



CALIFORNIA COUNCIL FOR INTERNATIONAL TRADE

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January / February, 1995

Early Returns Post Uruguay Round: Section 301 Remains Alive & Kicking

By Harry B. Endsley*

During the Uruguay Round negotiations, U.S. negotiators took considerable pains to ensure that U.S. laws dealing with foreign unfair trade practices, including Section 301 of the Trade Act of 1974, would remain fully effective. That section, from the time of its enactment, has been the principal U.S. statute for addressing foreign unfair practices that adversely affect U.S. exports of goods and services.

Since the Uruguay Round was concluded on April 15th of last year, the Clinton Administration has indicated strongly that it intends to use Section 301 to vigorously pursue foreign unfair trade barriers that violate U.S. rights or deny benefits to the U.S. under the Uruguay Round agreements as well as to pursue foreign unfair trade barriers that are not covered by those agreements. Indeed, the

Section 301 will be even more effective than it has been in the past in addressing foreign unfair trade barriers.

Administration has stated that it expects that as a result of the Uruguay Round agreements in general, and the Dispute Settlement Under-

standing in particular, Section 301 will be even more effective than it has been in the past in addressing foreign unfair trade barriers.

Defending countries will, for example, no longer be able to block adoption of adverse panel reports. Moreover, countries that bring successful challenges at the WTO level will be authorized to withdraw Uruguay Round trade benefits from the offending country if, after a reasonable period following adoption of the panel report, the matter cannot be settled in a mutually satisfactory manner.

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Contract With America Targets Key Trade Programs

The Contract With America targets key federal programs that support U.S. exporters, including EximBank, OPIC and ITA for sharp spending cuts. These cuts are described as possible offsets rather than firm strategies, but the programs are clearly under close scrutiny.

EximBank has been targeted by the Contract for budget cuts, specifically \$1.38 billion over five years. A House Budget Committee staff report called for completely eliminating the trade promotion activities of the International Trade Administration (ITA).

In the House, Budget Committee Chairman John Kasich has advocated cutting back the EximBank and the Commerce Department. Banking and Ap-

ropriations Committee Chairs Jim Leach and Bob Livingston are internationally-minded supporters of EximBank and other export programs.

On the Senate side, Foreign Relations Committee Chair Jesse Helms is likely to seek large cutbacks in foreign aid, but would support export programs by shifting aid funds to EximBank and OPIC.

The major challenge to international business people will be to educate over eighty new members of the House about the importance of international trade and investment to our economy and of the role that these programs play in supporting California companies.



Jack Valenti, President of the Motion Picture Association of America, (MPAA)

Valenti to Speak on International IPR Issues

Jack Valenti will address CCIT's Annual General Meeting on protecting America's intellectual property rights. The MPAA has been an active proponent of international market access and intellectual property protection.

The trade community's attention has been riveted on the Administration's negotiations with China on the piracy of intellectual property. However, the U.S. has disputes with a number of other countries in a wide variety of industry sectors. Handling these conflicts will dominate much of the USTR's attention this year.

Governor's Budget Calls for \$5.8 Million Increase to Promote Trade & Investment

Governor Wilson's budget for fiscal year 1995 - 1996 calls for an augmentation of \$5.8 million and 62 positions to promote exports, generate foreign investment and promote tourism. Two million and 21 positions would be used to expand staff in the seven existing overseas offices and one million would be used to establish additional foreign offices.

The Trade and Commerce Agency is seeking comment from members of the international business community regarding criteria for location of new offices. You may fax your comments to Mrs. Brenda Lopes, Acting Deputy Secretary, California Trade and Commerce Agency

@ (916) 324-5791.

Section 301 Alive and Kicking...

Thus, if a violation persists, the U.S. will be automatically entitled to take action under Section 301.

Recent events strongly suggest that the Administration remains firm in the pursuit of these goals, and that Section 301 will continue to be a key component of the U.S. trade remedy arsenal.

