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**TRADE ISSUES ARE CENTRAL TO THE DOMESTIC ECONOMIC POLICY DEBATE  
IN THE UNITED STATES - SAYS THE GATT**

**"Export development at the forefront of job-creation strategy"**

"The growing rôle of international trade in the US economy, the North American Free Trade Agreement (NAFTA) and the Uruguay Round legislative processes have all contributed to bringing trade issues to the centre of the domestic economic policy debate," says the GATT Secretariat's latest report on trends and developments in the trade policies and practices of the United States since the last such report in March 1992. The United States has continued to affirm its adherence to liberal trading principles, globally through the successful conclusion of the Uruguay Round, and regionally through the NAFTA. The US Administration considers export development to be at the forefront of the government's job-creation strategy.

Since 1991, the United States has emerged from recession, with the external sector softening the economic downturn and contributing to the recovery. Economic growth has averaged 2.4 per cent annually since the second quarter of 1991; export revenues have expanded by 6 per cent a year; and the renewed growth has led to increased imports. But declining national saving rates, largely associated with federal budget deficits, have generated current account deficits resulting in pressure for protection against high-saving countries with which the bilateral deficits are greatest. "Pressure to take bilateral action against these partners," says the report, "threatened both the openness of the US trade régime and the multilateral system."

The previous report on the United States pointed to a strong correlation between the frequency of anti-dumping investigations and the emergence of bilateral restrictive arrangements. "Experience of the last two years," says the current report, "tends to confirm this correlation, with the termination of restraint arrangements resulting in a flurry of new trade remedy cases. Aside from the VRAs on steel, which expired in 1992, most other arrangements noted in the previous Secretariat report are still in place, covering imports of meat, machine tools, textiles and clothing, passenger cars and minivans and other products."

The current report points out, however, that a major bilateral step towards liberalization was achieved in April 1993 when the US agreed with the EC to remove restrictions on the bidding of contracts to supply goods, services and works in each other's markets. This agreement, which specifically excludes the telecommunications sector, entered into force in July 1993 for a period of two years. This was followed by a multilateral procurement agreement, concluded in parallel with the Uruguay Round, which extends the scope of international rules in this field to many state and local entities.

The report also notes that many GATT contracting parties have expressed concern about unilateralism in US trade policy. "They point to what they consider the contradictions inherent in laws aimed at opening markets based on threats to close the US market." However, the report emphasizes that in the two years up to June 1993, the US used Section 301 relatively infrequently: six new cases were initiated during this period, compared to an average of nearly five per year since 1974. The US authorities stress that the operation of these laws is subject to multilateral dispute procedures, where such exist, and that agreements concluded are generally on an m.f.n. basis.

The report states that, overall, relatively benign import policies in most sectors supported industrial adjustment, and have played a rôle in above-average production and export growth, without the "dramatic employment losses experienced by other countries". The report urges that adjustment initiated in the second half of the 1980s in such sectors as automobiles, machinery and electronics needs to be extended to specific sectoral areas where protection continues to prevent better resource allocation. The United States will remain vulnerable to domestic protectionist pressures, given the persistent imbalance between savings and investment, which continues to weigh heavily on the trade account. "The liberalization, both in the US and foreign markets, that will result from the successful conclusion of the Uruguay Round may alleviate pressures for bilateral approaches."

#### Notes to Editors

1. The GATT Secretariat's report, together with a report prepared by the United States Government, will be discussed by the GATT Council on 16-17 February 1994. This is the third biennial review of the United States since the Trade Policy Review Mechanism (TPRM) was launched in December 1989, and covers the period since the last review in March 1992.
2. The TPRM enables the Council to conduct a collective evaluation of the full range of trade policies and practices of each GATT member at regular periodic intervals, to monitor significant trends and developments which may have an impact on the global trading system.
3. The two reports, together with a record of the Council's discussion and of the Chairman's summing up, will be published in 1994 as the complete trade policy review of the United

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States and will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

4. The reports cover developments in all aspects of the United States' trade policies, including domestic laws and regulations, the institutional framework, trade-related developments in the monetary and financial sphere, trade practices by measure and trade policies by sector. Attached are the summary extracts from these reports. Full reports will be available for journalists from the GATT Secretariat on request.
  
