VI. TRADE POLICY DEVELOPMENT

A. Trade Capacity Building (TCB)

Trade Capacity Building (TCB) is a critical part of the United States' strategy to enable developing countries to negotiate and implement market-opening and reform-oriented trade agreements. Providing developing countries with the tools to maximize trade opportunities and improve the linkage between trade and development is critical to achieving broad-based reforms. Absolute poverty rates for globalizing countries have fallen sharply over the last 20 years. A 2004 study published by the Institute for International Economics found that trade barrier elimination in conjunction with related development policies would accelerate the decline in the number of people living in poverty over the next 15 years by an additional 500 million – greater than the entire population of the United States.

The United States is committed to assisting developing countries build up their capacity by providing aid for trade. Aid to build trade capacity is about giving countries, particularly the least-trade active, the opportunity to participate in negotiations, so that they can make decisions about the benefits of trade deals. The aid assists these countries in implementing their obligations to bring certainty to their trade regimes. The assistance also addresses broader transition issues, so rural areas, small businesses and women entrepreneurs benefit from ambitious reforms in trade rules that are being negotiated in the WTO and other trade agreements. The United States is the largest single contributor of aid for trade and, in 2005, pledged to double aid for trade funding by 2010.[59] Total U.S. funding for TCB activities in FY2006 was approximately $1.4 billion, more than double the level of FY2001. In 2006, TCB funding was distributed as follows:

- Asia: $173 million, for a total of $768 million since 2001
- Central and Eastern Europe: $49 million, for a total of $363 million since 2001
- Former Soviet Republics: $343 million, for a total of $741 million since 2001
- Latin America and Caribbean: $240 million, for a total of $1.3 billion since 2001
- Middle East and North Africa: $67 million, for a total of $944 million since 2001
- Sub-Saharan Africa: $394 million, for a total of $1.08 billion since 2001

The United States has been, and will continue to be, an active participant in the WTO's Aid for Trade Initiative, including the Integrated Framework, that aims to help the least trade-active countries participate in the global trading system. U.S. cumulative spending on TCB activities from 2001 to 2006 totaled over $5.6 billion.

Coherence. An important element of this work involves coordination with regard to technical assistance activities among international institutions such as the WTO, the World Bank, the IMF, the regional development banks, and other donors. The Administration's intention is to avoid duplication and to identify and take advantage of donor complementarities in programming. The United States will work in partnership with these institutions and with other donors to ensure that international financial institutions (IFIs) offer trade-related assistance as an integral component of development programs – including increasing awareness of existing mechanisms and programs – tailored to the circumstances within each developing country.

The United States' efforts build on its long-standing commitment to help all countries benefit from the global trading system, including through mechanisms such as the Integrated Framework and the

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[59] Subject to developing countries prioritizing trade in their development plans and approval of Presidential Budget requests.

Millennium Challenge Corporation; contributions to the WTO's Annual Trade-related Technical Assistance program, including the Doha Development Agenda's Global Trust Fund; assistance to countries acceding to the WTO; targeted assistance for developing countries participating in U.S. preference programs, such as the $200 million African Global Competitiveness Initiative helping Africa benefit from AGOA; TCB working groups that are integral elements of free trade negotiations; and Committees on TCB created to aid in the implementation of a number of FTAs, including the FTAs with the Dominican Republic and Central America, Colombia, Panama, and Peru. TCB assistance is helping countries work with the private sector and non-governmental organizations to transition to a more open economy, prepare for FTA and WTO negotiations and implement their trade obligations.

1. Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC), established by the United States in 2004, provides a significant source of bilateral assistance for trade capacity building efforts to eligible countries. The purpose of the MCC is to ensure that the President's vision of a new "global development compact" is implemented in a manner in which "greater contributions from developed countries [are] linked to greater responsibility from developing nations."

The U.S. Trade Representative is a member of the MCC's Board of Directors. By giving eligible countries the opportunity to identify their own priorities and develop their own proposals for reducing poverty and spurring economic growth, the MCC enables countries to address long-term development obstacles, including in the area of trade.

Since 2004, MCC programs are a significant component of U.S. contributions to TCB, channeling funds to low and lower middle income countries that demonstrate a strong commitment to investing in their people, ensuring political justice, encouraging economic freedom, and promoting sustainable natural resource management policies. In 2006, the MCC signed compacts with six nations: Armenia, Benin, El Salvador, Ghana, Mali and Vanuatu, which will fund approximately $2 billion in economic growth projects in the coming years, including significant TCB components. These compacts build on the five compacts signed before 2006.

