

PRESS RELEASE

EMBARGO: NOT FOR PUBLICATION UNTIL
1300 GMT 17 SEPTEMBER 2001

PRESS/TPRB/172
17 September 2001

(01-4365)

THE UNITED STATES WOULD STRENGTHEN THE MULTILATERAL TRADING SYSTEM BY REDUCING REMAINING TRADE BARRIERS

The United States maintains one of the world's most open trade and investment regimes, although in a few important areas significant barriers to market access persist. Reducing these barriers would lessen distortions in global markets, frictions with trading partners and strengthen the multilateral trading system according to a WTO report on the trade policies and practices of the United States.

The WTO Secretariat report, along with the policy statement by the Government of the United States, will serve as a basis for the sixth trade policy review of the United States by the Trade Policy Review Body of the WTO on 14 and 17 September 2001.

After a long period of strong expansion, U.S. economic growth has slowed significantly and imports have fallen; in response, monetary policy has been eased, with fiscal policy also playing a role. The changed economic environment may impinge on U.S. trade policy implementation, with a slowing economy likely to increase pressures for greater border protection and government support. The report points out that in the current cyclical slowdown the United States is less of a growth engine for the rest of the world.

Since the previous Review of the United States in July 1999, the United States has made proposals for further liberalization in agriculture and services in the WTO mandated negotiations. The United States has also committed support for a new multilateral round of negotiations. In addition, the U.S. trade agenda included negotiations for a Free-Trade Area of the Americas Agreement and for bilateral free trade agreements. To help implement its trade initiatives, the Administration is seeking Trade Promotion Authority, the report observing that trading partners are likely to attach great significance to the outcome of these efforts.

MORE

The report notes that most imports enter the United States either duty free or are subject to low tariffs. In 2000, the average MFN rate stood at 5.4% for all goods, the highest tariffs applying mainly to agricultural products, as well as clothing, textiles and footwear. For these products, tariffs tend to increase with the degree of processing. Tariff quotas apply to imports of beef, dairy products, sugar and some sugar products, peanuts, tobacco and cotton. Out-of-quota tariffs, ranging up to 350%, may act as import prohibitions. Some in-quota volumes are reserved for selected countries.

The report states that the United States continues to make active use of anti-dumping and countervailing measures. The initiation of investigations increased between 1998 and 2000. Such initiations may have a chilling effect on trade, with preliminary duties applied in most cases. A large percentage of investigations in the past two years involved steel products. The United States applied four safeguard measures in 1998-2000, involving agricultural or steel products, and initiated, in June 2001, a global safeguard investigation covering certain steel products. Some trading partners have challenged, in the WTO, U.S. methods to determine dumping and injury, as well as the four safeguard measures applied since 1998.

Quantitative import restrictions in the United States are imposed mainly under the Agreement on Textiles and Clothing. Quotas apply to over half of clothing imports and 32% of textile imports. Over 1,000 quotas are applied to 45 countries, including 37 WTO Members. Also, a de facto ban on imports of foreign-built ships to service U.S. domestic routes results from the Jones Act. An embargo continues on tuna imports from countries the United States deems not to be in compliance with the International Dolphin Conservation Program. An import ban applies to shrimp harvested with technology considered to affect certain sea turtles.

The report also notes that trade restrictions imposed by the United States for national security and foreign policy reasons may be a source of concern for some trading partners, particularly because of the unilateral nature of some such measures. Trade sanctions are enforced against nearly 30 foreign countries for various reasons.

The United States has strongly advocated reductions in subsidies affecting competition in international markets. Consistent with this position, U.S. federal export subsidies have declined, and government export financing is relied upon for a comparatively low share of exports. However, given the size of the U.S. economy, domestic support can also appreciably impact world markets. In this respect, the largest recipient of government outlays is the U.S. agricultural sector. Those outlays nearly tripled between 1997 and 2000, exceeding the decline in the value of agricultural output. In 2000, nearly US\$30 billion was made available in direct payments to farmers and ranchers. As a result, direct payments amount to over one half of net farm income.