5. Since December 1989, the following reviews have been completed: Argentina (1992), Australia (1989 & 1994), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992), Canada (1990 & 1992), Chile (1991), Colombia (1990), Egypt (1992), the European Communities (1991 & 1993), Finland (1992), Ghana (1992), Hong Kong (1990), Hungary (1991), Iceland (1994), India (1993), Indonesia (1991), Japan (1990 & 1992), Kenya (1993), Korea, Rep. of (1992), Malaysia (1993), Mexico (1993), Morocco (1989), New Zealand (1990), Nigeria (1991), Norway (1991), Peru (1994), the Philippines (1993), Poland (1993), Romania (1992), Singapore (1992), South Africa (1993), Sweden (1990), Switzerland (1991), Thailand (1991), Turkey (1994), the United States (1989 & 1992), and Uruguay (1992).

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**TRADE POLICY REVIEW MECHANISM  
UNITED STATES**

**Report by the Secretariat - Summary Observations**

The United States in World Trade

Since the last review of its trade policies in the GATT Council, the United States has continued to affirm its adherence to the principle of free trade. In particular, the United States played a major rôle in bringing the Uruguay Round to a successful conclusion. At the same time, it has pursued regional trading interests, notably through the completion of negotiations on, and subsequent ratification of, the North American Free Trade Agreement. On the other hand, the Administration has also maintained bilateral pressures for the opening of external markets. In addition, areas such as agriculture and textiles remain exceptions to the U.S. adherence to liberal trading principles, with high tariffs and other measures in place. The implementation of the Uruguay Round will begin to redress this situation. Nevertheless, given the size of the U.S. economy, and its importance in world trade, any distortions stemming from trade intervention have significant adverse effects on world trade and the international economy.

Since 1991, the United States has emerged from recession. The external sector softened the economic downturn and contributed to the recovery. In this regard, improved productivity helped strengthen U.S. competitiveness. Economic growth has averaged 2.4 per cent annually since the second quarter of 1991; export revenues have expanded by 6 per cent a year; and the renewed growth has led to increased imports. The growing rôle of international trade in the U.S. economy, the North America Free Trade Agreement (NAFTA) and the Uruguay Round legislative processes have all contributed to bringing trade issues to the forefront of the domestic policy debate.

Declining national saving rates, largely associated with federal budget deficits, have generated current account deficits. Resulting pressures for protection have often been directed against high-saving countries with which the bilateral deficits are greatest. Pressure to take bilateral action against these partners threatened both the openness of the U.S. trade régime and the multilateral system.

The United States continues to be the world's largest trading nation, with imports and exports at 14 and 12 per cent of world trade. The geographical pattern of U.S. trade has changed substantially in the two years to 1992. Canada and Japan overtook the European Communities as the leading suppliers to the United States in 1992, and shares of the EC and Japan in U.S. exports also declined. While Canada's share remained stable, Mexico's share of U.S. exports rose from around 6 per cent in 1986 to over 9 per cent in 1992. Agricultural and anti-dumping developments played a rôle in the relative decline of Oceania as a supplier of U.S. imports between 1990 and 1992.

Revenue from agricultural exports reached a ten-year peak in 1992, when the agricultural trade surplus was US\$18 billion. Exports of manufactures increased from 69 to 76 per cent of the total between 1989 and 1992, with sectors such as automotive products, machinery and semi-manufactures doing well.

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The growth of manufactured imports accelerated in 1992 as the economy improved, with strong advances in office and electrical machinery, chemicals and clothing. The share of food products remained relatively stable.

#### Institutional and Legal Framework

The United States succeeded in its two main trade policy objectives: ratification in November 1993 of the North American Free Trade Agreement with Canada and Mexico, and the announcement in December 1993 by President Clinton of his intention to conclude a trade agreement on the Uruguay Round. The latter is expected to overhaul some U.S. trade policies and practices that have, in the past, been the object of complaints and disputes with trading partners, including the GATT waiver, accorded since 1955, for Section 22 of the Agricultural Adjustment Act.

