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# VII. Trade Policy Development

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## A. Congressional Affairs

In 2001, USTR worked closely with the 107<sup>th</sup> Congress to advance a trade agenda to best serve America's farmers, workers, businesses and consumers.

Important and considerable progress was made to restore trade negotiating authority to the President. On December 6, the House of Representatives passed the Bipartisan Trade Promotion Authority Act of 2001. On December 18, the Senate Finance Committee reported this legislation out favorably by a vote of 18-3. The Senate is expected to take up this legislation in early 2002.

Last year, the Congress approved two agreements: the Jordan Free Trade Agreement and the Vietnam Bilateral Trade Agreement. Both are important components of a strong trade-liberalizing agenda.

USTR also worked with Congress to reject a resolution of disapproval regarding Normal Trade Relations with China.

Regrettably, three important programs, the Andean Trade Preferences Act, the Generalized System of Preferences and the Trade Adjustment Assistance program lapsed in 2001. Hopefully, Congress will act to renew these programs in early 2002.

USTR consulted closely with Congress on negotiations regarding a Free Trade Area of the Americas, the Doha WTO Ministerial, the US-Chile Free Trade Agreement, and the US-

Singapore Free Trade Agreement. Consultations also took place regarding Congressional calls for a US-Australia Free Trade Agreement.

USTR officials testified before Congress on such issues as Trade Promotion Authority, WTO negotiations, pending WTO disputes, Jordan FTA, U.S.-Vietnam Bilateral Trade Agreement, Free Trade Area of the Americas, Chile FTA, Singapore FTA, Steel 201 investigation, softwood lumber, and many other issues of Congressional interest.

USTR consulted closely with Congress on a number of trade-related issues, including Steel 201 investigations, U.S. lamb safeguard actions, U.S.-Canada Softwood Lumber, China's WTO Accession, pending WTO disputes (including Foreign Sales Corporation, beef hormones, bananas, the 1916 Act, and wheat gluten), OECD Shipbuilding, U.S. Mexico cross-border trucking, conflict diamonds, AGOA implementation, and the Cambodia Textile Agreement.

The Office of Congressional Affairs continued to respond in a timely manner to all requests for information from Congressional offices and Committees. In addition, Congressional Affairs transmitted statutorily required reports to Congress on a timely basis. Congressional Affairs also continued to provide trade-related briefing materials for foreign trips by Congressional delegations. USTR looks forward to maintaining and improving its close working relationship with Congress in 2002.

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## **B. Private Sector Advisory System and Intergovernmental Affairs**

USTR's Office of Intergovernmental Affairs and Public Liaison (IAPL) administers the federal trade advisory committee system and provides outreach to and facilitates dialogue with state and local governments, the business and agricultural communities, labor, environmental, consumer, and other domestic groups on trade policy issues.

First, the advisory committee system, established by the U.S. Congress in 1974, falls under the auspices of IAPL. The advisory committee system was created to ensure that U.S. trade policy and trade negotiation objectives adequately reflect U.S. public and private sector interests. The advisory committee system consists of 33 advisory committees, with a total membership of up to 1,000 advisors. It is managed by IAPL, often in cooperation with other agencies including the Departments of Agriculture, Commerce, Defense, and Labor, and the Environmental Protection Agency.

Second, IAPL also has been designated as the NAFTA and WTO State Coordinator. As such, the office serves as the liaison to all state and local governments on the implementation of the NAFTA and the WTO, and other trade issues of interest.

Finally, IAPL also coordinates USTR's outreach to the public and private sector through notification of USTR Federal Register Notices soliciting written comments from the public, consulting with and briefing interested constituencies, holding public hearings, and meeting frequently with a broad spectrum of groups at their request.

### **1. The Advisory Committee System**

The advisory committees provide information and advice with respect to U.S. negotiating objectives and bargaining positions before entering into trade agreements, on the operation

of any trade agreement once entered into, and on other matters arising in connection with the development, implementation, and administration of U.S. trade policy.

The system consists of 33 advisory committees, with a total membership of up to 1,000 advisors. (Currently, there are approximately 700 advisors.) Recommendations for candidates for committee membership are collected from a number of sources including Members of Congress, associations and organizations, publications, other federal agencies, and individuals who have demonstrated an interest or expertise in U.S. trade policy. Membership selection is based on qualifications, geography, and the needs of the specific committee. Members pay for their own travel and other related expenses.