Country Music Television (Canada)

On February 6th, the USTR announced that he had accepted the petition of Country Music Television, a country music cable service, and initiated a Section 301 investigation of certain practices of the Canadian Radio-Television Telecommunications Commission, whose practices deny market access to foreign-owned television programming services determined to be directly competitive with Canadian-owned services. CMT had served the Canadian market for the past ten years, but its license was terminated on January 1, 1995 when a Canadian-owned service became available.

Intellectual Property Rights

On February 4th, the USTR ordered the imposition of 100% tariffs on \$1.08 billion of imports of Chinese products into the U.S. because of China's serious failure to protect and enforce the intellectual property rights of U.S. companies. This action represents the largest retaliation ever taken by the U.S. government and addresses wide-scale theft of IPR in computer software, pharmaceuticals, agricultural and chemical products, audiovisual works, books and periodicals, and trademarks.

Of particular concern to the USTR was the fact that third-country markets are now being affected, due to the continuing operation of Chinese factories that mass-produce pirated products for export. The USTR noted that piracy of computer software runs as high as 94% in China, and that piracy of U.S. CDs, laser discs, cassette tapes, books, video games, etc., is close to 100% in many parts of China. There are 29 CD and LD factories in China having a production capacity of 75 million CDs for a domestic market that can absorb only 5 million CDs annually.

Bananas (EU)

On October 17th, the USTR initiated an investigation against the current version of the EU's "banana regime." Having previously blocked two GATT panel reports, the EU and four of the five Latin American governments that had brought the original GATT complaints reached a "Framework Agreement on Bananas" in the spring of last year. This Agreement authorizes the four Latin American signatories to require export certificates for bananas, effectively making the possession of such certificates a prerequisite for the issuance by the EU of licenses to U.S. firms. In addition, the USTR found that the Agreement did not address certain other adverse and unfair features of the EU banana regime, including tariff preferences and quotas.

**Harry Endsley is an international trade attorney in San Francisco. He is serving as a NAFTA dispute resolution panelist.*

Thank you Renewing Members

CCIT would like to express its appreciation to the following members who have demonstrated their commitment to expanding opportunities for international trade and investment by renewing their membership in CCIT.

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Otis McAllister, Inc.
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Rabobank Nederland
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Individuals

Stuart Benson
Michael Comstock
Robert Gomperts
Fred Greguras
Bishara Lawrence
Scott Morse
Erwin Rautenberg
Ted L. Rausch
Jerome Siebert