The aim of the NAFTA is to create an expanded and secure market for goods and services produced in the three parties, provide a predictable framework for business planning and investment opportunities, promote conditions of fair competition, and enhance the competitiveness of firms from the three parties in global markets.

The NAFTA is expected to enhance greatly two-way trade in manufactures with Mexico; however, in the short run, conditions for trade in manufactures between the United States and Canada will not change significantly, as the existing tariff phase-out included in the U.S.-Canada free trade agreement remains. Rules of origin established under NAFTA are likely to increase the benefits to regional manufacturers.

The NAFTA also removes most tariff and non-tariff barriers in Mexico for U.S. and Canadian farm exports. Imports of agricultural products from Mexico into the United States, while substantially liberalized, may in some cases remain constrained by special safeguard provisions, especially for orange juice, sugar and peanuts. Canadian agricultural trade with the United States is largely unaffected by the NAFTA but will, by contrast, be subject to the Uruguay Round agricultural agreements.

It is expected that trilateral trade in services will increase most as a result of the NAFTA. Notable exceptions are maritime, air transport services and basic telecommunications, which are not covered by the Agreement. Overall, the agreement increases the potential competitiveness of NAFTA service providers on all three markets relative to others.

#### Trade Policy Features and Trends

##### Evolution since the last review

U.S. trade laws remained largely unchanged during the two years to October 1993 but their implementation in certain sectors was intensified. Temporary tariff cuts introduced in 1989 and 1990 expired in December 1992; tariffs on nearly 500 items reverted to their m.f.n. levels, increasing the average import duty while narrowing tariff dispersion.

##### Trade liberalization measures

Since July 1991, the United States has extended m.f.n. treatment to ten republics of the former Soviet Union, as well as to Albania, Bulgaria and Romania; unconditional m.f.n. has been

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granted to the Czech and Slovak Republics, Estonia, Hungary, Latvia and Lithuania. Cuba and the Republic of Yugoslavia (Serbia and Montenegro) are the only GATT contracting parties now denied m.f.n. treatment.

The U.S. GSP programme was extended to Albania, Bulgaria, the Czech and Slovak Republics, Ethiopia and many of the republics of the former Soviet Union. India's GSP coverage was reduced pursuant to a "Special 301" case.

The United States continued to progressively decontrol COCOM-related export restrictions in 1992 and 1993. A new régime to replace COCOM is under consideration.

In late 1992, the Congress denied approval to the Miscellaneous Tariff Act, under which minivans, bearing a 2.5 per cent import duty, would have been reclassified as trucks, with a 25 per cent tariff. A Custom's reclassification of minivans as trucks was overturned in the U.S. Court of International Trade; the ruling is under appeal.

#### Developments under preferential trade agreements

Imports from beneficiaries of the Caribbean Basin Economic Recovery Act increased strongly, from US\$7.6 billion in 1990 to an estimated US\$9.4 billion in 1992. Since July 1991, the coverage of the programme has twice been expanded, to include 122 new tariff lines. Imports of over US\$3 billion originated in beneficiaries of the Andean Trade Preference Act; US\$1.5 billion was m.f.n. duty free and US\$97 million received ATPA duty-free treatment.

Elimination of tariffs under the U.S.-Canada Free Trade Agreement came closer to completion. On 1 January 1993, duties on all goods included in the 5-year duty phase-out schedule were eliminated. Another round of tariff eliminations was carried out in the spring of 1993. No tariff reduction took place under the U.S.-Israel Free-Trade Area Agreement.

#### Unilateral measures to expand U.S. exports

Many contracting parties have expressed concern about unilateralism in U.S. trade policy, as embodied in the "Section 301" family of laws, the "Title VII" provisions of the 1988 Omnibus Trade and Competitiveness Act relating to public procurement abroad, and the provisions of the Trade in Telecommunications Act. They point to what they consider the contradictions inherent in laws aimed at opening markets based on threats to close the U.S. market. In the two years to June 1993, the United States made relatively restrained use of these laws, but introduced new procedures to maintain pressure on foreign governments. The U.S. authorities stress that the operation of these laws is subject to multilateral dispute procedures, where such exist, and that agreements concluded are generally on an m.f.n. basis.