The system is arranged in three tiers: the President's Advisory Committee for Trade Policy and Negotiations (ACTPN); six policy advisory committees; and 26 technical, sectoral, and functional advisory committees. Additional information can be found on the USTR website (<http://www.ustr.gov/outreach/advise.shtml>).

Private sector advice is both a critical and integral part of the trade policy process. USTR already maintains an ongoing dialogue with interested private sector parties on trade agenda issues. The advisory committee system is unique, however, since the committees meet on a regular basis, and receive sensitive information about ongoing trade negotiations and other trade policy issues and developments. Committee members are required to have a security clearance.

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

The President's Advisory Committee for Trade Policy and Negotiations (ACTPN) consists of no more than 45 members broadly representative of key economic sectors affected by trade. The President appoints ACTPN

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members for two-year renewable terms. The 1974 Trade Act requires that membership broadly represent key economic sectors affected by trade. The ACTPN is the highest tier committee in the system that examines U.S. trade policy and agreements from the broad context of the overall national interest.

**b. Policy Advisory Committees**

At the second tier, the members of the six policy advisory committees are appointed by the USTR alone or in conjunction with other Cabinet officers. Those managed solely by USTR are the Intergovernmental Policy Advisory Committee (IGPAC) and the Trade Advisory Committee on Africa (TACA). Those policy advisory committees managed jointly with the Departments of Agriculture, Labor, Defense and the Environmental Protection Agency are, respectively, the Agricultural Policy Advisory Committee (APAC), Labor Advisory Committee (LAC), Defense Policy Advisory Committee (DPACT), and Trade and Environment Policy Advisory Committee (TEPAC). Members serve two-year renewable terms or until the committee's charter expires. Each committee provides advice based upon the perspective of its specific area.

**c. Sectoral, Functional and Technical Committees**

At the third tier, the 26 sectoral, functional, and technical advisory committees are organized in two areas: industry and agriculture. Representatives are appointed jointly by the USTR and the Secretaries of Commerce and Agriculture, respectively. Each sectoral or technical committee represents a specific sector or commodity group (such as textiles, or grains and oilseeds) and provides specific technical advice concerning the effect that trade policy decisions may have on its sector. Presently, there are five agricultural technical committees co-chaired by USTR and Agriculture. There are 17 industry sector committees co-chaired by USTR and Commerce. The four functional

advisory committees, co-chaired by USTR and Commerce, provide cross-sectoral advice on customs, standards, intellectual property issues, and electronic commerce.

**2. State and Local Government Relations**

With the passage of the NAFTA in 1993, and the Uruguay Round Agreements Act in 1994, which implements WTO obligations in the United States, the United States created expanded consultative procedures between federal trade officials and state and local governments. Under both agreements, USTR's Office of IAPL is designated as the "Coordinator for State Matters." IAPL carries out the functions of informing the states on an ongoing basis of trade-related matters that directly relate to or that may have a direct effect on them. IAPL also serves as a liaison point in the Executive Branch for state and local governments and federal agencies to transmit information to interested state and local governments, and relay advice and information from the states on trade-related matters. This is accomplished through a number of mechanisms:

**a. State Point of Contact System**

For day-to-day communications, USTR created a State Single Point of Contact (SPOC) system. The Governor's office in each State designates a single contact to disseminate information received from USTR to relevant state and local offices, and assist in relaying specific information and advice from the states to USTR on trade-related matters. The SPOC network ensures that state governments are promptly informed of Administration trade initiatives so their companies and workers may take full advantage of increased foreign market access and reduced trade barriers. It also enables USTR to consult with states and localities directly on trade matters which affect them. SPOCs regularly receive USTR press releases, Federal Register notices, and other pertinent information.

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**b. Intergovernmental Policy Advisory Committee**

For advice from states and localities on trade policy matters, USTR has established an Intergovernmental Policy Advisory Committee on Trade (IGPAC). It is one of the six policy advisory committees discussed above. The IGPAC is comprised entirely of state and local officials. Appointed on a bipartisan basis, the committee makes recommendations to the Trade Representative and the Administration on trade policy matters. IGPAC's membership includes governors, mayors, state legislators, attorneys general, and county officials. The IGPAC also meets at the staff liaisons level, and includes representatives from the National Governors' Association (NGA), National Conference of State Legislatures (NCSL), National Association of Attorneys General (NAAG), Council of State Governments (CSG), National Association of Counties (NACo), and National League of Cities (NLC). In 2001, IGPAC was briefed and consulted on trade priorities of interest to states and localities, including Trade Promotion Authority; government procurement, services, and investment issues in the WTO, FTAA, Chile FTA, and Singapore FTA negotiations.

