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SUBCOMMITTEE ON TRADE
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

REPORT
ON
**WORLD TRADE ORGANIZATION (WTO)
MINISTERIAL MEETING IN SEATTLE,
WASHINGTON**



NOVEMBER 30, 1999 TO DECEMBER 3, 1999

Prepared for the use of the Committee on Ways and Means by its staff

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LETTER OF TRANSMITTAL

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC, March 23, 2000.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: I am pleased to transmit to you the enclosed Delegation report on the recent Subcommittee on Trade mission to the World Trade Organization (WTO) Ministerial in Seattle, Washington.

From November 30 to December 3, 1999, WTO trade ministers met in Seattle for the third WTO Ministerial Conference, the first international meeting of its kind to be hosted by the United States. The key issue for member countries was to consider a framework for a new round of multilateral trade negotiations. This report contains an overview of the mission and summaries of meetings with foreign and U.S. officials and representatives of U.S. business and other groups interested in the launch of a new round of trade negotiations.

The Delegation's visit was especially important in light of the outcome of the Ministerial Conference. Following 4 days of meetings, U.S. Special Trade Representative Ambassador Barshefsky, acting as Chairperson of the Conference, announced a decision to suspend negotiations, with direction to WTO Director General Mike Moore to engage in further consultations among member countries, in capitals and Geneva, on how to proceed. The trade mission also gave Members a chance to hold discussions with representatives of several of the labor, environmental, and consumer interest groups which protested in Seattle against WTO rules and procedures.

This report describes the bilateral economic and trade issues investigated during the trip, including those associated with ongoing negotiations for China and Taiwan to join the WTO. As the year proceeds with further consideration of U.S.-China trade relations and other issues relating to the WTO, I hope the record of these meetings will be useful to you.

Sincerely,

PHILIP M. CRANE,
Chairman.

Enclosure.

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OVERVIEW OF THE MISSION

From November 30 to December 3, 1999, a delegation from the Ways and Means Committee visited Seattle, Washington to participate in the third WTO Ministerial Conference.

The Uruguay round was the eighth round or series of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). The agreements reached at the end of 1994 during the Uruguay round were noteworthy in that they greatly expanded coverage of GATT rules beyond manufactured goods trade to include agricultural trade, services trade, trade-related investment measures, intellectual property rights, and textiles. The so-called "built-in agenda" of the Uruguay round trade agreements calls for the resumption of negotiations by the year 2000 to further liberalize trade in agriculture and services, as well as the examination of government procurement practices and enforcement of intellectual property rights.

Hosted by the United States in Seattle, Washington, from November 30 to December 3, 1999, the third WTO Ministerial Conference was to have formally launched these negotiations. At this meeting representatives of the 135-member countries of the WTO considered the procedures and substance of the "built-in" WTO agenda, as well as other issues including transparency, possible reforms to the dispute settlement system, treatment of electronic commerce, and the accelerated tariff liberalization (ATL) effort for industrial tariffs.

However, in a major setback, on December 3, following 4 days of meetings, Conference Chairperson Charlene Barshefsky announced a suspension of negotiations, stating: "Our collective judgment, shared by the WTO Director General, the Working Group Chairs, and the membership generally, was that it would be best to take a time out, consult with one another, and find creative means to finish the job."

In Seattle, the Ways and Means Delegation discussed WTO issues with Delegations from other WTO member countries, including the European Union, Australia, Canada, Mexico, and countries seeking to accede to the WTO such as China and Taiwan. During these meetings the Members exchanged views on: (1) the status of negotiations to launch the "built-in agenda" (2) the removal of market access barriers in agriculture, services, textiles, paper, and other sectors; and (3) the status of negotiations for China and Taiwan to accede to the WTO. The Delegation received briefings from U.S. Trade Representative (USTR) Charlene Barshefsky and other U.S. Government officials and met with several industry groups including the U.S. Chamber of Commerce, the National Association of Manufacturers, the Information Industry Technology Council, the Business Software Alliance, and the American Paper and Forest Products Association, to discuss their objectives for the Ministe-

rial and the new round of trade negotiations. The Delegation also had a chance to meet with representatives of several labor, environmental, and consumer interest groups, many of which protested in Seattle against WTO rules and procedures.

Monday, November 29, 1999

Meeting with U.S. Trade Representative Charlene Barshefsky

Upon arrival in Seattle, the CODEL met with USTR Barshefsky to be briefed on the status of the negotiations as of that time. Attending from USTR in addition to Ambassador Barshefsky was Nancy LeaMond, Chief of Staff, and Emily Beizer, Assistant USTR for Congressional Affairs. Chairman Crane chaired the meeting and was joined by a number of Members of the CODEL, including: Representatives Dreier, English, Houghton, Kolbe, Levin, McDermott, Portman, Watkins, and Weller.

Ambassador Barshefsky identified a number of goals that the United States was seeking to achieve in the talks under way. These included market access in the agriculture and services sector, as well as for industrial sectors, by way of reducing tariff and non-tariff barriers. On agriculture, Ambassador Barshefsky stated that the U.S. position was to substantially reduce domestic subsidies and eliminate export subsidies, and that wide differences remained with the European Union on these issues. Other countries that strongly opposed the U.S. position in this area were Japan, Korea, and Switzerland. Europe in particular was using negotiating tactics such as asking the United States to give up food aid and ban deficiency payments.

USTR Barshefsky said that the services negotiations were in better shape. In other areas, Ambassador Barshefsky indicated that Europe was still pressing for competition and investment negotiations, which the United States and a number of other countries opposed. Developing countries were also seeking a preferential market access package, which the United States was still discussing with Europe, as well as help in capacity building.

Ambassador Barshefsky also indicated that one positive development in the WTO that would likely be reflected and confirmed in Seattle was the integration of a growing number of former Soviet bloc countries into the WTO system. Other issues the United States would be pressing included new technological areas such as biotech and keeping e-commerce free from tariff and nontariff barriers. Regarding biotech, the United States was seeking to establish a working group with a narrow mandate to examine how approval procedures for biotech products can be made more transparent and accessible to businesses and governments alike. In addition, she said the United States was still working hard to achieve gains in transparency generally, such as speedier derestriction of documents, including panel reports. Ambassador Barshefsky predicted that there would be gains agreed to in this area but that the larger U.S. goals of open panel meetings and similar objectives were still broadly opposed, even by Quad partners such as the EU, which argue that transparency reform would distort the

government-to-government nature of the dispute settlement process.

In the area of trade and the environment, Ambassador Barshefsky predicted that an agreement could be reached on so-called “win-win” issues, such as eliminating tariffs on environmental goods and services and addressing fishery subsidies. In addition, there was a developing agreement to use the Committee on Trade and the Environment to actively review the work of negotiating groups.

On the subject of the relationship between trade and labor practices, the Ambassador stated that the U.S. proposal for establishment of a working group was the single most controversial issue facing the trade ministers. Other areas that remained controversial included: implementation of accelerated tariff liberalization arising out of agreements in the Asia-Pacific Economic Cooperation (APEC) Forum (with Japan blocking on wood and forest products and the EU taking a strong position in opposition on those and other sectors); cultural carve-outs being sought by France and a few other countries; and how to proceed with respect to the Agreement on Antidumping and the Agreement on Subsidies and Countervailing Measures. In the area of intellectual property protection, Ambassador Barshefsky stated that the United States was working to defuse pressures for extensions of the deadlines for developing countries under the Agreement on Trade-Related Intellectual Property Rights (TRIPs). With respect to concerns over problems with epidemic disease and public health emergencies, Ambassador Barshefsky said that she believed solutions could be achieved that were consistent with the existing TRIPs Agreement.