Six new cases were initiated between July 1991 and June 1993 under Section 301 and Special 301, compared to an average of nearly five cases a year since 1974. Two cases were opened under Title VII of the 1988 Omnibus Trade Act. Retaliatory actions were taken in two instances. Nine of the thirteen active cases during the period concerned developing countries; eight of these related to intellectual property rights. Four cases, all involving Canada or the EC, were brought to GATT dispute settlement, with rulings in favour of the United States in two cases.

In 1992 and 1993, the United States Trade Representative named Brazil, Chinese Taipei, India and Thailand as "priority foreign countries" under the Special 301 provisions, relating to intellectual

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property. The annual announcements in 1992 and 1993 also included a "priority watch list" of twelve countries and a "watch list" of another 22 countries.

In April 1993, the U.S. Administration introduced tougher procedures for enforcement of intellectual property rights by foreign trading partners under "immediate action plans", including benchmarks and deadlines for evaluating a country's performance, and on "short term review cycles". Chinese Taipei and Hungary were the first candidates for immediate action plans, while Argentina, Egypt, the Republic of Korea, Poland and Turkey were made subject to "out of cycle" reviews. These new procedures have not been formally enacted.

Since 1991, the USTR has identified the EC and Norway as priority countries for investigation under Title VII, for discrimination against U.S. companies in public procurement practices. Japan has been named for "persistent and systematic discrimination against U.S. firms" in construction contracts and in procurement of supercomputers.

#### Measures implemented in importing countries

Consultations between the United States and trading partners, and notably negotiations under Section 301 and related provisions, have resulted in a number of undertakings to improve access to their markets on an m.f.n. basis, particularly in sectors of export interest to the United States. However, two industry-to-industry agreements with Japan contained provisions for imports to be sourced from the United States: an auto component agreement, in particular, foresaw a target level for Japanese manufactures' imports from the United States.

The Global Partnership Plan of Action, agreed with Japan in January 1992, included an agreement on procurement of computers and computer related services, which would open Japanese government procurement of computers and related services to competitive international bidding; a voluntary agreement by Japanese automobile producers to double imports of U.S. made auto components into Japan between 1990 and 1994; an increase to US\$15 billion in purchases of U.S. made parts by Japanese auto companies producing in the United States; a goal to expand Japanese imports of U.S. made cars; two additional agreements on paper products and flat glass; and a two-year programme set up by the Japanese Export-Import Bank to finance U.S. exports to Japan in which credit is not tied to a specific transaction, but importers, to become eligible, undertake to increase their U.S. sourced imports during the credit period.

The Semiconductor Agreement between the governments of the United States and Japan was renewed in August 1991, replacing the 1986 arrangement. Japan recognized that the U.S. semiconductor industry expected that Japanese imports of semiconductors would grow to over 20 per cent of the domestic market by the end of 1992 and considered that this could be realized. There appeared to be a consensus that private sector negotiations leading to, and under, the Agreement would not violate U.S. anti-trust laws. The Agreement caused concern among trading partners for its potential anti-competitive effect on prices and supplies.

The U.S.-Korea Telecommunications Agreement of February 1992 contained a number of commitments by the Government of Korea, including the liberalization of value added services for U.S. providers. In early 1993, a review under Title VII of the Omnibus Trade and Competitiveness Act of 1988 found that the Korean Government had failed to make public all its procurement regulations and to qualify a U.S. firm as a supplier. In April 1993, Korea published complete regulations regarding telecommunications procurement and certified AT&T as a supplier.

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The U.S.-Japan Framework for a New Economic Partnership of July 1993 serves as a mechanism for consultations regarding economic cooperation. Benefits under the Framework are to be on a m.f.n. basis, and consultations are to be limited to matters within the scope and responsibility of the governments of Japan and the United States.

