

EMBARGOED UNTIL 11:00 AM (EST.)

EXECUTIVE SUMMARY

These reports reflect the importance President Bush assigns to trade at an opportune moment to reassert America's leadership in setting trade policy and to build a post-Cold War world on the cornerstones of freedom, security, democratic values, open trade, and free markets.

"Super 301" Report

The Super 301 report identifies U.S. trade expansion priorities, highlights the positive results we have obtained through vigorous enforcement of our trade agreements and trade laws, and focuses attention on significant trade barriers that the Administration is closely monitoring.

The Bush Administration is strongly committed to a trade policy that will remove trade barriers in foreign markets, while further liberalizing our market at home. As President Bush said at the recent Summit of the Americas in Quebec City, "Free and open trade creates new jobs and new income. It lifts the lives of all our people, applying the power of markets to the needs of the poor. It spurs the process of economic and legal reform. And open trade reinforces the habit of liberty that sustains democracy over the long haul." Trade policy is the bridge between the President's international and domestic agendas. To fulfill the President's vision, we have set forth the following trade expansion priorities for 2001: (1) to reestablish a bipartisan consensus on free trade and (2) to move on multiple fronts to expand trade.

Moving on multiple fronts requires that we negotiate new agreements while ensuring that existing agreements are fully implemented by U.S. trading partners. It also requires that we resolve problems that confront U.S. exporters in order to enable Americans to reap the benefits of market-opening agreements. For the United States to maintain an effective trade policy and an open international trading system, Americans must have confidence that trade is fair and works for their benefit.

The Super 301 report highlights the positive results that the United States has obtained in the past year by invoking WTO and NAFTA dispute settlement procedures, actively participating in WTO oversight bodies (such as the Committee on Agriculture and the Council on Trade in Services), and vigorously enforcing U.S. trade laws. Those results include:

- resolution of a long-standing dispute with the *European Union* over bananas, following WTO rulings against the EU regime and our use of section 301 of the Trade Act of 1974, as amended, (1974 Trade Act) to impose WTO-authorized countermeasures;
- use of NAFTA consultations to ensure timely and predictable entry of U.S. dry beans into *Mexico*;

- removal of WTO-inconsistent quotas maintained by **India** on a wide range of textile, industrial, and agricultural products, as a result of WTO rulings;
- securing WTO rulings against **Korea**'s restrictive practices affecting U.S. beef exports and against **Canada**'s inadequate patent protection;
- use of WTO dispute settlement consultations to obtain a commitment by **Greece** to provide effective deterrents to television piracy and to prompt **Denmark** and **Ireland** to improve protection and enforcement of intellectual property rights;
- progress made through WTO dispute settlement consultations with **Argentina** on patent protection, with **Romania** on customs practices affecting agriculture and textile products, and with **Mexico** on telecommunications services barriers;
- gaining market access for high-quality North American beef in **Hungary** and improvements in **Korea**'s administration of its tariff rate quota commitments through use of the WTO Committee on Agriculture;
- elimination of **Romania**'s and the **Slovak Republic**'s import restrictions based on balance-of-payment concerns, and commitments by **Pakistan** and **Bangladesh** to eliminate all of their balance-of-payments restrictions, through the WTO Committee on Balance of Payments Restrictions;
- securing implementation of WTO commitments on financial services in three additional countries – **Ghana**, **Kenya**, and **Nigeria** – through the WTO Council for Trade in Services;
- major reductions of **Japan**'s telecommunications interconnection rates through annual review of telecommunications agreements under section 1377 of the 1988 Trade Act; and
- resolution of an outstanding textiles dispute with **India** concerning the establishment and notification to the WTO of India's tariff commitments on a wide range of textile and apparel products of importance to U.S. exporters.

The report discusses many positive results achieved to date while emphasizing the need to step up our efforts to ensure that Americans are able to realize the benefits of our trade agreements. The report identifies measures that limit U.S. exporters' ability to take advantage of enhanced market access obtained through trade agreements. In addition to the practices discussed in the Special 301 and Title VII reports, the Super 301 report also includes examples of practices that the Administration is carefully monitoring:

- customs valuation practices in **Brazil**, **Mexico**, and **India**;

- burdensome dealer protection laws in *Central American and Caribbean countries*;
- restrictive auto policies in *Japan* and *Korea*;
- onerous technical regulations in *Mexico*;
- lack of transparency in regulatory rule-making in the *European Union*;
- agricultural practices in *Canada, Australia* and *Japan*;
- subsidization of Airbus by *EU Member States* and of Hyundai Electronics Industries by *Korea*;
- telecommunications trade barriers in *Taiwan* and *Mexico*;
- discriminatory trade and investment measures in the auto sectors of *India*, the *Philippines*, and *Malaysia*;
- discriminatory retail policies in the *Philippines*;
- discriminatory policies of *Israel* affecting trade in electronic commerce;
- non-transparent pharmaceutical pricing policies in *Korea* and *Taiwan*;
- continued market access barriers in the flat glass sector of *Japan*; and
- market access barriers affecting the textile sector in various trading partners.