Senator	R/D		Voice	Fax	Trade LA
Boxer, Barbara	D		224-3553	415-956-6701	
Feinstein, Dianne	D		224-3841	228-3954	
Representative	R/D	Dist.	Voice	Fax	Trade LA
Baker, Bill	R	10	225-1880	not disclosed	Chris Carter
Becerra, Xavier	D	30	225-6235	225-2202	David Kim
Beilenson, Anthony C.	D	24	225-0092	225-5911	Jim Pickup
Berman, Howard L.	D	26	225-4695	225-5279	Bary Schwartz
Bilbray, Brian	R	49	225-2040	225-2948	Greg Stein
Bono, Sonny	R	44	225-5330	225-2961	Kirk Hochman
Brown, George E. Jr	D	42	225-6161	225-8671	Dena DuBofe
Calvert, Ken	R	43	225-1986	225-2004	Nelson Garcia
Condit, Gary	D	18	225-6131	225-0819	Ken Gendal
Cox, Christopher	R	47	225-5611	225-9177	David Sacks
Cunningham, Randy (Duke)	D	51	225-5452	225-2558	Clare Cleary
Dellums, Ronald V	D	9	225-2661	not disclosed	Yng Lee
Dixon, Julian C.	D	32	225-7084	225-4091	Gwen Brown
Dooley, Calvin	D	20	225-3341	225-9308	Emily Beazer
Doolittle, John T.	R	4	225-2511	225-5444	Kevin Ring
Dornan, Robert K. (Bob)	R	46	225-2956	225-7834	Jerry Schloman
Dreier, David	R	28	225-2305	225-7018	Brian Bieron
Eshoo, Anne	D	14	225-8104	225-8890	Lance Scott
Farr, Sam	D	17	225-2861	225-6791	Dave Borden
Fazio, Victor H. (Vic)	D	3	225-5716	not disclosed	Tim Gerry
Filner, Bob	D	50	225-8045	225-9073	Emile Newmann
Gallegly, Elton	R	23	225-5811	225-1100	Lisa Boepple
Harman, Jane	D	36	225-8220	226-0684	Joan Theisen
Herger, Wally	R	2	225-3076	not disclosed	Kim Urban
Horn, Steve	R	38	225-6676	226-1012	Dough Johnson
Hunter, Duncan L.	R	52	225-5672	225-0235	Mat Simmons
Kim, Jay	R	41	225-3201	not disclosed	Brian Teedler
Lantos, Tom	D	12	225-3531	225-7900	Chris Walker
Lewis, Jerry	R	40	225-5861	225-6498	Jeff Shockey
Lofgren, Zoe	D	16	225-3072	225-3336	N/A
Martinez, Matthew G.	D	31	225-5464	225-5467	Alex Nock
Matsui, Robert T.	D	5	225-7163	225-0566	Cynthia Johnson
McKeon, Howard "Buck"	R	25	225-1956	226-0683	Lauren Coberly
Miller, George	D	7	225-2095	225-5609	Iilir Zhirka
Mineta, Norman Y.	D	15	225-2631	not disclosed	Frank Pacaelli
Moorhead, Carlos J.	R	27	225-4176	226-1279	Jorgensen
Packard, Ronald C.	R	48	225-3906	225-0134	Linda Toy
Pelosi, Nancy	D	8	225-4965	225-8259	Carolin Bargholomey
Pombo, Richard W.	R	11	225-1947	226-0861	Christopher D'Arcy
Radanovich, George	D	19	225-4540	225-3402	N/A
Riggs, Frank	R	1	225-3311	225-3403	Hartley Etheridge
Rohrbacher, Dana	R	45	225-2415	225-0140	Dale Neugebauer
Roybal-Allard	D	33	225-1766	not disclosed	Kathleen Sengstock
Royce, Edward	R	39	225-4111	226-0335	Thor Ronay
Seastrand, Andrea	R	22	225-3601	2253426	John Schilling
Stark, Fortney H. (Pete)	D	13	225-5065	not disclosed	Bill Vaugan
Thomas, William M.	R	21	225-2915	225-2908	Bob Winter
Torres, Esteban Edward	D	34	225-5256	225-5910	Mack Maroni
Tucker, Walter R.	D	37	225-7924	225-7926	Bob Sakaniwa
Waters, Maxine	D	35	225-2201	225-7854	Ben Zarello
Waxman, Henry A.	D	29	225-3976	225-4099	Patricia Delagal
Woolsey, Lynn	D	6	225-5161	225-5163	Vince Chhabria

CCIT Public Policy Summary

Stephanie Broerman*

Following is a summary of trade policy issues that CCIT's Public Policy Committee has identified as priority issues for monitoring during 1995. Please advise should you feel we might assist you with these or any other trade issues.

Harbor Maintenance Fee

This fee was instituted in 1987 at .04% (.125% since 1991) of the value of cargo loaded on or unloaded from commercial vessels at ports subject to the fee. These funds are collected by Customs on behalf of the Army Corps of Engineers and are intended for the preservation, improvement and maintenance of U.S. channels and harbors. However, this fee disproportionately impacts small exporters who operate on a narrow profit margin. Opponents of the HMF charge that it is an unconstitutional tax on exports.

NAFTA Extension/CBI Parity

The fear of losing competitive access to the United States market has prompted several South and Central American countries, following Chile's lead, to seek accession to NAFTA. CBI countries seek parity with NAFTA countries in their market access.

Fast Track

Existing fast-track authority expired with Congressional approval of GATT implementing legislation. Fast-track limits Congressional debate and restricts revision of trade agreements signed by the President. The partisan shift in both Houses leaves passage of fast-track in 1995 uncertain.