Five areas of negotiation are identified in the Framework: measures to be taken in government procurement, inter alia, to significantly expand Japanese procurement of competitive foreign goods and services, especially computers, supercomputers, satellites, medical technology and telecommunications; regulatory reforms and competitiveness, seeking to address reform of relevant laws, regulations and guidance affecting foreign goods and services, including financial services, insurance and competition policy, transparent procedures and distribution; measures to "expand sale opportunities" for the U.S. automobile sector; economic harmonization measures, which will address foreign direct investment in Japan and the United States, intellectual property rights, access to technology and long-term relationships between buyers and suppliers in the two countries; and implementation of existing bilateral arrangements and measures, including the follow-up to the Structural Impediments Initiative.

#### Type and incidence of trade policy instruments

##### Tariffs

The form and level of U.S. m.f.n. tariffs did not change significantly in the period 1991-93. The tariff is almost fully bound. The average is low and, on industrial products, will be reduced by some 35 per cent under the Uruguay Round. High tariffs, frequently specific or compound, continue to protect certain tobaccos, watch movements, spirits, sugars, footwear, wool and man-made fibres and filaments. Some 11 per cent of tariff lines bear duties of 15 per cent or above; this share is expected to be halved under implementation of the results of the Uruguay Round.

##### Non-tariff measures

Import quotas, licences or voluntary export restraints restrict U.S. imports of dairy products, cotton, peanuts, sugar and sugar-containing products, and beef and veal. Imports of textiles and clothing are restricted under more than 40 bilateral agreements, mostly concluded within the framework of the Multifibre Arrangement. Machine tool imports from certain sources were until December 1993 under voluntary restraint. Japan continues to restrain its exports of passenger cars to the United States, as does Korea for a number of manufactured products.

##### Government procurement practices

The United States continued its efforts to open public procurement markets abroad, but has a number of trade restrictive measures at home. Public purchasing in the United States amounts to approximately 19 per cent of GDP. Certain laws provide preferential price treatment to domestic firms over imports; some provisions allow the purchase of foreign products only if they incorporate a minimum amount of local content; and others explicitly bar foreign companies from submitting bids. These Buy America restrictions are compounded in some States by Buy-In-State regulations that further reduce access for foreign products.

A bilateral liberalization step was taken in April 1993 when the United States and the EC signed a Memorandum of Understanding on government procurement, removing restrictions on the

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bidding of contracts to supply goods, services and works in each other's market, except in telecommunications. This was followed by a multilateral procurement agreement, concluded in parallel with the Uruguay Round, which, inter alia, extends the scope of international rules in this field to many state and local entities

#### Temporary measures

##### Import relief

Since July 1991, two investigations were conducted under the national security provisions of the Trade Expansion Act of 1962. Both found that imports did not threaten to impair national security. However, one case resulted in recommendations for increased public expenditure on the product, via new research and development programmes, the creation of a manufacturing centre and the setting up of a working group to increase cooperation between producers and consumers.

The United States has no outstanding safeguard measures under GATT Article XIX. One investigation, carried out under Section 201 of the 1974 Trade Act, was terminated by a no-injury finding. However, subsequently the product was made subject to both countervailing and anti-dumping orders. Similarly, while the only investigation for import relief on products from non-market economies (Section 406 of the 1974 trade Act) was terminated without administrative action, the product is subject to an anti-dumping order. Petitioners have increasingly resorted to anti-dumping rather than safeguard procedures; access to anti-dumping remedies has apparently been easier for U.S. industries to obtain.

In the two years to December 1992, 25 investigations were completed under Section 337 of the Tariff Act of 1930, principally concerning intellectual property. Violation was determined in six cases, and imported products were excluded from the U.S. market; six cases ended with findings of no violation; and the remaining cases resulted in settlements.

##### Anti-dumping and countervailing duty actions

The number of anti-dumping and countervailing investigations has increased over the past two years, partly reflecting multiple investigations on steel products. The number of anti-dumping and countervailing duty orders in force rose from 204 and 70 respectively in June 1991 to 268 and 86 in June 1993; the share of imports subject to orders grew from 0.2 to 0.9 per cent of total merchandise imports between fiscal years 1988 and 1992.