The WTO Secretariat report says that the provision of services through foreign commercial presence has continued to expand in the United States. Recent steps to remove domestic restrictions to international trade in the services sector have gone beyond commitments undertaken by the United States in the WTO and should improve efficiency in the domestic economy.

The report adds that while further consolidation of U.S. financial regulations has taken place, and national treatment is granted to foreign banks, in other financial-service sectors domestic regulations may complicate foreign market access. In telecommunications, new international pricing regulations were introduced and satellite services further privatized. International air transport services have been liberalized mainly through bilateral open skies agreements but restrictions persist on foreign ownership and control of U.S. carriers. Maritime transport continues to rank among the most protected sectors of the U.S. economy.

MORE

The report observes that competition policy considerations are playing an increasingly visible role in trade and investment matters in the United States and elsewhere, and raise complex questions about the interaction of different policy instruments. Thus government assistance could run counter to pro-competitive principles, as could the inappropriate application of anti-dumping, countervailing or safeguard measures. Also, the United States restricts foreign participation in government procurement.

Note to Editors

Trade Policy Reviews are an exercise, mandated in the WTO agreements, in which member countries' trade and related policies are examined and evaluated at regular intervals. Significant developments which may have an impact on the global trading system are also monitored. For each review, two documents are prepared: a policy statement by the government of the member under review, and a detailed report written independently by the WTO Secretariat. These two documents are then discussed by the WTO's full membership in the Trade Policy Review Body (TPRB). These documents and the proceedings of the TPRB's meetings are published shortly afterwards. Since 1995, when the WTO came into force, services and trade-related aspects of intellectual property rights have also been covered.

For this review, the WTO's Secretariat report, together with a policy statement prepared by the Government of the United States, will be discussed by the Trade Policy Review Body on 14 and 17 September 2001. The Secretariat report covers the development of all aspects of the United States' trade policies, including domestic laws and regulations, the institutional framework, trade policies by measure and by sector.

Attached to this press release is a summary of the observations in the Secretariat report and parts of the government policy statement. The Secretariat report and the government's policy statement are available for the press in the newsroom of the WTO internet site (www.wto.org). These two documents and the minutes of the TPRB's discussion and the Chairman's summing up, will be published in hardback in due course and will be available from the Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

MORE

Since December 1989, the following reports have been completed: Argentina (1992 and 1999), Australia (1989, 1994 and 1998), Austria (1992), Bahrain (2000) Bangladesh (1992 and 2000), Benin (1997), Bolivia (1993 and 1999), Botswana (1998), Brazil (1992, 1996 and 2000), Brunei Darussalam (2001), Burkina Faso (1998), Cameroon (1995 and 2001), Canada (1990, 1992, 1994, 1996, 1998 and 2000), Chile (1991 and 1997), Colombia (1990 and 1996), Costa Rica (1995 and 2001), Côte d'Ivoire (1995), Cyprus (1997), the Czech Republic (1996), the Dominican Republic (1996), Egypt (1992 and 1999), El Salvador (1996), the European Communities (1991, 1993, 1995, 1997 and 2000), Fiji (1997), Finland (1992), Gabon (2001), Ghana (1992 and 2001), Guinea (1999), Hong Kong (1990, 1994 and 1998), Hungary (1991 and 1998), Iceland (1994 and 2000), India (1993 and 1998), Indonesia (1991, 1994 and 1998), Israel (1994 and 1999), Jamaica (1998), Japan (1990, 1992, 1995, 1998 and 2000), Kenya (1993 and 2000), Korea, Rep. of (1992, 1996 and 2000), Lesotho (1998), Macao (1994 and 2001), Madagascar (2001), Malaysia (1993 and 1997), Mali (1998), Mauritius (1995), Mexico (1993 and 1997), Morocco (1989 and 1996), Mozambique (2001), New Zealand (1990 and 1996), Namibia (1998), Nicaragua (1999), Nigeria (1991 and 1998), Norway (1991, 1996 and 2000), OECS (2001), Pakistan (1995), Papua New Guinea (1999), Paraguay (1997), Peru (1994 and 2000), the Philippines (1993 and 1999), Poland (1993 and 2000), Romania (1992 and 1999), Senegal (1994), Singapore (1992, 1996 and 2000), Slovak Republic (1995), the Solomon Islands (1998), South Africa (1993 and 1998), Sri Lanka (1995), Swaziland (1998), Sweden (1990 and 1994), Switzerland (1991, 1996 and 2000 (jointly with Liechtenstein)), Tanzania (2000), Thailand (1991, 1995 and 1999), Togo (1999), Trinidad and Tobago (1998), Tunisia (1994), Turkey (1994 and 1998), the United States (1989, 1992, 1994, 1996, 1999 and 2001), Uganda (1995), Uruguay (1992 and 1998), Venezuela (1996), Zambia (1996) and Zimbabwe (1994).

