduced in size, entered 9/15-11/15	4,780
	Total of items shown	575,213
	Total other	108,604
	Total all commodities	683,817

Note.—Top 20 commodities sorted by imports for consumption, customs value in 1994.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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