Some 80 per cent of investigations resulted in preliminary findings of dumping, with the procedures allowing little scope for judgement by the authorities. The scale of correction between preliminary and final determinations was in some cases considerable, leading exporters to pay bonds subsequently found to be excessive. Reflecting the greater degree of judgement applied in injury assessments by the U.S. International Trade Commission, 46 per cent of investigations in the two-year period to June 1993 ended with final determinations of no injury.

There is no sunset provision in U.S. anti-dumping and countervailing legislation. However, the Department of Commerce must, upon request, review existing orders every twelve months, possibly leading to the termination or revision of the orders. During fiscal year 1992, 158 reviews were completed involving over 250 respondents; two orders were terminated.

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There is a growing number of complaints from trading partners concerning the increased resort to these laws and the methods used to determine dumping, subsidization and injury. Since July 1991, the United States has been a respondent in four cases under the Anti-Dumping Code and four under the Subsidies Code. In addition, 14 consultations have been requested with the United States under these Codes.

#### Sectoral trade policies

Most U.S. exports compete on world markets without significant assistance. However, in agriculture, a number of major export products, such as wheat, coarse grains, rice, oilseeds, cotton, tobacco and dairy are still strongly subsidized, in harmony with import restrictions and other measures to support domestic production. Government expenditure on agricultural export assistance increased to 7 per cent of agricultural export revenues in fiscal 1993, with negative effects on international farm prices and incomes. Since July 1991:

- three new countries were added to the 1994 Export Enhancement Program for wheat, with "initiatives" exceeding 30 million tonnes for the first time;
- an anti-dumping duty of nearly 100 per cent was put in place on imports of kiwi fruit from New Zealand, resulting in their virtual elimination;
- an agreement was reached with the EC limiting the latter's subsidies to oilseed production; U.S. oilseeds sales under export credit guarantee programmes increased by 32 per cent in fiscal 1992;
- tightened quantitative restrictions on imports of meat in both 1992 and 1993 contributed to a fall in import volumes;
- outlays on the domestic milk support programme fell to an estimated US\$125 million in 1993, from US\$2 billion in 1987, but subsidies, often in excess of 75 per cent of the export price, to private exporters of dairy products rose in the two years to 1992, to reach US\$140 million;
- the tariff quota on imports of sugar was reduced by 13 per cent in 1992; and
- a quantitative restriction on imports of raw tobacco, as well as a new import fee on raw tobacco, were enacted in the 1993 Budget Reconciliation Act, leading to complaints in the GATT Council.

U.S. industrial policy has continued to be relatively neutral, except in the textiles, clothing, food, steel and, to some extent, motor vehicles and certain technology-intensive sectors. The trend towards combining technological and investment policy to promote exports has so far had modest overall effects. Main areas of trade intervention include:

- continued reliance on bilateral restrictions on textile and clothing imports, with numerous new bilateral agreements in 1992 and 1993, extra-territorial measures to prevent circumvention and new, stringent rules of origin for trade under the NAFTA;
- multiple new anti-dumping and countervailing cases in the steel sector, following the expiry of voluntary restraint arrangements;

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- measures to encourage production and exports of motor vehicles and parts, including import targets announced by private Japanese producers; and
- the conclusion in 1992 of an agreement with the EC on limits to assistance for aircraft development and financing.

#### Competition policies

Certain differences between U.S. anti-trust legislation and those of other major trading partners were somewhat narrowed during the period under review. The 1992 Horizontal Merger Guidelines appear to indicate movement towards greater evaluation of benefits and costs of mergers. In 1993, the National Cooperative Research Act of 1984 was extended from joint research and development ventures to registered joint production undertakings. The principles of "foreign sovereign compulsion" and "international comity" continue to be used to exclude voluntary export restraints from anti-trust action under certain conditions. Potential collusion arising from multiple, simultaneous anti-dumping petitions on the same product is also excluded from anti-trust laws under the Noerr-Pennington doctrine, which protects the right to petition and lobby government.