In response to questions, Ambassador Barshefsky said that in agriculture, the reductions the United States was seeking would not prejudice U.S. domestic programs, but if export subsidies were eliminated, the U.S. Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP) programs would have to be eliminated as well. With respect to a question from Congressman Watkins about fixing the so-called “endless loop” problem frustrating implementation of dispute settlement panel reports, Ambassador Barshefsky stated that the draft agreement with Europe would fix that potential issue, but the agreement was at risk due to U.S. legislative proposals to adopt a “carousel” retaliation approach. This is where sanctions on imported products or services are rotated at regular intervals, with the goal of making retaliation more effective in achieving implementation by the losing country.

Asked about the U.S. approach on labor, Ambassador Barshefsky said that the United States was following the mandate provided in the Uruguay Round Agreements Act.

In response to a question from Congressman Weller about Canadian so-called “cultural” restrictions and incentives in the motion picture sector, Ambassador Barshefsky stated that a number of U.S. States also provide incentives, albeit not “cultural” restrictions, on the types of programs that may be broadcast.

When asked by Congresswoman Thurman about particularly difficult sectors for the United States in agriculture negotiations, Ambassador Barshefsky described sugar and citrus as being in that category.

Finally, Chairman Crane asked a number of questions concerning China. In response, Ambassador Barshefsky recounted the return to negotiations following the April bombing of the Chinese Embassy in Belgrade and the recently concluded bilateral agreement, and indicated that the United States was encouraging China to conclude swiftly its negotiations with the EU and other countries, as well as in the WTO Working Group, so that Congress could consider the final package in the context of consideration of permanent normal trade relations (PNTR).

Tuesday, November 30, 1999

Organization for Economic Cooperation and Development

Members of the CODEL including Representatives Thomas, Nussle, Portman, and Collins attended a meeting with Donald Johnston, Secretary General of the OECD, and members of his staff including: Ken Ash, Deputy Director, Directorate for Food, Agriculture and Fisheries; Jean-Marie Metzger, Director for Trade; and Will Davis, OECD, Washington Center for Public Affairs.

The OECD does research and concept development for industrialized nations and is currently working on data concerning electronic commerce and on competition policy issues. In the past, OECD research on agriculture trade was used to develop the Uruguay round standards on agriculture. The OECD has also observed EU debates over food safety and genetically modified organizations. European consensus on these issues is harder to achieve as there is no single European agency charged with developing standards or performing research.

Members warned that EU agriculture policies remain a significant barrier to trade liberalization and that European intransigence on key issues is already leading U.S. farm groups to question the potential benefits of expanding trade agreements. Members pointed out that U.S. agriculture's increasing skepticism about trade was significant because U.S. agriculture had been a strong proponent of free trade in the past. They urged the OECD to communicate to European members that U.S. tolerance for the European Union's refusals to abide by WTO decisions, European export subsidies, and nontariff barriers, is nearly at an end. Members also expressed the view that in the United States, the European Union's positions on food and genetically modified organism safety seemed to be the result of European politics, not science.

Meeting with the Delegation from Taiwan

Members of the CODEL attended a meeting with a Taiwanese Delegation of parliamentarians chaired by Deputy Speaker Yin-Chyi Yao. Chairman Yao made most of the remarks but other Delegates did speak, including Huan-Chih Su, legislator and member of the opposition party, Democratic Progressive Party.

In his opening remarks Chairman Crane said that China and Taiwan will accede to the WTO together, but first the U.S. Congress must vote on permanent normal trade relations for China. He said that Congress recognizes that Taiwan has waited patiently for entry into the WTO and that Taiwan is our seventh largest trading partner.

In his opening remarks, Chairman Yao thanked Chairman Crane and the U.S. Delegation for the meeting and their support of Taiwan's accession to the WTO. He said that the Taiwanese people feel threatened by China and hope the Members can be helpful in continuing to stabilize the situation. Saying the Delegation from Taiwan represented all the different parties in their country, including the KMG (ruling party), the DPP (opposition party) and the Third Party (new opposition party), Chairman Yao introduced the group, which included Senators and City Council Members, as well as WTO Delegates.

Congresswoman Dunn first thanked the Taiwanese Consul in Washington State for his help in the past. She then asked the Taiwanese Delegation if a congressional resolution supporting the Republic of China's entry into the WTO would be helpful or necessary. The Delegation responded by saying that WTO admission was long overdue, but that Taiwan had reached a mutual agreement early in the year with the United States and that it doesn't mind being admitted simultaneously and is willing to give the PRC about 3 or 4 months of additional time. They did emphasize, however, that Taiwan was to be admitted at the same time.

Congressman Kolbe asked about intellectual property protection and what legal steps are being taken by Taiwan to protect privacy. The response from Senator Su and others was that there are several pieces of legislation that have been passed in the Taiwan Congress. Taiwan also has put in place border checks on exports and marking requirements for semiconductor chips. Senator Su said that Taiwan has already implemented much to protect IPR.

Congressman Houghton mentioned the special relationship that the United States has with Taiwan. He also said he hoped the Taiwanese Delegates understand the feeling in Congress about the U.S. antidumping laws and how important they are to the U.S. system. Chairman Yao responded by saying that they appreciate this advice from Members of the U.S. Congress.

National Retail Federation Lunch for CODEL Crane and Members of the European Parliament

Members of the CODEL and representatives from the European Parliament attended a lunch hosted by the National Retail Federation: Mr. Michel Rocard (Soc.-France) Chairman, Committee on Employment; Mr. James Elles (EPP-U.K.) Member, Committee on Budgets; Mr. Arlindo Cunha (EPP-Port.) Member, Committee on Agriculture; Mr. John Corrie (EPP-U.K.) Member, Development Committee; Ms. Eryl McNally (Soc.-U.K.) Member, Committee on Industry, Trade and Energy; Mrs. Glynnis Kinnock (Soc.-U.K.) Member, Committee on Development; and Ms. Caroline Lucas (Greens-U.K.) Member, Committee on Industry, Trade and Energy.

Chairman Crane addressed the group. He noted that his Trade Subcommittee has been following the preparations for the WTO Seattle Ministerial very closely because the meeting is a tremendous opportunity for building understanding and public support for the WTO and for showcasing how trade benefits all. He also stated his belief that it is important to focus on the new round as being an opportunity for trade liberalization.

It is counterproductive to the goal of forcing open markets to goods and services, the Chairman continued, if the debate is sidetracked with undefined, nontrade issues in which there is absolutely no international consensus as to whether these issues should be raised at the WTO, let alone how to solve them. He mentioned in particular the administration's efforts to seek a working party on labor. The Chairman said that he has no objections to a working party if it is to focus on trade-related labor issues, and in fact in the fast track debate he included broad language on labor. He also applauded efforts to make the WTO more transparent and to work with other organizations such as the ILO. In his view, however, the administration's proposal appears to go beyond that scope and covers issues that have a tenuous relationship to trade. He noted his concern that although the administration's proposal speaks of an analytical and not an advisory body, this is the first step to include an issue for which there is absolutely no international consensus.

The most dangerous aspect of the administration's strategy, he noted, is that the United States will be put in a position of having to make concessions on important trade-liberalizing measures, forced to give up some of its important demands for expanding trade in return for getting agreement from its trading partners to put such issues on the agenda. At worst, he said, it will derail the successful start of the round. Instead, the negotiators should focus on the new services, agriculture, and industrial tariff negotiations, as well as opportunities to achieve interim goals in tariff liberalization, e-commerce, and transparency. In addition, implementation of WTO obligations by the developing countries must be improved.