MORE

TRADE POLICY REVIEW BODY**UNITED STATES****Report by the Secretariat – Summary Observations**

The United States maintains one of the world's most open and transparent trade and investment regimes, although in a few important areas significant barriers to market access persist. These directly affect global trade as the United States is both the world's largest single economy and trader. Reducing such remaining barriers would be in line with traditional U.S. support for liberalization and pro-competitive policies, further increasing the otherwise high efficiency of its economy, and benefitting domestic consumers and taxpayers. It would also lessen distortions in global markets, frictions with trading partners and strengthen the multilateral trading system. These considerations are particularly poignant in the face of the present global economic downturn and possible protectionist pressures that might result.

Since the previous U.S. Review in July 1999, U.S. trade policies and practices have remained mostly unchanged. Modifications carried out during the period include market-access improvements granted to certain developing countries and the consolidation of domestic financial regulations. Also since 1999, government payments to agri-food producers have risen while the share of steel products in all anti-dumping, countervailing and safeguard measures has increased. Significant barriers to foreign competition have remained in areas like textiles and clothing, transport and some services sectors. The new Administration's response to these policy challenges will be important to global trade and welfare.

Economic and policy developments

Since its last Review, U.S. monetary and fiscal policies have been relaxed to address the recent significant slowdown in economic growth, which had fallen to an annual rate of around 1% by mid-2001, from 5% in 2000. This slowdown was led by declines in inventories and exports. Consumer expenditure has remained strong but imports have fallen considerably. The six interest rate cuts made in the first half of 2001 are being accompanied by tax cuts estimated at US\$1.35 trillion over an 11-year period, made possible, to a large extent, by the budget surpluses of recent years. Although inflation has picked up, it does not appear a significant issue at this time.

The U.S. current account deficit has widened over the review period to 4.5% of GDP in 2000, financed by capital inflows, particularly investment inflows. These inflows have been a factor in the continued nominal strength of the U.S. dollar. Although this is placing pressure on domestic industries, rapid productivity gains over much of the past decade have, by and large, allowed firms to remain competitive vis-à-vis foreign producers.

A number of steel producers filed for bankruptcy in the early stages of the economic downturn. Responding to a perceived crisis in the industry, the President announced in June 2001 a policy initiative that includes the initiation of a safeguard investigation (see below); it also foresees negotiations with trading partners to eliminate global excess capacity and to agree on rules to govern steel trade, with a view to eliminating subsidies. This initiative echoes the multilateral consensus sought a decade ago under the GATT.

The President has reiterated the U.S. commitment to an open, transparent and effective system of international trade disciplines and procedures, and has committed support for a new multilateral round of negotiations. The President also announced the 2001 International Trade Agenda, seeking, inter alia, improved market opportunities for U.S. exports and investment, including agriculture, services

MORE

and intellectual property. The Agenda contains a "Labor and Environmental Toolbox" of actions that could be taken to promote labour and environmental objectives.

In the current WTO mandated agricultural negotiations, the United States has proposed long-term agricultural trade liberalization, in particular by reducing tariffs and expanding tariff quotas, eliminating export subsidies and reducing trade-distorting domestic support. Also, as the world's largest producer and exporter of foods containing genetically modified organisms, the United States has expressed concern about trade restrictions on these products.

