Trade Facts

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Real Results

Leveling the Playing Field for American Workers and Farmers

> *"This Administration's trade enforcement strategy is simple: we are focused not on process, but on producing real results that create opportunities for American workers, farmers and companies."*
>
> *-- Robert B. Zoellick, U.S. Trade Representative*

Real Results With China

- **Semiconductors:** In July 2004, the U.S. and China reached an agreement to resolve a WTO dispute regarding China's tax refund policy for integrated circuits (semiconductors), a market worth $2 billion to American manufacturers and workers. The resolution will ensure non-discriminatory tax treatment for U.S. integrated circuits in China, the world's fastest growing semiconductor market. The U.S. had filed the first-ever WTO case against China in this dispute.

- **Problem-Solving at the JCCT:** At a recent meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT), the U.S. used leverage, serious discussions, and practical problem-solving to resolve seven potential WTO cases. This involved months of detailed work with Chinese officials in a host of ministries, culminating in an April 2004 meeting with Chinese Vice Premier Wu Yi. Issues resolved included:

  - **Wireless Internet Standards:** China announced a more open approach to developing next-generation wireless computing standards. It agreed to suspend indefinitely its proposed implementation of a unique Chinese standard (WAPI) as a mandatory wireless encryption standard.

  - **Third-Generation (3G) Mobile Phone Standards:** China agreed to support technology neutrality with respect to 3G wireless phone standards, and telecom service providers will be allowed to make their own choices.

  - **Intellectual Property:** China presented a detailed action plan to address the piracy and counterfeiting of American ideas and innovations, particularly through increased criminal penalties for violators.

  - **Trading Rights:** China agreed to implement its WTO trading rights obligations six months ahead of schedule, allowing U.S. firms to ship U.S. products to China without using local middlemen.

  - **Distribution Rights:** China agreed to provide distribution rights to U.S. companies by the end of 2004 and shared a draft of its implementing regulations, resolving concerns about full implementation of this important WTO commitment. This will allow U.S. firms to engage in wholesaling and retailing of U.S. products directly within China.

- **Express Delivery:** Preserved a growing market for U.S. express delivery service providers by securing China's abolition of regulations that would have protected Chinese providers by disadvantaging U.S. and other foreign providers.

- **Agricultural Biotechnology:** China agreed to implement new procedures and issue new product approvals for U.S. biotech soybeans, canola, and corn. Twelve U.S. biotech product approval requests have now been approved.

- **Soybeans and Cotton:** As a result of U.S. problem-solving efforts, China has corrected problems in its tariff-rate quota system for bulk agricultural commodities and has relaxed market constraints in soybeans and cotton trade. U.S. exports of soybeans reached an all-time high in 2003 of $2.9 billion and cotton exports were $733 million, up 431 percent over 2002.

- **Financial Services:** As a result of U.S. problem-solving efforts, China has reduced capital requirements for financial services and opened the auto financing sector to foreign competition.

- **Insurance:** China is in the process of changing its insurance regulations to make it easier for foreign insurance companies to do business there, as a result of U.S. pressure.

- **Textiles:** The U.S. exercised its rights to impose safeguards when import surges threaten U.S. production. In December 2003, Chinese imports of robes, bras, and knit fabric were limited under safeguards.

Real Results at the World Trade Organization (WTO)

- **Telecommunications (Mexico):** As a result of a U.S. case, a WTO dispute panel overruled Telmex's government-granted monopoly on negotiating rates to connect calls into Mexico. U.S. industry estimates more than $1 billion in excess payments since 2000 because of this practice, and should save hundreds of millions of dollars a year as a result of the victory.

- **Hogs (Mexico):** After Mexico unfairly imposed dumping duties on hogs, the U.S. took the issue to the WTO and Mexico fixed the problem.

- **Dairy (Canada):** The United States gained an important win against Canada in January 2003 when the WTO found that Canada was improperly subsidizing dairy exports. As a result, in May 2003, Canada committed to stop exporting subsidized dairy products to the United States and to significantly limit these exports to other countries.

The Administration's record in WTO cases involving the United States is 13 wins and 10 losses in three and a half years, a 56% success rate. From 1995-2000, the U.S. record was 18 wins and 15 losses, a 54% success rate.