The Chairman then discussed the likely vote in Congress next spring on whether the United States should stay in the WTO (sections 124–125 of the Uruguay Round Agreements Act). He noted that Members will be studying the WTO in order to assure that it is in the best interests of the United States, does not threaten U.S. sovereignty, and is used to expand trade. He then emphasized that the bananas and beef hormone cases are important case studies as to the effectiveness of the WTO, and he told the EU Parliamentarians that he hopes that the WTO Members are able to make some progress in improving the dispute settlement mechanisms to avoid abuse of the system.

The Chairman then raised the issue of Chinese and Taiwanese accession to the WTO, noting his hope to include both countries in the WTO as soon as possible. He congratulated Ambassador Barshefsky on achieving a bilateral agreement which provides significant access for U.S. farmers and manufacturers to compete in Chinese markets which have been protected for decades. He told the audience that he intends to work hard to move legislation granting China permanent normal trade relations next year.

Finally, the Chairman discussed the role of the developing countries in the trading system. He said that the House made significant progress in expanding opportunities for developing countries in passing the African Growth and Opportunity Act by a large bipartisan majority. This legislation, for the first time, specifically encourages trade between the United States and African countries in sensitive sectors such as textiles and apparel. Chairman Crane concluded by saying that he hopes to quickly arrive at a conference

agreement which moves away from the Senate version and provides meaningful benefits for Africa and the nations of the Caribbean Basin.

Mr. Michel Rocard then addressed the group. He stated that about two-thirds of the ongoing U.S.-EU conflict is the result of misunderstanding, and only one-third represents actual substantive differences that should be discussed. He emphasized that the Social Democrats strongly believe in free trade. He questioned whether the WTO can manage without addressing labor and environment issues. He also noted that the WTO should incorporate provisions protecting family farms such as a subsidized protection program, noting that such programs have already been reduced by two-thirds because Europeans do not want to pay higher taxes. He concluded by saying that the WTO should deal with the issue of genetically modified organisms "quietly, with technique."

Congressman Thomas then addressed the group. He noted that the Republicans with agriculture constituencies support free trade. He emphasized that within a short timeframe, Congress must see progress on bilateral disputes with Europe or the United States is in danger of losing the vote to retain membership in the WTO. He therefore urged his European counterparts to help free traders in Congress on the WTO vote by coming into compliance.

Congressman Levin then spoke. He noted that globalization is here to stay, and evolving economies are now more involved in trade than before. Issues concerning not only free capital markets but also free labor markets are now important. The WTO, therefore, must encompass labor and environment within its structure or lose control over the issues and the outcome. He then mentioned the Kyoto Convention, noting that if evolving economies do not take on the obligations of abiding by international environmental standards, they would have an unfair competitive advantage. He urged the audience to open its perspective, noting that the issue should not be decided on the streets but within the WTO.

Congressman Levin also told his European colleagues that if the agriculture disputes between the United States and the EU are not resolved, they will undermine support for the WTO. "Do not let these issues fester," he urged. The same is true, he argued, for labor and environment. Labor has traditionally been internationalist, he said, and the WTO must avoid economic nationalism.

Mr. James Elles then concluded the discussion. He cited Thomas Friedman's latest book, "The Lexus and the Olive Tree," which notes that there are three dynamics in the world today. The first is the traditional balance between nation states. The second is the balance between nation states and global markets. The third is the balance between nation states and individuals. The WTO must adjust, he emphasized, to the third dynamic. He also mentioned his strong support for an effort to create a WTO Interparliamentary Assembly.

Meeting with the Delegation from Canada

On the afternoon of November 30, 1999, the CODEL met with a Delegation from Canada, consisting of representatives of the Federal Government and of various Provincial Governments.

Chairman Crane opened the meeting by discussing the U.S. priorities for the Seattle Ministerial as articulated by the administration. He was critical of what he referred to as the administration's "diversion with a working party [on trade and labor]." He said that he is not opposed to discussing labor and environmental issues within the WTO, as long as they are directly related to trade. Otherwise, these issues should be discussed in other forums. Chairman Crane stated that the free trade agenda since World War II has been highly successful and that he hopes that it will not be derailed over differences concerning dispute settlement. He added that complying with the WTO's rules does not compromise member countries' sovereignty, since member countries are free to exit the WTO if they determine that continued membership is not in their interests.

Chairman Crane's opening remarks were followed by opening remarks by the head of the Canadian Delegation, appearing on behalf of Trade Minister Pierre Pettigrew, who was not able to attend the meeting. The head of the Canadian Delegation stated that it was critical for the new round of trade negotiations to focus on agriculture. He expressed a desire to avoid a U.S.-EU battle over agriculture, in which Canada gets "sideswiped." He also expressed concern about backsliding on agricultural commitments made during the Uruguay round.

The head of the Canadian Delegation then addressed textiles and apparel. He said that the critical question here is how far the United States can go in opening its markets to textile and apparel imports.

Next, the head of the Canadian Delegation then moved to the issue of trade and labor. He said that the International Labor Organization is the appropriate forum to address these issues and that the United States has been focusing too much on the WTO.

Other issues that the head of the Canadian Delegation flagged as important to Canada were whether the U.S. Congress would grant the President fast track negotiating authority; the fate of the Free Trade Area of the Americas (FTAA); and prospects for China's admission to the WTO.

With respect to China's admission to the WTO, Chairman Crane stated that the United States will have to grant PNTR status to China, which will require a vote by Congress. He said that it is hard to believe that the PNTR vote will be controversial, since China's accession to the WTO will lead to billions of dollars in increased U.S. exports. He said that votes against PNTR for China will come from those Members of Congress who are essentially protectionist. Chairman Crane then outlined the steps that must be taken before China formally accedes to the WTO: (1) completion of bilateral negotiations with the European Union and several other WTO Members; (2) completion of negotiations on a protocol of accession; and (3) the filing of a report by the WTO Working Party on China's accession. He stated that a congressional vote on PNTR would occur in "late spring" at the earliest. He added that a vote on PNTR becomes more "worrisome" as the Presidential election gets closer.

Ranking Member Levin then offered comments on several issues. With respect to China's accession to the WTO, he said that the rea-

son the vote on PNTR will be controversial is because what is at issue is the set of rules that will govern economic relations between two huge economies. He stated that a market structure and the rule of law remain weak in China. He added that China represents not just a market opportunity for U.S. and Canadian producers, but it also represents an important source of competition.

With respect to fast track negotiating authority, Ranking Member Levin stated that the issue is whether labor and environment issues should be part of trade negotiations. He said that this relates to the FTAA as well as the WTO. He stated that labor issues are essentially economic issues, not human rights issues, and that they are part of the economic fabric. He then raised the question whether labor and environmental issues relating to trade will be faced in international organizations or in the streets. He said that he is not opposed to demonstrations, but that they do not resolve issues. He said that a working group on trade and labor in the WTO, as proposed by the United States, would open discussion of this issue. With regard to the suggestion that labor issues be left to the ILO, Ranking Member Levin stated that the ILO has no power to implement core labor standards. He concluded by stating that he would be discouraged if the United States and Canada are unable to cooperate on the issue of trade and labor, as well as agriculture and other issues.

Next, a member of the Canadian Delegation asked members of the CODEL to comment on whether U.S.-Canadian trade is better handled in the WTO or bilaterally. Chairman Crane responded that there is potentially more work to be done on a hemispheric basis.

Congressman Watkins then stated that there is a significant need for the European Union to open its borders to trade and, in particular, to lower its subsidies. He stated that Canada can play a key role in bringing about these changes. He then drew participants' attention to problems that the United States has had with the European Union, highlighting the "endless loop" problem that the United States has encountered in endeavoring to get the European Union to comply with decisions of the WTO Dispute Settlement Body. He reminded participants that Congress will have to vote next year on continued U.S. participation in the WTO (under section 135 of the Uruguay Round Agreements Act).