In the ongoing services negotiations, the United States has proposed the further liberalization of 11 sectors under the GATS; and presented a proposal on the movement of natural persons. The United States supports a global electronic commerce framework free of customs duties, and is debating with partners the issue of domestic taxation of these services.

In addition to WTO negotiations, the U.S. trade agenda includes negotiations for a Free-Trade Area of the Americas Agreement and for bilateral free trade agreements (FTAs) with Chile, Jordan and Singapore. FTAs are already in force with Canada, Israel and Mexico that provide for qualifying imports to enter the U.S. market mostly duty-free and, in the case of textiles and clothing, quota-free. Reflecting these preferences and their geographic proximity, Canada and Mexico are now the United States' two largest trading partners.

To help implement the Administration's trade initiatives, the President is seeking Trade Promotion Authority, a successor to "fast-track" authority. U.S. trading partners are likely to attach great significance to the outcome of these efforts.

Market access in goods

Tariffs

The United States accords MFN tariff treatment to all but six countries, including a WTO Member (Cuba). Legislation has been passed granting China unconditional MFN status upon its accession to the WTO, thereby terminating the process of annual renewal of China's MFN treatment. Denial of MFN treatment may impose significant costs on a trading partner, as the United States retains substantial differences between MFN and non-MFN tariffs.

Most imports either enter the United States duty free or are subject to low tariffs, all except two of which are bound. In 2000, the average MFN rate stood at 5.4% for all goods, 10.6% for agri-food products and 4.5% for non-agricultural products. Nearly one third of all tariff rates are zero. Non-ad valorem rates represent nearly 13% of tariff lines; the ad valorem equivalents of the U.S. specific and compound rates average 11.5% and mask relatively high levels of protection. The highest tariffs apply mainly to imports of agri-food and tobacco products, as well as clothing, textiles and footwear. In these industries tariffs tend to increase with the degree of processing.

Tariff quotas apply to imports of beef, dairy products, sugar and some sugar products, peanuts, tobacco and cotton. The simple average in-quota MFN tariff rate for 2000 was 9%, while the corresponding out-of-quota averaged 53%. Out-of-quota tariffs, ranging up to 350%, may act as import prohibitions. Some in-quota volumes, including beef, dairy products, and peanuts, are reserved for selected countries.

The United States extends tariff preferences unilaterally to certain Andean, African and Caribbean countries, as well as under its Generalized System of Preferences. These preferences can be made conditional to policy changes in the beneficiary countries in areas such as protection of labour rights and of intellectual property.

MORE

Significant benefits are likely to accrue to countries in sub-Saharan Africa and the Caribbean from the U.S. Trade and Development Act (TDA) of 2000, which contains both the African Growth and Opportunity Act, and the Caribbean Basin Trade Partnership Act expanding the Caribbean Basin Initiative. Under the TDA, textile and clothing imports from beneficiary countries enter the United

States duty-free and quota-free, subject to content requirements on U.S.-produced inputs. This provision should ensure that U.S. input producers also benefit from the arrangement, possibly at the expense of lower-cost third-country suppliers.

Contingency Measures

The United States continues to make active use of anti-dumping (AD) and countervailing (CV) measures. The initiation of AD investigations increased between 1998 and 2000, as did the number of new duty orders. Initiations of investigations may have a chilling effect on trade, with preliminary duties applied in most cases. A large percentage of investigations in the past two years involved steel-related products. A number of suspension agreements have been reached in recent years; those with non-WTO Members involve voluntary quantity restraints and minimum prices.

The United States applied four safeguard measures in the period 1998-2000, involving agricultural or steel-related products. A global safeguard investigation covering certain steel products was initiated in June 2001; any ensuing measure would add to the protection already afforded through AD and CV orders. Export restraints were applied to shipments of softwood lumber from Canada until March 2001.

The Continued Dumping and Subsidy Offset Act ("Byrd" Amendment), passed in 2000, requires proceeds from AD and CV duties to be distributed to affected U.S. producers. On passage of the Act, the President noted that it would "provide select U.S. industries with a subsidy above and beyond the protection level needed to counteract foreign subsidies, while providing no comparable subsidy to other U.S. industries or to U.S. consumers, who are forced to pay higher prices on industrial inputs or consumer goods as a result of the anti-dumping and countervailing duties".