General System of Preferences (GSP)

GSP is intended to provide LDCs with an alternative to Import Substitution Industrialization and to encourage economic development and political stability. GSP may be appropriate for several countries in the Middle East, especially the newly created homeland for Palestinians,

and for countries of the former Warsaw Pact.

Mexican Peso Crisis

President Clinton's aid package to Mexico has helped mitigate the current financial crisis and restore confidence in neighboring Latin American economies. The crisis has raised several concerns, including: 1) encouraging other developing nations to follow fiscally irresponsible policies; 2) a potential decrease of foreign investment in developing countries; 3) reconsideration of the NAFTA and its impact by protectionist Congress members.

China IPR & MFN

Despite last-minute negotiations which narrowly avoided a trade war, the extent of China's ability and willingness to address the widespread problem of piracy is still undetermined. Nevertheless, the Administration's decision to separate human rights and trade issues, as well as the new Republican majority in Congress, should allow China's MFN status to remain unchallenged.

World Trade Organization (WTO)

The WTO will institutionalize the current voluntary system of free trade under the GATT by replacing bilateral negotiations with a panel system to adjudicate trade disputes. The WTO will also create a permanent body to form agreements on tariff and non-tariff barriers to trade.

Japan

The U.S. trade deficit with Japan is still at a record high, despite a lower dollar exchange rate. Trade relations are strained as a result of U.S. threats to retaliate against unfair trade policies and demands for ex-

port thresholds. The situation is further complicated by a severe recession and an uncertain political climate in Japan.

APEC

APEC members have agreed to lower trade barriers among Asian/Pacific rim trading partners. This multilateral forum seeks to harmonize customs procedures as well as address the impact of new communications technologies on international trade.

Cuba Embargo

Despite U.N. disapproval, the U.S. has not renewed trade relations with Cuba. Since the collapse of the Soviet Union, the embargo has lost its strategic justification. Opposition to the embargo is increasing in both Republican and Democratic parties. **Commonwealth of Independent States (CIS)**

Several states in the Commonwealth are discussing closer economic ties with Russia. Although some states in the CIS remain politically unstable, opportunities for foreign investors will continue to increase, while aid from the U.S. becomes more difficult to authorize.

Trade and the Environment

Environmental groups, with a few exceptions, opposed the GATT and NAFTA agreements; some contend that these agreements will be used to breach federal and state environment law. However, the GATT stipulates that domestic environmental regulations violate the treaty only if their primary objective is to restrict or eliminate foreign competition.

*Stephanie Broermanis
CCIT's Administrator

Welcome New Members

CCIT would like to welcome the following new members and thank them for their commitment to the advancement of free trade among the world's nations.

Corporate Level

Synopsys, Inc.
Mountain View

Business Level

Commercial Bank
San Francisco
Jacob Stern & Sons, Inc.
Santa Barbara
Stewart Sales Company
San Mateo

Individuals

Becky Liu - San Carlos
Marilyn Loewy - Lake Forest
Stephen North - Novato
Barbara Rosenfeld - Encino
Dana Stanculescu - San Francisco
Hugo Steensma - Sonoma
Gerald Wiggen - Walnut Creek

Join a CCIT Committee Today!

Many members have commented that the more actively involved they are, the more they benefit from their membership. We would like to extend a warm invitation to all of our members to participate in a CCIT committee.

The Membership Committee helps attract new members and retain current ones. Committee members work on membership campaigns, marketing materials and work with the Board of Directors to do outreach for CCIT. The Membership Committee needs people who love to schmooze and network.

Members of the Program Committee & Golden State Award Dinner Taskforce identify topics of interest to the membership, find speakers for programs and help get the word out about CCIT programs. The GSAD Taskforce organizes our annual gala fundraiser. We need creative people who are good organizers.

Members of the Publications Committee help write and edit the newsletter, briefing books and special publications. We're looking for good researchers, writers, editors and designers.