Industry-to-industry agreements without sovereign compulsion are subject to U.S. anti-trust laws if they restrict U.S. commerce. Thus, it may be argued that the 1991 semiconductor undertaking between Japanese and U.S. firms may be challengeable under U.S. anti-trust procedures to the extent that prices or supplies in the U.S. market are affected.

In April 1992, the Administration extended the scope of guidelines for anti-trust challenge from behaviour that "harms U.S. consumers by raising prices or reducing output" to foreign business conduct that harms American exports, if the conduct would have violated U.S. anti-trust laws had it occurred in the United States. The Administration is prepared to work with the authorities of the importing country under their own anti-trust laws to ease the problems. Links between trade and competition policies, and the importance of effective anti-trust enforcement, have been key issues for the United States in existing bilateral agreements and "framework" discussions with Japan.

#### Trade Policies and Foreign Trading Partners

Developments in the past two years have shown the growing importance of trade in the United States economy. Productivity has improved, contributing to a marked redressment of U.S. industrial competitiveness. Overall, relatively benign import policies in most sectors supported industrial adjustment, and have played a rôle in better than average production and export growth, without the dramatic employment losses experienced by other countries. Adjustment initiated in the mid to late 1980s in such sectors as automobiles, machinery and electronics needs to be extended to specific sectoral areas where protection continues to prevent better resource allocation.

The United States is in a favourable position to face the competition that will result from the Uruguay Round and the NAFTA, but will remain vulnerable to domestic protectionist pressures. These are likely to remain strong, given the persistent imbalance between savings and investment, which continues to put pressure on the trade account. The Administration is taking macroeconomic measures aimed at addressing the domestic imbalances; market opening on an m.f.n. basis would appropriately complement these steps. The liberalization, both in U.S. and foreign markets, that will result from the Uruguay Round may alleviate pressures for bilateral approaches.

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## **TRADE POLICY REVIEW MECHANISM**

### **UNITED STATES**

#### **Report by the Government - Summary Extracts**

The fundamental trade policy objective of the United States is to support economic growth and the creation of new job opportunities through the reduction of trade barriers and the resulting expansion of international trade. This objective is based on a belief that open, international, market-based competition will lead to the growth of the most competitive sectors of the U.S. economy, create the most satisfying and high paying jobs for Americans, and support an increasing standard of living. Trade policy is thus considered to be an integral part of a comprehensive economic strategy designed to foster the growth and competitiveness of the U.S. economy.

U.S. economic policy therefore assumes that U.S. domestic economic policy goals can be achieved only if the United States remains competitive in world markets. In this sense, domestic economic policy measures designed to improve the international competitiveness of U.S. firms are also seen as an integral part of trade policy. To this end, the U.S. Government pursues a number of critical macroeconomic and microeconomic reforms, including measures designed to reduce the budget deficit, to stimulate private investment, to reduce health care costs, to improve public infrastructure and to support the relocation and retraining of unemployed workers.

In pursuit of its fundamental trade policy objective, the United States follows a multi-track strategy of multilateral, regional and bilateral negotiations, and the effective enforcement of multilateral, regional and bilateral trade agreements. In accordance with this strategy, the United States in the past year assigned its highest priorities to:

- The successful completion of the Uruguay Round;
- The negotiation of supplemental agreements to the North American Free Trade Agreement and its approval by our Congress;
- The strengthening of the Asian Pacific Economic Cooperation organization (APEC); and
- The bilateral negotiation of improved access to the Japanese market under the so-called U.S.-Japan Framework Agreement.

The United States recognizes the important contribution that global growth of trade can make to global economic and political stability, in particular the successful implementation of political and economic reforms by economies in transition and newly emerging democracies. U.S. policy, therefore, assigns urgency to both the successful conclusion and implementation of the Uruguay Round, and to efforts to revive global growth through improved coordination of macroeconomic policies.

As noted above, central to the U.S. strategy has been the strengthening of the multilateral trading system in the Uruguay Round. The United States has negotiated in the Round to expand the rules to cover new areas of vital importance, such as intellectual property rights protection, services and investment in addition to working with participants to strengthen the GATT's existing rules.