Some of its trading partners question in the WTO the methods used by the United States to determine dumping and injury. They have also challenged the four safeguard measures applied since 1998 by the United States, which has led to the revision of relevant U.S. regulations. In addition, both the Byrd Amendment and the Anti-dumping Act of 1916 have been brought before the WTO dispute-settlement mechanism. Contingency measures generate uncertainty for exporters, as well as considerable legal costs in defending against them.

Other Import Measures

Quantitative import restrictions in the United States are imposed mainly under the provisions of the Agreement on Textiles and Clothing. Quotas apply to over half of clothing imports and 32% of textile imports. Over 1,000 quotas are applied to 45 countries, including 37 WTO Members. These measures are combined with relatively high MFN tariffs.

Under the provisions of the Jones Act, U.S. shipbuilders are the sole suppliers of ships servicing U.S. domestic routes, resulting in a de facto ban on imports of foreign-built ships for such purposes.

The United States maintains import prohibitions for sanitary and phytosanitary reasons, including as a response to risks posed by Bovine Spongiform Encephalopathy (BSE) and Foot and Mouth disease (FMD). In February 2001, imports of beef and beef products from Brazil were temporarily suspended

MORE

on concerns of BSE. Since March 2001, all used farm equipment from FMD affected countries is denied entry into the United States.

U.S. import restrictions enforce domestic environmental provisions governing the use of marine resources. Thus an embargo continues on tuna imports from countries the United State deems not to be in compliance with the International Dolphin Conservation Program. An import ban also applies to shrimp harvested with technology that may adversely affect certain sea turtles.

The United States maintains measures that restrict foreign participation in public procurement. Under the Buy American Act, government agencies may in principle only purchase supplies and construction materials defined as "domestic end-products" (manufactured in the United States with more than 50% of U.S. components). In addition, a number of programmes seek to foster the ability of small business to compete for federal contracts. Also, various set-aside schemes are in place; contracts awarded through these schemes amounted to 8% of all federal procurement awards in 2000. These measures are complemented in some States by Buy-In-State regulations.

Export measures

A central objective of U.S. trade policy is to expand markets for U.S. exporters. Instruments to achieve this aim include trade statutes such as the Section 301 family of laws – to address foreign measures deemed to affect negatively U.S. exports or impair U.S. rights under trade agreements – and export assistance measures.

Section 301 has been used sparingly since 1999. Moreover, its use is closely tied to multilateral dispute settlement, at least for WTO members and in areas subject to WTO rules and disciplines. Nevertheless, investigations continued to be launched and "reports" and "lists" published of countries considered to be at fault. The United States also monitors foreign compliance with intellectual property agreements through Special 301 investigations. In the 2001 review, 51 countries were considered to deny adequate protection of intellectual property or fair market access to U.S. right holders. To determine infringement of U.S. intellectual property rights, Section 337 investigations are also conducted.

The United States applied trade sanctions against the European Union in the wake of favourable WTO panels decisions in disputes concerning bananas, and beef treated with hormones. Subsequently, the United States enacted the "Carousel Amendment" to the Trade Act of 1974 to allow periodical changes in the list of products subject to trade sanctions in case of non-compliance with rulings made under multilateral rules. This has brought to the fore the question of the effectiveness of trade sanctions as an instrument to resolve trade disputes.

The United States has strongly advocated reductions in subsidies affecting competition in international markets. Accordingly, notified U.S. federal export subsidies have declined (however, little information is available on sub-federal assistance programmes). In agriculture, notified export subsidies have been limited to the dairy sector. Moreover government export financing schemes are relied upon for a comparatively low share of exports; although reduced, subsidized export credit guarantees continue to support agri-food exports. Large volumes of food aid are designed to enhance food security in the developing world, whilst stabilizing U.S. farm income by disposing of surplus stocks.