A member of the Canadian Delegation then commented that there must be public support for the WTO, which means bringing labor and environmental issues onto the WTO's agenda. He then asked members of the CODEL to express their views on continuation of the U.S.-Canada Softwood Lumber Agreement.

Congressman Weller then turned to the issue of television and film production. He said that this business is an important base for job growth in Chicago. He said that he is concerned about Canada's use of tax incentives to attract television and film production from the United States, on the one hand, and its invocation of "cultural content" as a reason to exclude U.S. television and film productions from its market, on the other hand. He said that what constitutes "cultural content" is questionable.

Responding to Congressman Weller's remarks, a member of the Canadian Delegation stated that 92 percent of films shown in Can-

ada are made in the United States. He said that Canada is just trying to fight for the remaining 8 percent.

A member of the Canadian Delegation from the Province of Alberta added that tax incentives given for film production are given without regard to content. He then turned to the subject of trade in agricultural products, stating that what is needed is a clear map of where we are going. He said that the main issue is dismantling EU policies that hinder competition in European markets.

Ranking Member Levin said that he understands the concern expressed by the representative from Alberta. He stated that if the United States supports Canada on agricultural issues, Canada should support the United States on issues considered to be U.S. priorities, including dispute settlement reform and preservation of the WTO Antidumping Agreement. He said that Canada has a high level of respect in international circles and should be asserting itself.

Next, another member of the Canadian Delegation expressed frustration with EU agricultural subsidies. He asked whether members of the CODEL expected that the EU could be persuaded to reduce domestic supports.

Congressman Watkins replied that the primary concern in the United States is with EU export subsidies. He said that there is less concern about domestic supports. He said that an important concern is the use of non-science-based regulations as trade barriers, as in the case of EU restrictions on importation of hormone-treated beef.

A member of the Canadian Delegation then commented that, with regard to trade and labor, if the ILO is not given enforcement mechanisms, then relegating this issue to the ILO will be seen as a smoke screen and won't work.

Another member of the Canadian Delegation, Mr. Jack Hill of Saskatchewan, then stated that an important U.S.-Canada issue is trade in durum wheat. He observed that Canada imports as much pasta as it exports wheat. He then noted a concern about the U.S. antidumping law. He stated that, contrary to a premise of U.S. antidumping law, selling goods at below the cost of production is not necessarily dumping. Such sales simply may reflect prevailing market conditions.

A member of the Canadian Delegation from the Province of Quebec stated that Quebec supports free trade, but barriers to free trade must be lowered in ways that respect national values. She said that national culture is special and should not be treated just like any other good. With respect to agriculture, she said that Quebec wants to retain its supply management programs. Finally, she said that Quebec is opposed to certain provisions of U.S. immigration law, which have the effect of impeding cross-border trucking.

Meeting with Environmental Groups

The Delegation met with representatives from the National Wildlife Federation (Mark Van Putten and Paul Joffe), Friends of the Earth (Brent Blackwelder, Mark Vaillant, and Andrea Durbin), Defenders of the Wildlife (Rina Rodriguez), and the Center for International Environmental Law (Steve Parker). Chairman Crane welcomed the representatives. Congressman Levin opened the

meeting by thanking the environmental groups for their participation and inviting them to offer their views on how environmental issues should be addressed in the WTO.

Mark Van Putten, President of the National Wildlife Federation (NWF), stated that NWF wanted to work with Congress and the administration to develop ways to integrate environmental concerns into trade agreements. He noted that NWF had supported the North American Free Trade Agreement (NAFTA) because the organization had viewed the NAFTA's environmental side agreement as a first step toward integrating environmental issues into trade regimes. With respect to the WTO, Mr. Van Putten stated that NWF's goal is to "fix the institution, not to trash it." Mr. Van Putten observed that there has been a tremendous loss of public confidence in the WTO, and this loss of confidence stemmed from the perception that the institution does not reflect the values of the public.

Mr. Van Putten then summarized five ways in which WTO rules and processes should be reformed to address the public's concerns about environmental protection. The first two proposals related to inclusion of a standard of deference in WTO rules. Specifically, Mr. Van Putten stated that the WTO should defer to both legitimate national environmental regulations and standards, and standards and sanctions established pursuant to multilateral environmental agreements (MEAs, such as the Montreal Protocol and the Convention on International Trade in Endangered Species). Mr. Van Putten indicated that the environmental community was disappointed with the administration's "lack of effort" to incorporate the deference rules in the WTO.

The third reform Mr. Van Putten offered was that WTO Members agree to interpret existing WTO rules to allow for regulation of imports based on production process methods (PPMs). Mr. Van Putten indicated that the administration had taken the position that it would be premature for WTO Members to make such a statement because WTO jurisprudence to date did not preclude regulation of imports based on PPMs. Fourth, Mr. Van Putten stated the WTO should conduct an environmental assessment of new trade rounds. Mr. Van Putten indicated that the environmental community was encouraged by the President's Executive Order that environmental assessments be conducted for future trade agreements, but was concerned that the administration's proposal did not include adequate processes for incorporating the results of such assessments into final agreements. The final reform offered by Mr. Van Putten was for increased transparency in the WTO. Mr. Van Putten indicated that the administration appeared to be pursuing this issue forcefully.

Mr. Blackwelder, President of Friends of the Earth (FOE), began by noting that while environmental groups are diverse, they have a unified position on trade. Mr. Blackwelder indicated his support for many of the proposals offered by NWF, particularly with regard to increasing transparency in the WTO. Mr. Blackwelder stated that when a closed system, such as the WTO, overturns laws that have taken a significant amount of time and thought to draft and enact, public confidence is undermined.

Andrea Durbin then outlined FOE's primary concerns. The first is that trade rules "are superceding" local and national laws. FOE advocates amending existing WTO rules to increase deference to local and national laws. Second, FOE opposes the proposed reduction in tariffs on forestry products under the accelerated tariff liberalization initiative. FOE does not believe that the administration should pursue the reductions given that the administration recently concluded in an environmental assessment that such reductions would exacerbate global deforestation. Third, Ms. Durbin expressed her group's opposition to negotiations on investment protections during the next round. Fourth, Ms. Durbin expressed FOE's concern about trade in genetically modified organisms, and stressed the need to allow countries to regulate products based on the precautionary principle.

Congressman Portman responded to the environmental groups by stating that the environmental community should recognize that economic development leads to higher environmental standards. Congressman Portman expressed his support for some of the reforms suggested by Mr. Van Putten, and indicated that further discussions should take place with respect to the other proposals. Mr. Van Putten responded by reiterating that NWF and the other groups present were not trying to block economic development or the WTO but, rather, were attempting to "fix it."

Congressman Brady commented that he would be interested in working on ways to "fix" the institution. He also expressed some reservation about the environmental groups' apparent blanket opposition to trade in biotechnology products, noting that advances in biotechnology have contributed to society.

Congressman Levin closed the meeting by asking the environmental groups to meet with the Ways and Means Committee in Washington to continue the dialogue.

Meeting with Mexican Trade Minister Ermenio Blanco

Congressmen Kolbe, English, and Levin met with Mexican Minister of Trade Ermenio Blanco, Undersecretary for International Commercial Negotiations of the Secretary of Commerce, Luis de la Calle and Artier Sarukhan, Advisor to the Minister of Foreign Relations.

The primary topic of discussion was U.S. antidumping laws. Congressman English opened the meeting by emphasizing the political importance of maintaining U.S. antidumping laws to maintain support for broader trade liberalization efforts in the United States. Minister Blanco agreed that antidumping laws can be an important political "safety value," noting that the Mexican Government was one of the most frequent users of antidumping laws in the world. He expressed concern, however, about the possible abuse of antidumping laws by other countries, citing antidumping cases against Mexican cement that were initiated by Ecuador and Guatemala.