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Equally important has been the effort to expand market access opportunities through the reduction and elimination of tariffs and nontariff barriers and a program of comprehensive multilateral reform for the agricultural sector.

The U.S. objective in negotiating NAFTA was to stimulate economic growth and job creation throughout North America through the removal of barriers to trade and investment in the region and through improved cooperation on a wide range of domestic policy measures that impact on trade and investment flows in the region. The priority U.S. negotiating objective in 1993 was to conclude supplemental agreements on environment and labor cooperation. When implemented on January 1, 1994, these agreements will lead to the establishment of cooperative efforts for improving the environment and improving working conditions for labor throughout North America. It would also commit all three nations to fair, open and equitable administrative and judicial processes for the enforcement of environmental and labor laws.

The U.S. views APEC as an important forum for regional trade and investment liberalization, policy development and practical measures to enhance the flow of goods, services, investment, technology and capital throughout the region. Fundamental to APEC is the maintenance of a strong multilateral system of GATT rules. To this end, the United States strongly supported the adoption of a Trade and Investment Framework at the 1993 APEC Ministerial in Seattle, Washington. Pursuant to the Framework, APEC countries adopted an active work program on trade and investment issues, which will lead to the identification of barriers to trade and investment flows in the region, and is expected to lead to future efforts to remove such barriers. In this connection, the United States welcomed the recommendations of the Eminent Person's Group regarding the establishment of a long-term vision for free trade and investment in the Pacific region and the adoption of steps that should be taken in pursuit of this goal over the near term. The United States will ensure that this effort is consistent with GATT rules.

The United States remains committed to enhancing its trade relationship with Latin America and the Caribbean. During the past decade, most countries in the region have moved decisively to restructure, streamline and reform their economies. Such reforms have produced tangible results. A priority objective of U.S. trade policy is to support these policy reforms. During the past year, the United States has consulted with virtually all of the countries in the region on the policies that affect our commercial relationship and have explored what further steps could be taken to expand mutually beneficial trade.

The Administration is in the process of examining its Latin American trade and investment policy in light of passage of the North American Free Trade Agreement (NAFTA). The NAFTA implementing legislation establishes some key dates for the Administration to provide the Congress indications of its future intentions on trade arrangements with the region, and in particular with which countries the United States should seek to negotiate free trade agreements, and the objectives for such agreements. While this provision is not limited to countries in Latin America and the Caribbean, President Clinton has stated that NAFTA's passage "can serve as a catalyst for the expansion of free trade to other market democracies throughout the hemisphere."

On July 10, 1993, the United States and Japan agreed to establish the U.S.-Japan Framework for a New Economic Partnership. This arrangement is consistent with GATT rules. The Framework will serve as a new mechanism of consultations for U.S.-Japan economic relations. The goals of the Framework are to increase market access for all foreign competitive goods and services in Japan, increase investment flows, improve competitiveness, and enhance U.S.-Japan economic cooperation.

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Over the medium term, Japan has agreed to significantly reduce its current account surplus and increase its global imports by promoting strong domestic demand-led growth and by increasing the market access of competitive foreign goods and services. The United States has agreed to substantially reduce its fiscal deficit, promote domestic savings, and strengthen its international competitiveness. Initial areas for negotiation include: government procurement; regulatory reform and competitiveness; the automotive industries; economic harmonization; and implementation of existing arrangements and measures. Benefits under the Framework will be on a Most Favored Nation basis. In addition, the United States and Japan will jointly pursue a common agenda for cooperation in global perspective, which will include the following initial areas for discussion: environment, technology, development of human resources, population issues and AIDS control and prevention.

The U.S. goal of bilateral negotiations under the U.S.-Japan framework has been to reduce structural barriers blocking access to the Japanese market to foreign exporters and investors, and to enhance bilateral cooperation between the United States and Japan on macroeconomic policy issues, as well as on a range of global issues, such as the environment. Bilateral discussions have focused primarily on business practices in the construction industry, on government procurement practices, on regulatory practices in financial services, on the impact of interlocking business relationships on market access in the automobile and automotive parts industry, and on impediments to trade in medical equipment.

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