The export incentives resulting from the U.S. tax exemptions on certain "foreign trade" income of foreign sales corporations has been under dispute in the WTO, and has raised the debate about the role of Members' taxation regimes in support of trade and investment.

MORE

Other policies affecting trade

Trade restrictions imposed by the United States for national security and foreign policy reasons may be a source of concern for some trading partners, particularly because of the unilateral nature of certain such measures. Trade sanctions are enforced against nearly 30 foreign countries for various reasons (e.g. arms proliferation, terrorism and worker rights). Congress is considering reforms to sanctions policy and to export controls.

Given the size of the U.S. economy, subsidies and other assistance to domestic producers can appreciably impact world markets. The U.S. agri-food sector is the largest recipient of government outlays. These nearly tripled between 1997 and 2000, exceeding the decline in the value of agricultural output. In 2000, nearly US\$30 billion was made available in direct payments to farmers and ranchers. As a result, direct payments amount to over one half of net farm income. In addition, subsidized crop insurance programmes have been expanded. Assistance to non-agricultural sectors, notably fisheries, lumber and timber, aeronautics and shipbuilding, is provided mainly in the form of tax incentives.

In 1999 and 2000, U.S. competition policy enforcement efforts led to the imposition of record fines against international price-fixing cartels. The United States views the relationship between trade and competition policy as of increasing importance, but questions whether the WTO is, at this time, the appropriate institution in which to develop multilateral competition rules.

Concerning the protection of intellectual property, the American Inventors Protection Act of 1999 aims to reduce patent-processing delays, while the Technology Transfer Commercialization Act of 2000 includes provisions for a federal agency to grant licences for federally owned inventions only to licensees agreeing to manufacture substantially the licence-related products within the United States. New legislation to restructure and extend the scope of the compulsory licensing of the transmission and broadcasting of television through satellite was also introduced in 2000.

Competition policy considerations are playing an increasingly visible role in trade and investment matters in the United States and elsewhere, and raise complex questions about the interaction of different policy instruments. Thus government assistance to industries could run counter to basic pro-competitive principles, as could the inappropriate application of contingency measures. Indeed, as noted by the U.S. authorities, the use of the Byrd Amendment would jeopardize consumer interests. Similar negative effects can arise when U.S. rightholders prevent the parallel importation of patented or copyright goods.

Access conditions in services

Services are by far the largest contributor to output in the U.S. economy. The provision of services through foreign commercial presence has continued to expand in the United States, partly on account of initiatives in the WTO to facilitate market access through that mode of supply. Recent steps to remove domestic restrictions to international trade in the services sector go beyond commitments undertaken by the United States in the WTO and should improve efficiency in the domestic economy.

In financial services, the entry into force in 1999 of the Gramm-Leach-Bliley (GLB) Financial Modernization Services Act has further advanced the gradual consolidation of U.S. financial regulation, and definitively breaks from the restrictions imposed under the 1933 Glass-Steagall Act on affiliations between banks and securities firms. It should allow financial companies to realize greater economies of scale and scope. The GLB does not alter the walls between banking and commerce.

MORE

The United States maintains a policy of national treatment towards foreign banks. In other financial-services sectors, domestic regulations may complicate foreign market access, with public interest and investor protection as the rationale. In the insurance sector, sub-federal regulation limits competition from suppliers based in other U.S. States and a fortiori from abroad, unless they establish a commercial presence in each State where they wish to conduct business.

Maritime transport continues to rank among the most protected sectors of the U.S. economy. Nevertheless, the recent Ocean Shipping Reform Act enhanced competition in U.S. international shipping, accelerating the shift away from rate-setting conferences. The U.S. international maritime transport market is generally open to foreign competition, although international cargoes carried by U.S.-flag vessels benefit from substantial government assistance. The current Administration supports cabotage laws that reserve domestic routes to U.S. operators.

The U.S. air transport industry, one of the world's most efficient, relies mainly on bilateral Open Skies Agreements to liberalize trade. Viewed by the United States as a cost-efficient way for carriers to enter new markets, several such agreements were signed over the last two years. These agreements, however, do not fully liberalize the markets they cover; in particular, foreign ownership and control of U.S. carriers remain restricted and the provision of domestic air services is permitted only to U.S. carriers.