A total of 25 countries have been deemed "eligible" for MCC assistance. In November 2006, the MCC Board announced that in FY2007, Jordan, Moldova, and Ukraine will be eligible to negotiate compacts for development assistance with the MCC and that Niger, Peru, and Rwanda are eligible to participate in the MCC's program designed to assist countries on the "threshold" of MCC eligibility for compact assistance. An additional 18 countries were previously selected for participation in the threshold program. The MCC is actively pursuing compacts with other eligible countries throughout the developing world.

2. The Integrated Framework

The Integrated Framework for Trade-related Assistance to Least-developed Countries (IF) is a multi-organization (including the WTO, World Bank, IMF, UNCTAD, UNDP, and the International Trade Centre), multi-donor program that operates as a coordination mechanism for trade-related assistance to least developed countries (LDCs) with the overall objective of integrating trade into national development plans. The mechanism incorporates a diagnostic assessment and action plan formulated by one of the international organizations and the country. The action plan, consisting of needs identified by the diagnostic assessment, is offered to multilateral and bilateral donors. Project design and implementation can be accomplished through the resources of the IF Trust Fund or multilateral or bilateral donor programs in the field (as the United States does through its development assistance programs). The IF is exclusively for the LDCs, with the goal of getting the least trade active more involved. Of the 50 LDCs, 39 are in the program.

Following discussions in the World Bank's Development Committee and the WTO, a process to enhance the IF was launched in early 2006. The United States was an active member of the Task Force created to guide this process and is an active participant in the implementation phase of this effort. The process focused on three elements to accelerate and improve the IF process: (1) increase resources for follow-up; (2) build the in-country capacity of countries to benefit from the IF; and (3) improve IF governance, including monitoring and dissemination of best practices.

The United States has contributed funds for the past few years to the Integrated Framework Trust Fund to finance Diagnostic Trade Integration Studies (DTIS). USAID's bilateral assistance to LDC participants supports initiatives both to integrate trade into national economic and development strategies and to address high priority "behind the border" capacity building needs designed to accelerate integration into the global trading system. The total FY2006 bilateral TCB assistance to the IF countries was $242 million. Many of these countries also benefit from part of the $129 million in regional assistance provided by USAID.

3. World Trade Organization-Related U.S. TCB

International trade can play a major role in the promotion of economic growth and the alleviation of poverty. The WTO's Doha Development Agenda (DDA) recognizes that TCB can facilitate the more effective integration of developing countries into the international trading system and enable them to benefit further from global trade. The United States provides leadership in promoting trade and economic growth in developing countries through comprehensive TCB programs. The United States directly supports the WTO's trade-related technical assistance.

Global Trust Fund: In April 2006, the U.S. Trade Representative announced that the United States would contribute approximately $1 million to the WTO for trade-related assistance for 2006. The latest contribution brought total U.S. contributions to the WTO Doha Development Agenda's Global Trust Fund to almost $6 million since the launch of negotiations.

Aid for Trade: The WTO's Hong Kong Declaration created a new WTO framework in which to discuss and prioritize aid for trade. In 2006, this framework created an Aid for Trade Task Force to operationalize aid for trade efforts and offer recommendations as to how to improve the efficacy and efficiency of these efforts among WTO Members and other international organizations. The United States continues to be an active partner in the aid for trade discussion.

WTO and Trade Facilitation: The United States spent $281 million in FY2006 on trade facilitation activities. In doing so, the United States has looked to support the WTO discussions by providing assistance to developing countries that seek help in responding to the regulatory proposals being made by members in the Negotiating Group on Trade Facilitation.

WTO Accession: The United States supports countries that have acceded or are in the process of acceding to the WTO. For example, in 2006, USAID and USDA provided WTO accession and implementation services to Vietnam, which became a WTO member on January 11, 2007. In 2006, the United States also provided WTO accession support to Iraq, Afghanistan, Cape Verde, Ethiopia, the Lao PDR, Ukraine, and a number of other countries in Eastern Europe and the former Soviet Union.