Minister Blanco noted that Mexico does not advocate eliminating antidumping laws but instead seeks only to make the process more transparent and less punitive in its initial stages. Congressman Kolbe noted that not all Members of Congress agreed with the position of Congressman English and that he personally would be receptive to reforming U.S. antidumping laws. However, he did agree

that political consensus for reform in the United States was virtually nonexistent.

The inclusion of labor and environmental issues in trade agreements was also a major topic of discussion. Congressman Sandy Levin pointed to the protesters in Seattle as a demonstration of support for including labor and environmental issues in trade negotiations. He added that much of the protesters information was factually incorrect, citing in particular the WTO dispute rulings on the Venezuelan reformulated gas case and the use of turtle excluder devices in harvesting shrimp. Here, Congressman Levin emphasized that, although the WTO ruled against the application of these environmental laws by the United States, the rulings were not antienvironmental. Instead, the WTO dispute settlement panel said that the laws were consistent with standards set under the WTO, but that the United States was applying the law in a discriminatory manner.

Public transparency of WTO procedures, particularly the dispute settlement procedures, was also discussed. Congressman Kolbe indicated that he personally was very supportive of opening up the WTO procedures to greater public scrutiny, emphasizing that openness is a prerequisite to increasing public support for the institution. Minister Blanco sympathized with this position, but stated that the Mexican Government would not support greater openness of the process due to concerns that greater openness would introduce political elements into the WTO decisionmaking process. During the negotiations of NAFTA, U.S. trade negotiators told Mexico that involving nongovernmental organizations in NAFTA determinations would help to build public support for the agreement. However, he said, this did not prove to be the case.

Wednesday, December 1, 1999

Administration Briefing for Members

Agriculture Secretary Dan Glickman, U.S. Trade Representative Charlene Barshefsky, Deputy U.S. Trade Representative Rita Hayes, Transportation Secretary Rodney Slater, Small Business Administrator Aida Alvarez, and State Department Undersecretary Stuart Eizenstat briefed Members on the status of the talks.

Ambassador Hayes opened the meeting. Secretary Glickman then described the negotiations on the agriculture text of the Ministerial Declaration. With regard to integration and market access, he noted that the United States and the Cairns Group¹ want to treat agriculture in a manner similar to industrial products, while the European Union opposes this effort. In particular, the Cairns Group seeks to maintain tariffs as the only form of protection. The EU and Japan argue that a number of nontrade concerns should be addressed, especially the multifunctional role of agriculture, food safety and quality, and animal welfare. The EU claims that such concerns are not trade distorting. Secretary Glickman noted that he thinks the WTO Members can work through these issues be-

¹The Cairns Group includes Argentina, Australia, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, the Philippines, Paraguay, Thailand, South Africa, and Uruguay.

cause the United States has sympathy on the issue of farmer lifestyle and land use as long as it is not trade restricting.

Secretary Glickman then discussed the issue of export subsidies, noting that the main question related to whether the subsidies should be eliminated over the short or the long term. The EU would agree only to a "substantial reduction," further claiming that U.S. export credits are a trade distorting subsidy. The United States disagrees. He further noted that because Japan does not grant subsidies, it should be in agreement with the United States over the elimination of such subsidies. With regard to biotechnology issues, he noted that the United States is working with Canada on the establishment of a working group.

Ambassador Barshefsky then briefed the Members. She noted that the situation in the streets on Monday was "very difficult," and many countries were surprised that it was violent for so long. The peaceful portion of the protest, she said, illustrates the concerns about labor, environment, and transparency. She congratulated the AFL-CIO for its "orderly" protest.

With respect to the negotiations, she stated that the U.S. goal is to develop an agenda that is specific yet broad enough so that meaningful negotiations could be launched with benchmarks and timeframes for the presentation of proposals within 6 to 9 months. She noted that such a deadline would have cut off 2½ years from the Uruguay round negotiations, signifying that the Seattle negotiations are already off to a fast start.

With respect to the substantive issues, she said that all countries, except the United States, are seeking to put antidumping on the table. She also noted that most countries are "extremely antagonistic" to including labor and environment. Finally, she noted that most developing countries want to reopen the Uruguay round, particularly on the issue of implementation.

Secretary Slater then described the status of transportation issues. In particular, he noted that investment in transportation helps everyone enjoy the benefits of trade. He mentioned that the Delegates would focus on Africa during Tuesday's discussions and on Latin America on Wednesday.

Administrator Alvarez spoke about the importance of small business, noting that it is the fastest growing aspect of trade. The number of small business exporters in the United States has doubled, reaching 200,000 today, a full 97 percent of all exporters. She said that she wants the communique to mention the importance of small business.

Undersecretary Eizenstat then concluded the briefing, mentioning a meeting with the World Bank, the International Monetary Fund, the International Labor Organization, and other international organizations to help developing countries strengthen their institutions and encourage capacity building. He also said that the United States seeks to give the head of the ILO the same observer status as the IMF and the World Bank.

Meeting with the Delegation from India

The Delegation met with representatives of the Government of India, including the Indian Ambassador to the United States (Mr. Naresh Chandra), three members of the Indian parliament (Mr.

Kamal Nath, Mr. K. Yerrannaidu, and Mr. Biplad Dasgupta), and a number of representatives from Indian industry.

Ambassador Chandra opened the meeting by introducing his Delegation and offering a few observations on the protests and the importance of U.S.-India relations. With respect to the protests, Ambassador Chandra stated that he and other members of the Indian Delegation had an opportunity to engage the protestors in a dialogue, and as a result of the discourse, both sides came to the conclusion that their positions were not all that different. Ambassador Chandra offered as an example the shared concern for protection of the environment. On the importance of U.S.-India relations, the Ambassador stressed the economic ties between the two countries, noting that the United States is India's largest trading partner and accounts for the largest percentage of foreign direct investment. The Ambassador stated that India and the United States are linked in other ways, most significantly as two thriving democracies with rich and varied cultures. Ambassador Chandra went on to state that where the two countries do differ, the differences may not be all that deep. Ambassador Chandra offered as an example the difference in the two countries' approaches to building support for workers' rights globally. The Ambassador said that the difference does not lie in what the two countries believe—both value workers' rights—but in the forum each would use to pursue the cause.

Congressman English noted that he was a long-time supporter of India, as well as a supporter of open trade. He expressed hope that India and the United States could address their differences on a key issue—whether the WTO Agreement on Antidumping should be renegotiated during the next round. Congressman English cautioned that reopening the Antidumping Agreement could jeopardize support for further trade liberalization measures in the United States.

Mr. Yerrannaidu offered two comments on Congressman English's remarks. First, he said that 5 years of experience under the existing antidumping rules supported renegotiation. Second, he pointed out that certain U.S. practices, such as subsidization of wheat exports, result in dumping.

Congressman English responded by noting that agricultural subsidies would be addressed in the next round. Congressman English then stated that the bulk of antidumping orders relate to steel, which is a highly distorted market globally. Congressman English indicated that the subsidization of foreign steel industries make it extremely difficult to determine whether dumping is occurring; he noted, however, that such difficulty was not a reason for revising the existing rules on antidumping, but rather a reason for ensuring that the rules remain in place. Mr. Yerrannaidu, in response, stated that the U.S. frequent use of the antidumping remedies and use of voluntary restraint agreements were having a chilling effect on trade globally. Congressman English countered that the United States continues to be the largest consumer for the world's goods, but it would be difficult to maintain that status unless it could protect its market from unfair trade. Congressman Weller expressed his support for Congressman English's remarks.