The U.S. telecommunications sector is the world's largest, and one of the most open and competitive. Since 1999, developments include new international pricing rules and regulations designed to allow for more competitive domestic and international telecommunications services; and the further privatization of satellite services.

In the case of professional services, the U.S. federal system reserves the governance of professions to individual states; each state has its own licensing regulations and licensing board to administer the regulations. In accounting, legal and most other professions few changes have taken place since 1999 affecting the conditions for national and international firms to operate across State lines. The absence of a uniform national regulatory regime, and divergent market access conditions across States complicate inter-State supply and foreign market access. Meanwhile, the growing demand for integrated services from multi-disciplinary practices has underpinned debates about revising rules regarding auditors' independence, fee-sharing partnerships between lawyers and accountants and the use of International Accounting Standards.

MORE

TRADE POLICY REVIEW BODY

UNITED STATES

Report by the Government – Part I

THE UNITED STATES IN THE MULTILATERAL SYSTEM

For more than 60 years, the United States has pursued a policy of trade liberalization – seeking open markets and expanded international trade – based on the belief that reducing trade barriers creates jobs, advances economic reform and development, and reduces poverty worldwide. After the Second World War, adherence to these principles guided U.S. leadership in the establishment of a system of multilateral rules, the General Agreement on Tariffs and Trade (GATT), one of the pillars of the post-World War II system. For over a half-century, the GATT successfully promoted economic growth, increased standards of living, and strengthened international security. The WTO continues this work, taking the GATT system one step forward by providing a coherent institutional apparatus to direct and oversee implementation of multilateral trade agreements as well as a forum to further liberalize trade.

In the 50 years and seven additional multilateral trade rounds that followed the establishment of the GATT, the United States joined other countries in lowering trade barriers – expanding trade among nations and creating opportunities for all countries to reap economic gains from international commerce. The last of these rounds, the Uruguay Round, expanded, reinforced and reformed the multilateral trading system, liberalized agricultural and textile trade, strengthened dispute settlement procedures, and extended new rules to trade in services and the protection of intellectual property rights. The United States takes satisfaction in its key role in bringing these negotiations to a successful conclusion.

As the multilateral trading system enters the new millennium, the fundamental features of U.S. trade policy continue to be the maintenance of an open, competitive market at home, compliance with WTO obligations, and leadership in the multilateral trading system. The United States demonstrates leadership not only through these efforts, but also through promoting and undertaking further trade liberalization. In 2000, the United States imported \$1.2 trillion of goods and services – 66% of which entered the U.S. market free of duty. The average import duty paid on all imports into the United States in 2000 was 1.6%. Globalization, in part through trade liberalization, has also promoted competitive pressures that have made the U.S. economy innovative.

The World Trade Organization is at the center of U.S. efforts to open markets worldwide. We collaborate with our trading partners to improve the WTO and to conclude agreements that promote greater prosperity and economic freedom, such as the Uruguay Round Agreement and the three subsequent multilateral agreements on information technology products, financial services, and basic telecommunications services. These agreements are fundamentally transforming world trade. We have implemented our WTO commitments on schedule, and have accepted the rulings of WTO dispute settlement panels in cases to which we are a party. From the U.S. perspective, the world trading system remains a work in progress; we take seriously the responsibility to continue the work begun at Marrakesh. High agricultural trade barriers reduce world food security. Agricultural export subsidies impose especially unfair burdens on farmers in the poorest countries. The advances in science and technology have created new products and services, as well as new methods of conducting trade. The United States has, therefore, submitted proposals to pursue further agricultural reform and liberalization in services, in the context of ongoing negotiations under the built-in-agenda of the Uruguay Round. We are committed to achieving solid gains for trade liberalization in these negotiations.

MORE

As part of its broader efforts to liberalize trade, but still within the scope of WTO rules, the United States is also involved in several regional and bilateral initiatives for free trade areas to complement our efforts within the multilateral trading system. By moving on multiple fronts, we spur more rapid trade liberalization. An important aim in these negotiations is to cut taxes on trade and reduce other barriers to competition for industrial goods, services, and agriculture.