4. TCB Initiatives for Africa

The United States is aggressively funding programs and developing new initiatives at the multilateral and bilateral levels to address the specific needs of African countries with respect to reducing poverty and spurring economic growth. The United States has matched its trade initiatives with an equally strong commitment to provide assistance at the regional, sub-regional, and country levels.

African Global Competitiveness Initiative: In July 2005, the United States announced the African Global Competitiveness Initiative (AGCI) to build sub-Saharan Africa's capacity for trade and competitiveness. The AGCI is currently providing $200 million in funding over five years to: (1) expand African trade with the United States under the African Growth and Opportunity Act (AGOA) trade preference program, with other international trading partners and regionally within Africa; and (2) promote export competitiveness of sub-Saharan African countries. Specifically, AGCI is assisting with trade capacity development by supporting four regional USAID-funded Regional Hubs for Global Competitiveness – in Botswana, Kenya, Ghana and Senegal – as well as supporting USAID bilateral missions to help African countries diversify trade, remove key barriers to expanding growth, and thus maximize the benefits of greater participation in global markets. For example, the trade hubs in Ghana and Senegal have made recent progress in aiding in the creation and expansion of export markets for African seafood, cashews, and shea butter. In East Africa, the trade hub is expanding export markets for African produced home décor and leather goods. In South Africa, the trade hub is expanding the regional agricultural trade in melons.

African Growth and Opportunity Act (AGOA): AGOA, enacted in 2000, is a U.S. trade preference program that is reducing barriers to trade, increasing exports, creating jobs and expanding opportunity for Africans. Under AGOA, eligible countries can export most of their products to the United States duty-free. Since the implementation of AGOA, two-way trade with sub-Saharan Africa has increased 115 percent. (See the Africa Chapter for more information on AGOA.)

Trade capacity building is an important element of AGOA implementation. As a result, TCB funding for Sub-Saharan Africa reached $394 million in FY2006, an increase of 95 percent over FY2005. Several U.S. agencies – including USAID, Homeland Security's Customs and Border Protection, and the Departments of State, Agriculture, and Commerce – have conducted technical assistance and outreach programs designed to assist beneficiary countries to maximize their AGOA benefits. AGOA implementation is a major focus of the four regional trade hubs cited above. For example, Animal and Plant Health Inspection Service (APHIS) experts have been posted to each of the hubs to assist African countries in meeting U.S. food safety standards. The trade hubs also conduct seminars and workshops designed to help African businesses make the most of AGOA's trade opportunities.

Comprehensive Africa Agriculture Development Program (CAADP): CAADP is a New Partnership for Africa's Development (NEPAD) program in which African Heads of State agreed to achieve and sustain a 6 percent annual agricultural growth rate. The United States committed in September 2005 that USAID, as part of the Presidential Initiative to End Hunger in Africa, will program approximately $200 million in fiscal year 2006 for the first year of a five-year effort from 2006 to 2010 to support African leaders' implementation of the CAADP. USAID expects similar commitments over each of the next four years. USAID works with governments, NGOs, and the private sector to expand alliances in grains, cocoa, coffee, cotton, horticulture, dairy, cassava, and other priority commodity food systems. Among other things, the framework, and efforts to support it, directly enhances Africa's ability to benefit and participate in global trade and world trade agreements in agriculture. In November 2006, representatives of development agencies from the major donor countries met in Geneva to coordinate their aid efforts under the CAADP framework.

Assistance to West African Cotton Producers: In 2006, the United States continued to fully mobilize its development agencies to address the obstacles faced by West African countries — particularly Benin, Burkina Faso, Chad, Mali and Senegal — in the cotton sector. The MCC, USAID, USDA, and the United States Trade and Development Agency (USTDA) all continued work on a coherent long-term development program based on the priorities of the West Africans. The United States will continue to coordinate with the WTO, World Bank, the African Development Bank, and others as part of the multilateral effort to address the development aspects of cotton. This includes active participation in the WTO Secretariat's monthly meetings with donors and recipient countries to discuss the development aspects of cotton.

In October 2006, the U.S. Trade Representative, the Secretary of Agriculture, and other senior Administration officials met with trade ministers from Benin, Burkina Faso, Chad, and Mali to discuss trade-related issues, including cotton. In addressing the ministers, Ambassador Schwab stated, "We believe a multilateral agreement to open markets, coupled with technical assistance, will provide concrete benefits for African cotton producers and directly address their biggest problems."