"Special 301" Report

The Special 301 report reflects the Administration's continued commitment to aggressive enforcement of intellectual property rights. Intellectual property protection standards and enforcement have improved as a result of implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), and due to our active Special 301 program. This year's report:

- reaffirms the designation on March 12, 2001, of *Ukraine* as a "Priority Foreign Country" as a result of its persistent failure to take effective action against significant levels of optical media piracy and to implement adequate and effective intellectual property laws;

- describes progress made in a number of economies over the past year to resolve many long-standing problems involving intellectual property protection, including *Italy, Turkey, Spain, Peru, Moldova, Guatemala, Ecuador, China, Hong Kong, Macau, Malaysia,* and *Taiwan*;
- reports on the successful resolution of WTO disputes with *Denmark, Greece,* and *Ireland* regarding their conformity with TRIPS obligations, and on progress made toward resolution of a WTO dispute with *Argentina*;
- describes USTR's monitoring of *China* and *Paraguay* under Section 306 of the 1974 Trade Act which permits USTR to move directly to trade sanctions if there is slippage in either country's enforcement of bilateral agreements on intellectual property protection.
- reaffirms the continued U.S. flexible approach towards health-related intellectual property issues and the commitment of the U.S. Government to working with countries that develop serious programs to prevent and treat HIV/AIDS.

The Special 301 report places the following 16 trading partners on the Priority Watch List for intellectual property protection: *Argentina, Costa Rica, Dominican Republic, EU, Egypt, Hungary, India, Indonesia, Israel, Korea, Lebanon, Malaysia, Philippines, Russia, Taiwan,* and *Uruguay*; and announces that there will be an "out-of-cycle" review scheduled for *Malaysia*. In addition, it places 32 other trading partners on the Watch List, and schedules an out-of-cycle review of *Lithuania*. Although not listed, out-of-cycle reviews will also be conducted on *Japan, Georgia,* the *Kyrgyz Republic,* and the *Bahamas*, as warranted.

Examples of key issues discussed in this year's Special 301 report are: (1) failure of numerous economies, including *Brazil* and *Taiwan*, to take effective enforcement action that provides adequate deterrence against commercial piracy and counterfeiting; (2) failure of the *European Union* to provide national treatment for the protection of geographical indications for agricultural products and foodstuffs; (3) failure by *Argentina, Hungary* and *Israel*, among others, to provide adequate protection for the confidential test data of pharmaceutical and agricultural chemical companies; (4) the insufficient term of protection for patents in trading partners such as *the Dominican Republic* and *India*; (5) the inadequate protection for pre-existing works in numerous trading partners, particularly in *Armenia, Azerbaijan, Belarus, Kazakhstan, Tajikistan, Turkmenistan,* and *Uzbekistan*; (6) the failure of the *Philippines* to provide adequate enforcement, including making available *ex parte* search remedies; and (7) lax border enforcement against pirate and counterfeit goods in many of our trading partners.

Title VII Report

A longstanding objective of U.S. trade policy has been to open opportunities for U.S. suppliers to

compete on a level playing field for foreign government contracts. The Administration continues to push for the reciprocal removal of discriminatory government procurement practices in a wide range of global, regional and bilateral fora. As a result of our efforts, the 34 countries of the Americas that are participating in negotiations to create a Free Trade Area of the Americas (FTAA) have agreed that the FTAA will provide for openness and transparency of government procurement processes and non-discrimination in tendering procedures within a scope to be negotiated. The Administration is also urging the early conclusion of an Agreement on Transparency in Government Procurement that would apply to all 140 members of the WTO. Within the Asia-Pacific Economic Cooperation (APEC) forum, the United States and other countries in the region are pushing for concrete steps that will build on the progress APEC has made in developing non-binding principles on government procurement.

The Title VII report describes a number of foreign procurement practices in several of our trading partners that are of significant concern to U.S. exporters:

- ***EU***: Discriminatory procurement practices applied by government-owned telecommunications entities in certain EU Member States, for which the United States has imposed sanctions;
- ***Japan***: Various discriminatory practices relating to procurement for public works;
- ***Taiwan***: Certain discriminatory practices and procedural barriers;
- ***Canada***: Provincial governments' discriminatory procurement practices; and
- ***Germany***: Exclusion of certain suppliers affected by discriminatory "sect filters."

The United States is working actively in a range of bilateral and global fora to resolve these issues. As a result of recent bilateral consultations with Germany, this year's report announces that our concerns relating to the use of "sect filters" in Germany appear to have been resolved. In addition, significant progress has been made in bilateral negotiations regarding barriers to Taiwan's government procurement market.