Members of the Public Policy Committee identify priority issues, then help craft and implement strategies to promote CCIT positions. They plan lobbying and educational trips to Washington, D.C. and Sacramento. We need good researchers and organizers who are interested in international trade policy.

Please call us if you or any of your colleagues are interested in joining a CCIT committee: (415) 788-4127.

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CCIT Wish List...

Just in case you're looking for an organization to which to donate used equipment, furniture or supplies, here's our wish list, (by the way, contributions to CCIT are deductible as a business expense). We need two 486 PC's, a laser printer, a small office refrigerator, and an ergonomic task chair.

Many thanks to Toby Brink at Aspect International for donating a fully loaded PC.

<i>Legislative Calendar</i> February	March	April
<p>15 CCIT Policy Committee Meeting</p> <p>17 - 20 Senate & House Recess</p> <p>24 Last day to introduce bills to the CA Legislature</p>	<p>7 CA World Trade Commission Meeting</p> <p>17 - 20 House Recess</p>	<p>6 - 17 Easter Recess CA State Legislature</p> <p>12 House Recess</p> <p>14 - 28 House & Senate Recess</p>

CCIT People

The international business community continues to grow and change: **Fermin Cuza** of Mattel has been elected President of the FTA in Los Angeles... **Harry Endstley** is serving as a NAFTA dispute resolution panelist... **Jerry Levine** has been named Chairman of the NorCal DEC... **Bill Maroni** has been promoted to a new position at Levi Strauss, Director of Public Affairs... **Otis McAllister, Inc.**, export merchants established in 1892, has opened a new consulting division headed by Dan Brewer. For information on services on international logistics, product sourcing, finance and trading call Dan... **Union Bank** has become the first California bank ever to be designated an "A-Level delegated authority bank" by Eximbank... **Jim Whittaker** has been elected to the Board of Trustees of the World Affairs Council. Congratulations one and all!

Many thanks to **Toby Brink** at Aspect International for donating a computer to CCIT... best wishes to **Tom Thompson**, recently retired from the SF Federal Reserve Bank, he will be consulting in Indonesia and then go on to Lithuania to work with the IMF... welcome to **Chiling Tong**, Director of the new California Trade and Investment Office in Taipei.

News from the CCIT Secretariat: check your mailbox and exercise your right to vote for new members of the Board of Directors. The ballot results will be announced at our Annual Meeting on March 28th, when newly elected officers will be introduced. Many of you may have already spoken with **John McKenna**, who surveyed CCIT's members to determine their trade policy concerns. Thanks for your input.

CCIT Calendar

March

- 3 **Breaking Developments in California's Key Export Markets:** California's overseas office directors present up-to-the-minute business intelligence from their offices in London, Tokyo, Frankfurt, Mexico City and Taipei. 11:45 a.m. to 1:30 p.m. at the World Trade Club in the San Francisco Ferry Building
- 7 **Executive Committee Meeting**
- 10 **International Deal-making and Investment: New Opportunities in Taiwan,** 7:30 to 10:30 a.m. Hotel Intercontinental, Los Angeles. For information call Mickey Chiu @ (213) 972-4000.
- 13-15 **Asia Pacific Business Outlook , Meet with Senior Commercial Officers and attend over 150 outlook sessions given by business, government and faculty experts on the Asia Pacific region, as well as Mexico and Canada.** For information and reservations call (213) 740-7132.
- 17 **Dialogue with Ken Brody, Chairman of the Export Import Bank of the United States.** Of special interest to members of the international financial community and their clients. 12:00 noon Bankers Club, San Francisco.
- 28 **Board of Director's Meeting**
- 28 **"U.S. Trade Relations: Can We Protect America's Intellectual Property Rights?"** featuring **Jack Valenti**, President of the Motion Picture Association of America. CCIT Annual Meeting from 11:45 a.m. to 1:30p.m. at the Westin St. Francis Hotel in San Francisco.

For information about CCIT programs you may call (415) 788-4127.

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