In 2006, the United States undertook a number of activities to support the West African cotton industry:

- In January 2006, USAID and USDA officials met with representatives from Benin, Chad, Mali, and Senegal, and a number of West Africa regional organizations in Benin to identify and coordinate country-specific and regional activities relating to cotton for implementation under West Africa Cotton Improvement Program (WACIP).

- In June 2006, the United States announced a significant increase in funding for the WACIP. The WACIP was launched in November 2005 with initial funding of $7 million. The June announcement increased total funding to $27 million over the three year life of the program. The program is aimed at helping to improve the production and marketing of cotton in five countries: Benin, Burkina Faso, Chad, Mali, and Senegal. The WACIP is designed to help achieve the following objectives: (1) reduce soil degradation and expand the use of good agricultural practices; (2) strengthen private agricultural organizations; (3) establish a West African regional training program for ginners; (4) improve the quality of West African cotton through better classification of seed cotton and lint; (5) improve linkages between U.S. and West African research organizations involved with cotton; (6) improve the enabling environment for agricultural biotechnology; and (7) assist with policy/institutional reform.

- On August 1, 2006, the provision of the Deficit Reduction Omnibus Reconciliation Act of 2005, which repealed the "Step 2" cotton program, went into effect, thereby terminating U.S. export subsidies and import substitution subsidies on cotton.

- The U.S. provided critical leadership on a landmark debt relief package of $6 billion for Benin, Burkina Faso, Mali, and Senegal. Effective July 2006, as part of the Multilateral Debt Relief Initiative (MDRI), these countries (along with other Heavily Indebted Poor Countries) received 100 percent cancellation of outstanding obligations to the World Bank's International Development Association (IDA).

- In 2006, the MCC signed compacts with Benin and Mali representing over $750 million in development assistance to be distributed in the coming years, much of which is allocated to agricultural and infrastructure investment. Burkina Faso and Senegal are eligible to enter into MCC compacts and both are in the process of proposing projects to the MCC.

- In the autumn of 2006, USAID/West Africa signed a cooperative agreement with a consortium of agriculture development organizations to implement the enhanced WACIP. Implementation, including consultation with stakeholders, began in January 2007.

5. Free Trade Agreement Negotiations

Although the WTO programs and the IF are priorities, they are only part of the U.S. TCB effort. In order to help our FTA partners participate in negotiations, implement the rules, and benefit over the long-term, USTR has created TCB working groups in free trade negotiations with developing countries and committees on TCB to prioritize and coordinate TCB activities during the transition and implementation periods. USAID, its field missions, and a number of other U.S. Government assistance providers actively participate in these working groups and committees so that the TCB needs identified can be quickly and efficiently incorporated into ongoing regional and country assistance programs. The Committees on TCB also invite non-government organizations, representatives from the private sector, and international institutions to join in building the trade capacity of the countries in each region. Trade capacity building is a fundamental feature of bilateral cooperation in support of the completed Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), our signed free trade agreements with Colombia and Peru and the recently concluded free trade agreement with Panama.

a. Dominican Republic-Central America Free Trade Agreement

In 2006, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) went into effect in all countries except the Dominican Republic and Costa Rica. During CAFTA-DR negotiations, the United States and other international institutions worked with the Central American countries through the CAFTA-DR TCB Working Group to address trade capacity issues, such as rural diversification programs for agricultural products (e.g., coffee), market linkages for goods and services, food industry development, strengthening of labor and customs systems, and combating exploitive child labor. In order to create a mechanism to continue the productive work of the TCB working group during implementation, the CAFTA-DR agreement included a provision which creates a Committee on TCB to build on the progress made during negotiations. The Committee on TCB held its first meeting in February of 2007 in Guatemala City, Guatemala and plans to hold another later in the year in Washington, D.C. The United States provided over $100 million in TCB assistance through bilateral and regional assistance programs to the CAFTA-DR countries in FY2006 and plans to provide more than $850 million in assistance through compacts signed with the MCC, much of it devoted to TCB projects in El Salvador, Honduras, and Nicaragua.

b. Colombia and Peru Trade Promotion Agreements

During free trade negotiations with the Andean countries, a working group on Trade Capacity Building, which included the Inter-American Development Bank (IDB), the World Bank (WB), the Andean Regional Development Bank, the OAS, and ECLAC, addressed a broad range of economic assistance issues, including programs to aid small and medium enterprises, rural farmers, food safety inspectors, and customs officials. These programs are intended to help the countries to implement the obligations of the agreement and to more broadly benefit from the opportunities created by the free trade agreement. The United States provided $107.6 million in TCB assistance to the Andean countries in FY2006, up from $95.2 million in FY2005.