Mr. Gopalakrishnan, from the Confederation of Indian Industries (CII), attempted to refocus the discussion by stating that the issue was not about dismantling the antidumping rules, but rather about offering something to the developing bloc. Mr. Gopalakrishnan stated that many developing countries do not feel that they have received benefits of trade liberalization measures negotiated during the past rounds. He stressed that the Government of India also faces resistance to engaging in further trade negotiations, and India and the United States should work together to address domestic opposition. Mr. Rohan Shah, a representative of the Indian Association of Chambers of Commerce, echoed Mr. Gopalakrishnan comments about the growing dissatisfaction among developing countries about the imbalance of benefits from past trade rounds.

Another representative from the Confederation of Indian Industries added that the rules governing the imposition of antidumping and countervailing duty measures need to be revisited in order to ensure that antidumping and countervailing duty were not pursued to correct perceived distortions. The CII Delegate cited certain provisions of the Indian tax code, which he said could be construed as providing export subsidies, but which, in practice, do not. A representative of the Indian Export Council also spoke in favor of reopening the Antidumping Agreement. The Export Council representative noted that U.S. reliance on antidumping actions had created an environment of uncertainty for Indian producers and exporters.

Congressman Kolbe focused his remarks on a number of specific bilateral issues. First, he expressed that the United States shared India's desire to see agricultural export subsidies reduced. Second, he commended the Indian Delegation for its government's efforts to bring India's intellectual property rights laws into conformity with its WTO obligations, particularly with respect to pharmaceuticals. Third, he noted U.S. concern about high tariffs maintained by the Government of India on agricultural products. Fourth, he expressed hope that India and the United States would be able to work together to increase transparency in the WTO process "to dispel the mythology surrounding the WTO."

A member of the Indian Delegation responded to Congressman Kolbe's comment on increasing transparency. He stated that the Indian Government faced considerable domestic opposition to trade liberalization measures and that as a result, already had to explain to the Indian public "everything that comes out of the WTO." Increasing public access to WTO processes would complicate that task, and could undercut, rather than promote, the Indian public's support for increased trade liberalization. One of the Indian parliamentarians added that the best way to build support for the WTO would be to eliminate barriers to trade in agricultural products, which primarily hurt the poor, and not to link labor standards and trade.

Mr. Yerrannaidu echoed his colleague's comments with respect to the link between trade and labor, stating that too many "other" issues were being added to the WTO. Mr. Yerrannaidu stated that environmental issues should be handled in the U.N. Environmental Program, intellectual property issues in the World Intellectual Property Organization, and development issues in the U.N. Eco-

conomic and Development Program. Mr. Yerrannaidu also expressed concern that the United States was being hypocritical about requiring other countries to follow multilateral trade rules, while it continued to act unilaterally. Finally, Mr. Yerrannaidu commented that the developed bloc was unjustly inhibiting developing country growth by restricting developing countries' access to technology. Mr. Yerrannaidu noted that many developed countries, such as Japan, were able to grow primarily because they could freely copy foreign technology. Under the current restraints, poor countries will remain poor, while rich countries get richer.

Chairman Crane closed the meeting by noting that the United States shares the problem faced by the Indian Government in explaining the benefits of trade. Chairman Crane noted that even workers in export-oriented sectors, such as the aircraft industry, often fail to appreciate that trade supports their jobs.

Meeting with Chinese Foreign Trade Minister Shi Guangsheng

The primary topic in the discussion between the Delegation and Chinese Foreign Trade Minister Shi Guangsheng was the status of China's ongoing negotiations to join the WTO, in light of the recent conclusion of the bilateral market access agreement with the United States. Both sides expressed enthusiasm about the agreement, with the Delegation making the point that the details of the pact will receive careful scrutiny in Congress and will be closely linked to consideration of legislation later in the year to grant China permanent normal trade relations treatment.

Stating that many instances can be identified where China has failed to implement trade agreements after they are signed, Congressman Levin stressed the importance of improved implementation. Vice Minister Long Yongtu compared the situation of implementation of trade agreements in China to the entrenched problem of illegal drugs in the United States. "You prohibit drug trafficking in the United States and it still goes on," he said. There are always some in any society who flaunt the law. Minister Long emphasized that the Chinese Government understands the importance of enforcement.

Congressman Thomas discussed the need to establish a more transparent regulatory structure in China. Referring to provisions in the WTO Protocol which require transparency and stipulates that China will not enforce unpublished laws, Congressman Thomas went on to warn that "the translation of a written agreement to reality is what cements the trust."

Pointing to requirements in the protocol requiring independent judicial review of government measures, Congressman Levin asked what he could tell his colleagues in Congress about the relatively weak judicial system in China. In response, Long said that the "grey economy" in China has damaged the Chinese Government, as well as the Chinese people, and that enforcement is first and foremost in China's interest. Congressman Dreier said that concrete moves to implement the rule of law are "necessary assurances that make the paragraphs more credible." Mentioning that he anticipates that some of his colleagues will say that the "paragraphs of the trade agreement aren't worth the paper they are written on,"

Congressman Dreier went on to acknowledge that “things don’t work perfectly in the United States and your country is five times as large.”

Minister Shi said that his government is “screening all our rules as to whether they are consistent with the WTO,” a process which may take 6 to 12 months. This process will probably involve legislative procedures to amend Chinese law in the National People’s Congress and the State Council. He said that the Chinese Government has also engaged in public education regarding the “abc’s of the WTO.”

Congressman Thomas said that the steps being taken to implement the rule of law, transparency, and the bilateral agreement hold great promise but that a number of Congressmen will need more of a comfort level. Citing the familiar saying “you are known by the company you keep,” Congressman Thomas said he would be watching the issue of dispute resolution in the WTO and whether China was aligning with the United States in order to get Europe to open its market. In response, Minister Shi said that China will take the same position the United States does when it negotiates with other countries, i.e., China will demand market openings. Minister Shi agreed that the agriculture sector in Europe is subsidized, and said that China has abolished subsidies for agriculture and will work to get Europe to do the same.

Congressman David Wu, who joined the Delegation for this meeting, asked how Congress can know for sure whether the Chinese Government will retain a long-term interest in staying engaged with the United States on the wide range of issues that Americans care deeply about. Minister Shi answered that respect for basic human rights is written into the Chinese Constitution. Maintaining that there are “different interpretations of freedom,” the Chinese Ambassador observed that protestors in Seattle were allowed to deny Delegates from 135 countries the freedom to attend WTO meetings. He said that at the Conference on Women, held in China, there was a separate area for demonstrators to “enjoy themselves.” Paraphrasing Mark Twain’s quote about travel being fatal to all prejudices, the Ambassador said he hoped that Chinese and Americans would compare notes and get to know each other better in the future.

Chairman Crane observed that Prime Minister Jiu Rongji did not receive the proper credit for the outstanding negotiating work that he performed in April. Chairman Crane urged the Chinese to complete the remainder of the WTO accession process just as soon as possible, in order to facilitate consideration of legislation in Congress to grant China permanent normal trade relations treatment.

In response, Minister Shi stressed that China was doing just that. He indicated he would lead a Delegation to Europe right after the Seattle Ministerial to work on this bilateral agreement which he predicted would be concluded at the end of January. Saying that China is a serious and earnest country with a thousand-year history, Minister Shi maintained that if it were not serious about enforcement, China would not have negotiated on its WTO accession for so many years.

Chairman Crane and Congressman Dreier said that the likelihood was low that Congress would vote on permanent normal trade

relations for China before late spring or early summer. The bill would need to proceed through the Committee process which will begin with hearings in February.