- **Apples (Japan):** In December 2003, the United States won a major WTO case on Japan's import restrictions on U.S. apples. Japan had argued that the restrictions were needed to protect Japanese plants from disease, but U.S. scientific evidence showed the apples could not transmit the disease. The U.S. is following up with Japan and the WTO to ensure full compliance with the WTO decision.

- **Intellectual Property & Patents (Argentina):** As a result of WTO cases, the United States concluded an important settlement with Argentina in April 2002 that will ensure that its intellectual property system operates in a manner consistent with WTO obligations. Argentina also amended portions of its patent law that were inconsistent with international trade rules.

- **Autos (India):** The U.S. prevailed in its WTO challenge to India's restrictions on imports of U.S. auto parts.

- **Apparel (Egypt):** Following a U.S. challenge at the WTO on Egypt's high tariffs on apparel products, Egypt reduced the tariffs.

Real Results Pending at the WTO

- **High-Fructose Corn Syrup (Mexico):** Mexico imposes a 20 percent tax on beverages and syrups made with sweeteners other than cane sugar. The U.S. believes this tax discriminates against U.S. products such as high-fructose corn syrup. Bilateral negotiations did not resolve the matter, so the U.S. took its case to the WTO.

- **Agricultural Biotechnology (EU):** The EU has maintained a moratorium on new ag biotech products and some EU countries even ban imports of biotech products previously approved by the EU. After the Administration brought a WTO case to end the moratorium and lift the bans on approved products, the EU approved a biotech corn product. The Administration will, however, continue to pursue the case until the EU moratorium is lifted on all biotech products, and the national import bans are removed.

- **Geographical Indications (EU):** The EU discriminates against U.S. geographical indicators and trademarks, so the U.S. took the case to the WTO.

- **Wheat (Canada):** Canada discriminates against U.S. wheat exporters through a Canadian government-sanctioned monopoly, so the U.S. took a case to the WTO. The U.S. won a partial victory at the panel that is lending momentum to efforts to address this issue in the Doha WTO negotiations. The U.S. is also appealing other aspects of the panel's decision.

- **Beef and Rice (Mexico):** Mexico has used its antidumping laws as unfair barriers to U.S. farm products. The U.S. believes various procedures and methodologies Mexican authorities used in beef and rice antidumping investigations, as well as requirements of the Mexican legislation, violate the WTO.

Real Results Through Bilateral Problem-Solving

- **Telecom Standards (Korea):** Through bilateral discussions, USTR resolved a long-standing trade dispute that threatened to shut U.S. firms out of the Korean wireless telecom market. A Korean technical standard (WIPI) for downloading content from the Internet onto cellphones would have become the exclusive technology, shutting out competing U.S. systems. Korea has agreed to ensure that U.S. systems can continue to grow and operate in this important market.

- **Beef (Mexico):** After repeated interventions by USTR and USDA, Mexico announced it will lift restrictions on categories of U.S. beef exports that totaled $935 million in 2003. In another Mexican beef issue, a NAFTA dispute panel handed down a ruling that should pave the way for the removal of some anti-dumping duties on U.S. beef exports to Mexico.

- **Dyed Textiles (India):** In response to pressure from the U.S., India recently relaxed its requirement that imported textiles obtain a dye safety certification from an Indian laboratory.

- **Intellectual Property (Dominican Republic):** The U.S. settled ongoing IPR disputes with the Dominican Republic through leveraged efforts in connection with a bilateral free trade agreement. IPR problems regarding patents and copyrights were resolved, and the U.S. won commitments for improved enforcement against piracy and counterfeiting.

- **Almonds (India):** With a dubious scientific basis, India restricted U.S. almond exports in January 2004. Before the regulations could stifle $70 million of U.S. exports, the Administration convinced India to delay the regulation until June 2005, allowing time to work out a long-term solution that will not undermine U.S. farmers' second-most important export to India.

- **Investment Disputes & Child Labor (Colombia, Peru, Ecuador):** Using the leverage of pending FTA negotiations and the Andean Trade Preference Act, the U.S. was able to resolve five major investment disputes in these Andean nations valued at more than $100 million. In addition, the U.S. spurred action by the government of Ecuador to hire additional child labor inspectors and institute new police procedures for the protection of striking workers.