In April 2006, the United States and Peru signed a comprehensive free trade agreement—the United States-Peru Trade Promotion Agreement (PTPA). The PTPA includes a provision that creates a Committee on TCB to build on work done during the negotiations by the TCB working group, which included further refining and implementing Peru's national TCB strategy and fostering critical assistance in promoting economic growth, reducing poverty, and adjusting to liberalized trade.

In November 2006, the United States and Colombia signed a comprehensive free trade agreement—The United States-Colombia Trade Promotion Agreement (CTPA). As with the PTPA, the CTPA also includes the creation of a Committee on TCB to build upon the progress made by the TCB working group on economic assistance and poverty alleviation.

c. Panama Trade Promotion Agreement

As with the agreements with Central America, the Dominican Republic, Peru, and Columbia, the United States-Panama Trade Promotion Agreement creates a trade capacity building committee which will aid Panama in the implementation of its obligations and allow it to more broadly benefit from the opportunities created by the free trade agreement.

B. Congressional Affairs

In 2006, USTR worked closely with the 109th Congress to move forward the President's bilateral, regional and multilateral trade agenda. Consistent with the Bipartisan Trade Promotion Authority Act of 2002, USTR held meaningful consultations before and after each round of negotiations. These consultations provided the Administration with valuable advice on agreements that were concluded and approved by the Congress in 2006.

The Congress passed with bipartisan support and the President signed into law the U.S.-Oman Free Trade Agreement in September 2006. In addition, in 2006, USTR worked with the Congress to pass legislation enabling permanent normal trade relations with Ukraine and Vietnam. The latter was approved by the U.S. Congress and signed into law in December 2006.

USTR also worked closely with Congress on the successful conclusion of negotiations on agreements with Peru, Colombia, and Panama. The Peru Trade Promotion Agreement was signed in April 2006 and awaits Congressional consideration. The United States and Colombia signed the Colombia Trade Promotion Agreement on November 22, 2006. Negotiations with Panama were concluded in late December 2006.

USTR continued its consultations with the Congress with respect to negotiations with Malaysia, Korea, Ecuador, Thailand, the United Arab Emirates (UAE), the Southern African Customs Union (SACU) and the Free Trade Area of the Americas (FTAA).

In addition to free trade agreements, USTR maintained an ongoing dialogue with the Congress on multilateral initiatives in 2006. USTR consulted with the Congress on the WTO Doha Development Round and on legislation intended to bring United States into compliance with WTO rulings. USTR also worked with Congress to reauthorize several important trade preference programs such as the Generalized System of Preferences, the African Growth and Opportunity program, and the Andean Trade Preference Act.

C. 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.

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 negotiating objectives adequately reflect U.S. public and private sector interests. The advisory committee system consists of 27 advisory committees, with a total membership of approximately 700 advisors. It is managed by IAPL, in cooperation with other agencies including the Departments of Agriculture, Commerce, Labor, and the Environmental Protection Agency.

IAPL also has been designated as the NAFTA and WTO State Coordinator. As such, the office serves as the liaison to state points of contact, and state and local government officials, on information regarding the U.S. trade agenda, the implementation of the NAFTA and the WTO, bilateral free trade agreements (FTAs), and other trade issues of interest.

Finally, IAPL coordinates USTR's outreach to the public and private sector through public briefings, notification of USTR *Federal Register* Notices soliciting written comments from the public and holding of Trade Policy Staff Committee (TPSC) public hearings, consulting with and briefing interested constituencies, speaking at conferences and meetings around the country, 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 27 advisory committees. Currently, there are approximately 700 advisors and membership can grow to a total of up to 1,000 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. In 2004, the number of industry committees at the technical level was streamlined and consolidated to better reflect the composition of the U.S. economy, in response to recommendations by the U.S. Government Accountability Office (GAO).