Minister Shi said he thought the sooner permanent NTR was passed, the sooner U.S. interests could be realized. China's accession to the WTO is necessitated by continued reform in China and China's accession will accelerate the economic reform process. Without NTR there is no long-term foundation for the development of economic relations between the United States and China, he said.

Congressman Brady raised the issue of Taiwan's accession to the WTO and the sale of arms to enemy nations. In response Minister Shi said that China will not oppose the accession of Chinese Taipei and Kinmin as a separate customs territory. He pointed to a statement by the GATT General Council that China will accede as a sovereign state ahead of Taiwan. "Our request is to accede as a sovereign state ahead of Chinese Taipei as set down in the Chairman's statement," he said.

Dinner Hosted by Members of the Information Technology Industry Council and the Business Software Alliance

The Delegation attended a dinner hosted by members of the Information Technology Industry Council (ITI) and the Business Software Alliance (BSA) to discuss their agenda for the Seattle Ministerial which focuses on maintaining a liberal business environment for electronic commerce and industries linked to Internet communications. Electronic commerce, as defined by a recent WTO Secretariat study, includes the production, advertising, sale, or distribution of products via telecommunications networks. U.S. trade negotiators recognize that e-commerce is a valuable business tool and an important engine of economic growth. USTR reports that by 2005, an estimated 1 billion people will be using the Internet, and e-commerce transactions in the United States alone may reach \$1.3 billion by 2003. Other estimates are much higher.

ITI and BSA have taken the lead in pushing for the extension of the agreement in the 1998 Ministerial Declaration on Global Electronic Commerce for a moratorium among WTO Members on the collection of customs duties on e-commerce transmissions. Representatives of these industries also discussed the need to eventually reach agreement in the WTO on a statement of horizontal principles governing e-commerce, with the objective of creating a barrier-free regime for e-commerce. This would include Ministers reaffirming the applicability of well-established rules of international trade law, including: national treatment/nondiscrimination, MFN, transparency/notification, and the applicability of current WTO obligations governing trade in goods, services, and intellectual property to e-commerce.

Thursday, December 2, 1999

Administration Briefing for Members

Treasury Secretary Ron Slater, Deputy U.S. Trade Representative Richard Fisher, Undersecretary of State Alan Larson, and Ambassador Buddy McKay briefed the Members on developments over the last day.

Ambassador Fisher began the briefing by noting that there has been some progress on agriculture, but there is a long way to go because the Europeans are not "getting engaged." With respect to biotechnology, he said that the WTO Members were closer to agreement on a working group, with the Latin Americans unopposed and the Canadians being constructive. The European Union's proposal regarding compulsory licensing for pharmaceuticals is trade restrictive, and he emphasized that the United States "will not tolerate" it. He concluded by saying that there has been some progress on market access.

Secretary Slater then spoke about services. He said that there is widespread agreement on what has to be done. The goals of the United States are to increase market access and transparency and to leave the door open to negotiating approaches that will lead to enhanced market access in the future.

Undersecretary Larson mentioned the discussions with the Europeans on agriculture and the accelerated tariff liberalization effort. He noted that the European attempt to bring investment into the negotiations has limited support from other WTO Members. He noted that Egypt has been playing a leadership role among the developing countries.

Ambassador McKay then spoke to the group about the importance of the Free Trade of the Americas (FTAA) effort, noting that it serves as a model for broad education and integration.

Senate Finance Committee Chairman Bill Roth spoke to the members about an effort to create an interparliamentary body under the auspices of the WTO in order to encourage greater openness and transparency in the WTO, and to better inform legislators about WTO developments. He mentioned that he would be chairing a meeting later in the day in order to gauge interest by parliamentarians all over the world.

At the end of the meeting, Congresswoman Dunn asked about the President's statements on labor during a press interview the day before, particularly his comment that core labor issues should be part of the WTO and enforced by trade sanctions. Ambassador Fisher replied that implementation of trade sanctions was not the purpose of the U.S. proposal to create a working party on labor. He said that the administration hopes for a recognition of the need to integrate labor but does not intend to develop a policy leading to trade sanctions. Ambassador Fisher said that the President did not mention sanctions in his luncheon speech the day before, and that speech represented his position on the issue.

Ambassador Fisher then concluded by emphasizing that the United States is holding firm on the need to eliminate agriculture export subsidies. With respect to the ATL initiative, he noted that the Europeans are still resisting the U.S. effort to reach an agreement in this area.

Meeting with the Delegation from Chile

Congressmen Crane, Brady, Watkins, Kolbe, Dunn, English, Weller, and Collins met with Chilean Ambassador to the United States, Mario Artaza, Chilean Director of Planning Ambassador Albert Van Clavier, and Chilean Economic Counselor Roberto Mattes. Chairman Crane opened the meeting by expressing his dismay over the failure of the U.S. Congress to approve "fast track" trade negotiating authority, which would allow the U.S. executive branch to begin negotiating with the Chilean Government for its accession to the North American Free Trade Agreement (NAFTA), thereby fulfilling a promise President Clinton made over 5 years ago. The Chilean Ambassador expressed appreciation for Chairman Crane's support of Chile's accession to NAFTA but noted that while his government was disappointed at the status of the negotiations, the Chilean Government continues to pursue a policy of further trade liberalization. He continued that trade liberalization was in the best interests of the Chilean economy, enabling the country to diversify their export base and raise the standard of living for the majority of Chileans.

Congresswoman Dunn expressed concern that the Chilean business community was resentful about the failure of the United States to actively pursue a free trade agreement with Chile, and she asked for the Ambassador's perception of the Chilean business community's attitude towards the United States. The Ambassador responded that the Chilean business community was more disappointed than resentful. The Ambassador then noted that Chile sent a letter to the U.S. Secretary of State, Madeleine Albright, on August 8, 1999, indicating a willingness to begin negotiating a free trade agreement with the United States even absent the President's fast track authority. Unfortunately, the Ambassador concluded, the Chilean Government was still awaiting a clear cut response from the United States as to whether such a proposal would be acceptable by the U.S. Government.

He then questioned whether labor and environment issues should be a barrier to pursuing a trade agreement with the United States, adding that Chile has some of the strongest labor and environmental laws in Latin America. He also stated that Chile has labor and environment agreements with Canada and would be amenable to discussing such issues in the context of negotiations for a free trade agreement with the United States. The Ambassador continued that conclusion of a free trade agreement with the United States would send a strong political message to the rest of Latin America as it would demonstrate international support for Chile's embrace of market liberalization and democracy, and recognize the success of their policies.

Congressman Weller then asked for Chile's position on U.S. anti-dumping laws. The Ambassador expressed concern but understood that political support for reform in the United States was weak. He expressed frustration with the administration of U.S. antidumping laws, citing the Chilean salmon case. Here, Chile has a competitive advantage in salmon farming due to the cold water currents off the Chilean coast. Because of this comparative advantage, Chile has become the second largest exporter of salmon in the world. Yet, Chile has been kept out of the U.S. market because of U.S. anti-

dumping laws. Nevertheless, he felt that antidumping was an issue that should be discussed as part of competition policy at a later date.

Meeting with Australian Trade Minister Mark Vaile

Chairman Crane and Congressmen Collins, English, and Weller participated in the meeting with the Honorable Mark Vaile, the Australian Trade Minister.

Chairman Crane began the meeting by noting that the President's remarks from the day before linking trade sanctions to core labor issues were disturbing. He asked the Minister for his assessment on progress in the negotiations.

The Minister said that he was more optimistic than at the beginning of the week and that the message about the benefits of free trade is getting across. He noted that the Europeans are posing the greatest resistance to the elimination of agriculture export subsidies.