The United States also is playing an important role in extending the benefits of trade liberalization to the developing world and fostering their further integration into the multilateral trading system. In addition to providing duty-free access to our market for most products from developing countries through unilateral preferential trade liberalization measures, such as the Generalized System of Preferences, the African Growth and Opportunity Act, the Andean Trade Preference Act, and the Caribbean Basin Trade Partnership Act, the United States provides more than \$300 million per year for trade related capacity-building activities through bilateral and multilateral aid programs. In 2000 and 2001, we have provided more than \$1.6 million dollars to the WTO for technical assistance activities. In 2001, we have supported the Integrated Framework (IF) both through a contribution to the IF Trust Fund and parallel activities in several least developed countries. We hope that momentum towards increased cooperation on trade capacity-building in developing countries will continue to build.

In order to maintain domestic support for open trade and the multilateral trading system, the United States provides assistance, through the Trade Adjustment Assistance program, to American workers whose firms and industries have difficulty adjusting to increased trade. The Administration seeks to improve this program by emphasizing skills training for displaced workers, a constructive alternative to trade protection.

We believe that trade liberalization supports the protection of the environment and promotes other social goals, through improving economic and social conditions. This, in turn, helps countries to improve the environment, enhance observance of labor standards, and make progress on other critical social issues. Trade liberalization can also support environmental initiatives directly, such as through freer trade in environmental goods and services, and the reduction of agricultural and fish subsidies.

The United States has also shown leadership in the multilateral effort to combat bribery and corruption – practices which act as an invisible tariff on most imports and contracts. We support such efforts within the WTO to establish and enforce basic rules that diminish opportunities for bribery and corruption in, for example, government procurement and customs valuation.

We share concerns with our trading partners about the need for increased transparency in the multilateral trading system. The United States has taken steps to encourage institutional improvements to the WTO, particularly with respect to the transparency of its operations and outreach. We seek to establish transparency as the hallmark of all future trade negotiations and trade agreements.

Consulting with those interested in trade issues is an important part of governments' responsibility in the development of trade policy. In support of this objective, and to provide a strong level of domestic support for our negotiating goals, the U.S. Government has sought public advice and comments on the current WTO negotiations on agriculture and services, on priorities for future WTO negotiations, on possible institutional improvements, and on preparations for the Fourth Ministerial Conference. More recently during the negotiations for the Free Trade Area of the Americas, the United States participated in an innovative step – agreeing to make public the preliminary negotiating text of our agreement and to contribute to a more informed public debate. We believe that the WTO should follow suit by expanding public access to dispute settlement proceedings, circulating panel

MORE

decisions promptly, and encouraging more exchange with outside groups and other international organizations.

Trade is a priority in the President's overall economic program. President George W. Bush outlined the principles underlying U.S. participation in the multilateral trading system in April 2001: "Open trade fuels the engines of economic growth that create new jobs and new income. It applies the power of markets to the needs of the poor. It spurs the process of economic and legal reform. It helps dismantle protectionist bureaucracies that stifle incentive and invite corruption. And open trade reinforces the habits of liberty that sustain democracy over the long term."

The United States strongly supports the work of the WTO as an institution for on-going negotiations and consultations. In this respect, we agree that regular ministerial-level meetings to consider, adjust, and expand the WTO's program of work are critical. We see an emerging consensus among countries at various levels of development on the importance of further trade liberalization and adherence to WTO rules. In addition, we have learned that some of the agreements we negotiate are complicated and difficult to implement. We are committed to doing more to have concurrent technical assistance and capacity building to enable countries to participate more effectively in the process.

The United States is committed to a successful launch at the Doha Ministerial of a new Round of multilateral trade negotiations that will offer benefits to all countries and will ensure that the WTO can meet the challenges of the 21st century. Much is at stake for the WTO, the international trading system, and its members, including the United States. The current global economic slowdown makes it all the more important that we press forward, to continue the work begun so long ago with the establishment of the GATT system.

END