The system is arranged in three tiers: the President's Advisory Committee for Trade Policy and Negotiations (ACTPN); four policy advisory committees dealing with environment, labor, agriculture, and intergovernmental issues; and 22 technical and sectoral advisory committees in the areas of industry and agriculture. Additional information on the advisory committee 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 maintains an ongoing dialogue with interested private sector parties on trade agenda issues. The advisory committee system is unique 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.

Recently, USTR introduced a significant improvement to facilitate the work of the advisory committees, by creating a secure encrypted advisors' website with password protection. Confidential draft texts of FTA agreements were posted to the secure website on an ongoing basis to allow advisors to provide comments to U.S. officials in a timely fashion during the course of negotiations. This has enhanced the quality and quantity of input from cleared advisors, especially from those advisors who reside outside of Washington, DC.

USTR has introduced additional procedural innovations to improve the operation of the advisory committee system. This includes a single monthly advisory committee teleconference call with the "Chairs" for all 27 committees. This keeps "Chairs" appraised of ongoing developments and important dates on the trade negotiations calendar, which, in turn, facilitates greater transparency for all advisors.

Additionally, USTR and the Departments of Commerce and Agriculture convene periodic plenary sessions of the industry trade advisory committees, and the agricultural technical committees, respectively, in order to make more efficient use of negotiators' time with the committees and allow the further exchange of ideas among committees.

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

The ACTPN consists of up to 45 members who are broadly representative of the key economic sectors affected by trade. The President appoints ACTPN members for two-year renewable terms. 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 four policy advisory committees are appointed by the USTR alone or in conjunction with other Cabinet officers. The Intergovernmental Policy Advisory Committee (IGPAC) is appointed and managed solely by USTR. Those policy advisory committees managed jointly with the Departments of Agriculture, Labor, and the Environmental Protection Agency are, respectively, the Agricultural Policy Advisory Committee (APAC), Labor Advisory Committee (LAC), 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. Technical and Sectoral Committees

At the third tier, the 22 technical and sectoral advisory committees are organized into 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 and provides specific technical advice concerning the effect that trade policy decisions may have on its sector or issue.

There are six agricultural technical committees (ATACs) co-chaired by USTR and Agriculture. There are sixteen industry trade advisory committees (ITACs), which reflect a streamlined and consolidated structure instituted in 2004.

The restructuring was consistent with recommendations in a U.S. Government Accountability Office Report, "International Trade: Advisory Committee System Should be Upgraded to Better Serve U.S. Policy Needs" (GAO 02-876), and reflects the commitment of USTR, Commerce, USDA, Labor and EPA to improve the trade advisory committee system.

2. State and Local Government Relations

With the passage of the NAFTA Implementation Act in 1993 and the Uruguay Round Agreements Act in 1994, 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. U.S. territories may also participate in this process. IAPL also serves as a liaison point in the Executive Branch for state and local government 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, pursuant to the NAFTA and Uruguay Round implementing legislation and Statements of Administrative Action, USTR created a State Single Point of Contact (SPOC) system. The Governor's office in each State designates a single contact point 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 may affect them. SPOCs regularly receive USTR press releases, *Federal Register* notices, and other pertinent information. In 2006, USTR introduced a regular monthly conference call for SPOCs and members of the Intergovernmental Policy Advisory Committee (see below) to keep state and local governments apprised of timely trade developments of interest.

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 four policy advisory committees discussed above. The IGPAC is comprised of representatives from all three branches of government and associations. Appointed on a bipartisan basis, the committee makes recommendations to the USTR and the Administration on trade policy matters from the perspective of state and local governments. USTR has sought to augment IGPAC's membership and expertise in order to receive timely advice on technical aspects of trade agreements. In 2006, IGPAC was briefed and consulted on trade priorities of interest to states and localities, including: voluntary government procurement commitments and reciprocity in trade agreements, ongoing negotiations in the WTO Doha Development Agenda with respect to the General Agreement on Trade in Services (GATS) and other matters, and bilateral FTA negotiations. IGPAC members were also invited to participate in monthly teleconference call briefings along with State Points of Contact.

c. Meetings of State and Local Associations and Local Chambers of Commerce

USTR officials participate frequently in meetings of state and local government associations to apprise them of relevant trade policy issues and solicit their views. For example, in 2006, USTR officials met with the National Governors' Association, Council of State Governments, National Conference of State Legislatures, Conference of Chief Justices of state supreme courts and others. USTR officials also addressed gatherings of state and local officials, as well as local and regional chambers of commerce around the country.