Chairman Crane noted that the President's decision on the section 201 dispute involving lamb was "demoralizing." If Australia, without subsidies, can undersell U.S. lamb producers, then they should not be restricted from entry in the U.S. market, he said. The Minister replied that the decision makes it difficult to sell free trade to the Australian people.

Congressman English then spoke, noting that his district is unionized but export oriented. He applauded Australia's sound trade policy. He then asked the Minister for his opinion as to the prospects for the accelerated tariff liberalization negotiations. The Minister replied that the EU is resisting, but maybe "cross trading" would occur at the end of the Ministerial on that issue.

Congressman English also emphasized that the push to reopen and weaken the antidumping agreement would create great difficulties and "domestic fallout" in the United States. He said that under such circumstances, it would be difficult to continue support for free trade. The Minister said that the issue of reopening the agreement had not been "prominent" in the last few days, but he cautioned that one must not underestimate Japan's ability to raise the issue.

Congressman Collins mentioned a rumor that he heard to the effect that forest products would be pulled out of the ATL. The Minister replied that the risk is there, but he did not know of anything specific.

With respect to the President's comments on labor, Congressman Collins noted that the President does not speak "off the cuff," and he opined that the President was "floating a trial balloon" or has a hidden agenda on the linkage between trade sanctions and labor. The Minister noted that the position of the U.S. Government has not been to put such rules in the WTO. The position of the Australian Government is that the WTO is to be used for trade issues. There are more important trade issues to deal with in the WTO, he said, and the WTO should not be clouded with the labor issue. He noted that the EU proposal is more acceptable because it would establish a forum to discuss labor issues outside of the WTO.

Congressman Collins responded by saying that the President is driven by politics, not principle in particular his eagerness to gain

the majority in the House. He noted that if a working group is established, free traders should construct it in the best way possible to encourage trade. Congressman English added that not every Member in the House is as cynical, although the Members present certainly shared the concern about the President's motives.

The Minister said that the developing countries are taking the lead in objecting to the U.S. proposal. If the WTO does anything in this regard, he said, it would be limited to the EU proposal or an UNCTAD-driven approach. Congressman Collins said that free traders should instead submit their ideas to a working group and use it to their advantage.

Congressman Weller noted that he was grateful about the shared Australian goal to eliminate agriculture export subsidies. The Minister emphasized that this is "the most fundamental issue" before the WTO. The EU, he noted is almost standing alone, and there has been good progress so far.

Congressman Weller then raised the issue of film production. He noted his concern that Australia is providing significant concessions to encourage making movies in Australia. The film industry is important to the Chicago area, he said, and a bidding war must be avoided. The Minister responded by saying that many subsidies and incentives have been eliminated because of budget constraints. Some state governments might still provide incentives, but the Australian Government is seeking to discourage them because they are trade distorting. He noted that Rupert Murdoch did not receive any incentives unless they were provided by New South Wales.

Meeting on African Growth and Opportunity Act

On Thursday afternoon, the CODEL attended a reception to support swift passage of the African Growth and Opportunity Act (AGOA). The meeting was chaired by Chairman Crane and Congressman Rangel, along with a number of other Members, including Congressmen Blumenauer, Dreier, Houghton, Levin, McDermott, Pomeroy, and Congresswoman Tauscher. Also in attendance were Transportation Secretary Slater, Assistant U.S. Trade Representative for Africa Rosa Whitaker, and a number of members of the African Diplomatic Corps.

The highlight of the meeting was the appearance of the President, who emphasized the administration's strong support for passage of the AGOA. The President noted that the past 5 years have been a period of promising stability and growth in sub-Saharan Africa, due to difficult economic and political reforms that many African countries are undertaking. He commended these countries and their leaders for the courage and farsightedness to undertake these reforms and pledged that the United States would support their efforts, including promoting passage of AGOA.

The President pointed out that the AGOA would for the first time establish a trade and investment framework between the United States and the countries of sub-Saharan Africa. He complimented the supporters of the bill in both the House and Senate for their successful efforts in securing passage of the bill during the First Session of the 106th Congress, and pledged to work closely with them in the early months of the Second Session, to reach a conference agreement and enactment of the measure.

Chairman Crane, Congressman Rangel, and Congressman McDermott emphasized the importance to both the United States and Africa of passing the bill. In particular, each emphasized the importance of the bill and its benefits to U.S. workers and firms and to African workers and firms. All reaffirmed the importance of passing the bill quickly in 2000.

Tour of the Port of Seattle and Operations of the U.S. Customs Service

On Thursday, December 2, the Delegation toured U.S. Customs Service operations at the Port of Seattle. The purpose of the visit was to provide Members and staff, who have responsibility for authorization and oversight of the Customs Service, an opportunity to view trade facilitation and enforcement operations at this port.

During a luncheon and boat tour of the Elliott Bay harbor hosted by the Port of Seattle and American President Lines, the Delegation viewed container terminal operations, the loading and unloading of export and import goods transiting the Seattle Port, fish processing and handling facilities, on-dock cold storage facilities, the main distribution center of Hasbro Corporation, grain terminals, shipyards, a North Pacific fishing fleet, and the port's new cruise ship terminal.

Closer to Asia than any other major U.S. port, Seattle moves 1.5 million TEUs (20-foot container equivalent units) of cargo each year, connecting to markets throughout North America via trans-continental rail and trucking companies. Members discussed competitive challenges faced by the port as it works to attract business from the nearby Canadian port of Vancouver, which currently is gaining in market share, while Seattle is losing at a rate of 1–2 percent a year. Port officials cited problems associated with the harbor maintenance tax (HMT) and general congestion in the area as issues that could be addressed in order to bring more port business back to Seattle.

The harbor maintenance tax, established by the Harbor Maintenance Revenue Act of 1989 (P.L. 99–662), imposed a charge for the use of a U.S. harbor or channel by a commercial vessel for loading and unloading commercial cargo. The HMT was originally set at a rate of 0.04 percent of the value of the cargo, and was increased to 0.125 percent, effective January 1, 1991. In 1998, the Supreme Court held that the HMT constituted a tax on goods in export in transit and therefore violated the Constitution's export clause (art. 1, sec. 9, cl. 5).

As a result of the Court's decision, Customs ceased collecting the HMT, but the administration has since proposed legislation to impose a cost-based user fee. Seattle Port officials do not support the administration's fee proposal because they believe the cost basis would be higher than the HMT in some cases. These port officials told the Delegation that they believe that the Port of Seattle has suffered diversion of cargo to Canadian ports and that the port of Vancouver even uses the HMT in its advertisements as an incentive to draw cargo away from U.S. ports.

Disembarking the vessel at the Customs area, the Delegation received a briefing from the CMC Director, the Seattle Port Director, and the Special Customs Agent in Charge. Members observed mo-

bile x rays scanning cargo for contraband, examined drug interdiction and antismuggling operations, and participated in a K-9 demonstration. Members also had the opportunity to meet with several other Customs agents and inspectors "on the job," to see first hand how trade compliance functions for industry and government and explore what importers must do to have their goods released in a timely manner.

Dinner Meeting with the Coalition of Services Industries

On December 2 the Coalition of Services Industries held a dinner in honor of the Delegation. CSI's membership includes companies in the financial, telecommunications, professional, travel and tourism, transportation and express courier, and information technology services sectors. In general, CSI companies have been active supporters of the WTO since 1994 when the Uruguay round agreements brought services under the disciplines of the multilateral trading system for the first time. Major advances for this group were the WTO agreements to liberalize trade in: (1) financial services, which came into effect in 1995; and (2) basic telecommunications services, which came into effect in 1998. CSI company representatives spoke to the Delegation about the benefits to the U.S. economy of achieving greater opportunities for services firms, employees, and consumers within the context of the new WTO services negotiations that are scheduled to begin in 2000.