**c. Meetings of State and Local Associations**

USTR officials participate frequently in meetings of state and local government associations to apprise them of relevant trade policy issues and solicit their views. Associations include the National Governors' Association (NGA), Western Governors' Association (WGA), National Conference of State Legislatures (NCSL), Council of State Governments (CSG), National Association of Counties (NACo), U.S. Conference of Mayors (USCM), National League of Cities (NLC), and other associations. In 2001, USTR addressed sessions of the NGA, NCSL, the American Economic Development Council, the American Legislative Exchange Council, and other state

and local organizations regarding the Administration's top trade priorities.

There is significant support among state and local officials for market-opening initiatives. This past year, Trade Promotion Authority for the President was endorsed by the U.S. Conference of Mayors, the National Conference of State Legislatures, the American Legislative Exchange Council, and the National Governors Association's Economic Development and Commerce Committee on behalf of the nation's Governors.

**d. Consultations Regarding Specific Trade Issues**

USTR initiates consultations with particular states and localities on issues arising under the WTO and NAFTA agreements, and frequently responds to requests for information from state and local governments. Topics of interest included the WTO Government Procurement Agreement; WTO services issues; Free Trade Area of the Americas, Chile FTA and Singapore FTA negotiations; NAFTA investment issues, NAFTA transportation issues, and agricultural trade with Canada, Mexico, and others.

**3. Public and Private Sector Outreach**

It is important to recognize that the advisory committee system is but one of a variety of mechanisms through which the Administration obtains advice from interested groups and organizations on the development of U.S. trade policy. In formulating specific U.S. objectives in major trade negotiations, USTR also routinely solicits written comments from the public via Federal Register notices, consults with and briefs interested constituencies, holds public hearings, and meets with a broad spectrum of private sector and non-governmental groups.

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## **2001 Outreach Efforts**

The 2001 trade agenda provided many opportunities for USTR to conduct outreach to, and consultations with, diverse trade policy stakeholders including the advisory committees, state and local governments, private sector and non-governmental groups.

### **i. Trade Promotion Authority**

Throughout 2001, USTR conducted outreach to advisory committees, business and agricultural communities, environmental, consumer, and labor organizations, Hispanic groups, and state and local associations and representatives regarding Trade Promotion Authority for the President. IAPL assisted in the preparation of fact sheets and materials on TPA for broad dissemination to the public, highlighting the economic impact and benefits of TPA and increased trade for individual states and economic sectors.

### **ii. World Trade Organization**

Throughout 2001, IAPL worked on public outreach, logistical and security preparations for the WTO Ministerial in Doha, Qatar. This included the accreditation of USTR advisory committees to attend the WTO Ministerial, and the coordination of a series of briefings and dissemination of information for advisors and the public regarding the Doha agenda. For the first time ever, USTR utilized live and recorded webcasts during the course of the WTO Ministerial in Doha, Qatar to brief cleared trade advisors and the public regarding the status of negotiations. The USTR website was also updated several times a day with current information, as well as the results of the Ministerial Declaration launching new global trade negotiations at the WTO.

### **iii. Free Trade Area of the Americas**

USTR briefed and facilitated consultations with advisory committees and other stakeholders on

the FTAA agenda leading up to the FTAA Ministerial in Buenos Aires, and subsequent meetings of the Trade Negotiations Committee. USTR facilitated the public dissemination of the draft text of the nine chapters of the FTAA, fulfilling a promise made by Western Hemisphere leaders at the April Summit of the Americas in Quebec City to make the trade negotiation process more transparent and accessible to the public. USTR also took note of recommendations made by the Americas Business Forum, issued invitations for public comment from the FTAA civil society committee, and briefed advisors and the public regarding the ongoing environmental review of the negotiations.

### **iv. Benefits of NAFTA**

USTR disseminated information to advisory committees, state and local governments, and the public regarding the benefits of NAFTA to America in terms of building jobs and economic growth. In coordination with the governments of Canada and Mexico, USTR prepared an informational brochure, "NAFTA at Seven: Building on a North American Partnership." The brochure explains how NAFTA has led to increased opportunity and prosperity in all three countries; has raised standards of living; and has helped promote the effective enforcement of environmental and labor laws. It is available on USTR's website.