d. Consultations Regarding Specific Trade Issues

USTR initiates consultations with particular states and localities on issues arising under the WTO and other U.S. trade agreements, and frequently responds to requests for information from state and local governments. Topics of interest included the WTO Government Procurement Agreement (GPA), WTO General Agreement on Trade in Services (GATS) issues, FTA negotiations, NAFTA investment issues and others. On the issue of voluntary coverage of state government procurement under the GPA and FTAs, USTR consults extensively with governors' offices and other state officials. USTR also prepares periodic facts sheets to explain the benefits and specific provisions of trade agreements.

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.

a. 2006 Outreach Efforts

The 2006 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. World Trade Organization

Throughout 2006, USTR continued to solicit advice from cleared advisors, business and agriculture sectors, state governments and other domestic stakeholders and the general public regarding U.S. objectives for the Doha Development Agenda in areas such as agriculture, non-agriculture market access and services. USTR also conducted outreach and consultations with advisors and domestic stakeholders on WTO accession negotiations for Vietnam and Russia, for example. USTR developed timely WTO Fact Sheets for posting to the public website and disseminated these broadly to interested parties.

ii. Bilateral Trade Agreements

In 2006, USTR briefed and facilitated consultations with advisory committees and other stakeholders on free trade agreement negotiations, such as Korea, Malaysia, Thailand, Colombia, Peru, Panama, Oman, and UAE. This included advisory committee meetings, teleconference briefings on the progress of negotiations, issuing public fact sheets, and making materials widely available on the USTR website. Advisory committee reports on concluded FTAs, as required under the Trade Act of 2002, were delivered to the President, USTR, and Congress, and made public on USTR's website well in advance of congressional consideration of the FTAs to enable informed public discussion.

iii. Monitoring and Compliance Activities

USTR briefed and facilitated consultations with advisors, state officials and other stakeholders on trade disputes such as the WTO civil aircraft subsidies case, the EU biotechnology case, China's treatment of U.S. automotive parts, the Canada softwood lumber dispute, the Antigua and Barbuda internet gaming services case and other items. Other issues of interest to advisors and domestic groups included USTR's Top to Bottom Review of US-China Trade Relations and report entitled " U.S.-China Trade Relations:

Entering a New Phase of Greater Accountability and Enforcement," the first comprehensive statement of U.S. trade policy towards China since it joined the WTO in 2001.

iv. Public Trade Education

USTR continues its efforts to promote and educate the public on trade issues. USTR has participated in educational efforts regarding U.S. trade activities and their benefits through speeches, publications and briefings. In 2006, USTR continued its fact sheet and e-mail service, called Trade Facts, to update interested parties on important U.S. trade initiatives and explain the benefits and provisions of trade agreements. This service provides USTR press releases, fact sheets, and background information to advisors and to the general public. USTR's Internet homepage also serves as a vehicle to communicate to the public. During 2006, USTR initiated a bimonthly electronic newsletter, Trade Talk, to provide regular and timely trade agenda updates to advisors, state and local governments, other stakeholders and the public. Subscription to the newsletter is free and interested parties may subscribe at www.ustr.gov.

D. Policy Coordination

The U.S. Trade Representative has primary responsibility, with the advice of the interagency trade policy organization, for developing and coordinating the implementation of the U.S. trade policy, including on commodity matters and to the extent they are related to trade, direct investment matters. Under the Trade Expansion Act of 1962, the Congress 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 80 subcommittees responsible for specialized issues. The TPSC regularly seeks advice from the public on its policy decisions and negotiations through *Federal Register* notices and public hearings. In 2006, the TPSC held public hearings on: the United States-Korea Free Trade Agreement (March 14, 2006); the United States-Malaysia Free Trade Agreement (May 3, 2006); and China's Compliance with WTO Commitments (September 28, 2006). The transcripts of these hearings are available in USTR's Reading Room.

Through the interagency process, USTR requests input and analysis from members of the appropriate TPSC subcommittee or task force. The 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 referred to the TPRG (Deputy USTR/Under Secretary level).

Member agencies of the TPSC and the TPRG consist of the Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, Energy, Health and Human Services, and Homeland Security, 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 U.S. 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.