### **v. China Accession to the WTO**

USTR briefed and facilitated consultations with advisory committees and other stakeholders on issues regarding China's accession to the WTO, on implementation of China's WTO obligations, and the legislation granting permanent Normal Trade Relation (NTR) status for China.

### **vi. Bilateral Trade Agreements**

USTR briefed and facilitated consultations with advisory committees and other stakeholders on Congressional approval of the U.S.-Jordan FTA,

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the U.S.-Vietnam bilateral trade agreement, and on the negotiations underway to conclude free trade agreements with Singapore and Chile. USTR also briefed advisors and the public regarding environmental reviews of agreements.

**vii. Monitoring and Compliance Activities**

USTR briefed and facilitated consultations with advisors and other stakeholders on disputes including the European Community regime for the importation, sale, and distribution of bananas; European Community beef hormones import restrictions; the case brought by the E.U. against the U.S. Foreign Sales Corporation; the Shrimp-Turtle WTO case; and other items. Other issues of interest to advisors and domestic groups included the protection of U.S. intellectual property rights; agriculture and biotechnology issues.

**viii. Sectoral Initiatives**

USTR, in coordination with other federal agencies, facilitated briefings and consultations with advisors and other stakeholders on the Bush Administration's Multilateral Steel Initiative.

**ix. Public Trade Education**

USTR continues its efforts to promote and educate the public on trade issues. USTR has participated in education efforts regarding the range of trade activities and benefits through speeches, publications, and briefings. USTR's internet homepage serves as a vehicle to communicate to the public. For the first time ever, USTR utilized live and recorded webcasts from the WTO Ministerial in Doha, Qatar to brief cleared trade advisors and the public regarding the status of negotiations. During 2001, IAPL assisted in efforts to extensively revise the USTR website, including improving the organization of the website and adding buttons and links to make the site more user-friendly. USTR is also undertaking a survey of

advisory committee members to explore ways to improve the website content, including posting of reading room documents. The USTR internet address is <http://www.ustr.gov>.

**C. Policy Coordination**

By law, USTR plays the leading role in the development of policy on trade and trade-related investment. Under the Trade Expansion Act of 1962, the President established an interagency trade policy mechanism to assist with the implementation of these responsibilities. This organization, as it has evolved, consists of three tiers of committees that constitute the principal mechanism for developing and coordinating U.S. Government positions on international trade and trade-related investment issues.

The Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC), administered and chaired by USTR, are the subcabinet interagency trade policy coordination groups that are central to this process. The TPSC is the first line operating group, with representation at the senior civil servant level. Supporting the TPSC are more than 60 subcommittees responsible for specialized areas and several task forces that work on particular issues. The TPSC regularly seeks advice from the public on its policy decisions and negotiations through Federal Register notices and public hearings.

Through the interagency process, USTR assigns responsibilities for issue analysis to members of the appropriate TPSC subcommittee or task force. Conclusions and recommendations of this group are then presented to the full TPSC and serve as the basis for reaching interagency consensus. If agreement is not reached in the TPSC, or if particularly significant policy questions are being considered, issues are taken up by the TPRG (Deputy USTR/Under Secretary level).

Member agencies of the TPRG and the TPSC consist of the Departments of Commerce,

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Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, Energy, and Health and Human Services, the Environmental Protection Agency, the Office of Management and Budget, the Council of Economic Advisers, the Council on Environmental Quality, the International Development Cooperation Agency, the National Economic Council, and the National Security Council. The United States International Trade Commission is a non-voting member of the TPSC and an observer at TPRG meetings. Representatives of other agencies also may be invited to attend meetings depending on the specific issues discussed.

The final tier of the interagency trade policy mechanism is the joint National Security/National Economic Council, composed of members of the Cabinet. The NSC/NEC Deputies Committee considers decision memoranda from the TPRG, as well as particularly important or controversial trade-related issues.

During the interagency review stage, advice is generally sought from the private sector advisory committees, the public and from Congress. Also, while virtually all issues are developed and formulated through the interagency process, USTR advice, in some cases, may differ from that of the interagency committees.

As policy decisions are made, USTR assumes responsibility for directing the implementation of those decisions. Where desirable or appropriate, USTR may delegate the responsibility for implementation to other agencies.