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Council of Economic Advisers

Hubbard, R. Glenn - Subject Files

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W	30	13	5	1	5648	18583	1403	1551

Folder Title:

Office of Management and Budget [5]

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Memorandum	Faxed Memorandum and attachment - To: Agency Heads - From: Jay P. Lefkowitz	9	07/11/2001	P5;
002	Memorandum	Faxed Memorandum and attachment - To: Agency Heads - From: Jay P. Lefkowitz	8	07/06/2001	P5;
003	Memorandum	Memorandum and attachment - To: Agency Heads - From: Jay P. Lefkowitz	4	06/26/2001	P5;

COLLECTION TITLE:

Council of Economic Advisers

SERIES:

Hubbard, R. Glenn - Subject Files

FOLDER TITLE:

Office of Management and Budget [5]

FRC ID:

5648

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

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- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

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Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

MODE = MEMORY TRANSMISSION START=JUL-18 17:21 END=JUL-18 17:23

FILE NO.=695

STN NO.	COMM.	ABBR NO.	STATION NAME/TEL NO.	PAGES	DURATION
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cc:CF



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 13, 2001

THE DIRECTOR

M-01-27

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES,
AND INDEPENDENT REGULATORY AGENCIES

FROM: Mitchell E. Daniels, Jr. *ME Daniels*
Director

SUBJECT: Guidance for Implementing E.O. 13211

President Bush issued Executive Order No. 13211, "Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use," on May 18, 2001 (66 Fed. Reg. 28355 (May 22, 2001)). In order to ensure that agencies "appropriately weigh and consider the effects of the Federal Government's regulations on the supply, distribution, and use of energy," the President has directed agencies to prepare and submit to OMB's Office of Information and Regulatory Affairs (OIRA) a "Statement of Energy Effects" for their "significant energy actions." This memorandum provides guidance on the implementation of this Order.

1. What is the basic purpose for having an agency prepare a Statement of Energy Effects?

The basic purpose for having an agency prepare a Statement of Energy Effects is to ensure that agencies "appropriately weigh and consider the effects of the Federal Government's regulations on the supply, distribution, and use of energy." As President Bush stated in E.O. 13211:

The Federal government can significantly affect the supply, distribution, and use of energy. Yet there is often too little information regarding the effects that governmental regulatory action can have on energy (Sec. 1).

2. What agencies does the Order cover?

E.O. 13211 applies to all Federal agencies, except for the independent regulatory agencies (Sec. 4(c)). We encourage independent regulatory agencies to comply voluntarily with the provisions of this Order, particularly Section 3(b).



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

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July 13, 2001

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2. What agencies does the Order cover?

E.O. 13211 applies to all Federal agencies, except for the independent regulatory agencies (Sec. 4(c)). We encourage independent regulatory agencies to comply voluntarily with the provisions of this Order, particularly Section 3(b).

3. When does an agency prepare a Statement of Energy Effects?

To the extent permitted by law, an agency is obligated to prepare a Statement of Energy Effects for those matters identified as a significant energy actions. According to E.O. 13211, "significant energy action" means "any action by an agency (normally published in the Federal Register) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notice of inquiry, advance notice of proposed rulemaking, and notice of proposed rulemaking:

"(1)(i) that is a significant regulatory action under Executive Order 12866 or any successor order, and

"(ii) is likely to have a significant adverse effect on the supply, distribution, or use of energy ..." (Sec. 4(b))¹

Based on this definition, an agency should discuss with OIRA whether a regulatory action is significant, and "is likely to have a significant adverse effect on the supply, distribution or use of energy." If OIRA determines that the regulatory action is a significant energy action, OIRA will inform the agency, which shall then prepare a Statement of Energy Effects (Sec. 4(b)(2)).

4. What is meant by "a significant adverse effect?"

Adverse effects could include any of the following outcomes compared to a world without the regulatory action under consideration:

1. Reductions in crude oil supply in excess of 10,000 barrels per day;
2. Reductions in fuel production in excess of 4,000 barrels per day;
3. Reductions in coal production in excess of 5 million tons per year;
4. Reductions in natural gas production in excess of 25 million mcf per year;
5. Reductions in electricity production in excess of 1 billion kilowatt-hours per year or in excess of 500 megawatts of installed capacity;
6. Increases in energy use required by the regulatory action that exceed any of the thresholds above;
7. Increases in the cost of energy production in excess of one percent;
8. Increases in the cost of energy distribution in excess of one percent; or
9. Other similarly adverse outcomes.

¹ "Regulation" and "rule" have the same meaning as they do in Executive Order 12866 or any successor order (Sec. 4(a)).

A regulatory action could also have significant adverse effects if it:

1. Adversely affects in a material way the productivity, competition, or prices in the energy sector;
 2. Adversely affects in a material way productivity, competition or prices within a region;
 3. Creates a serious inconsistency or otherwise interfere with an action taken or planned by another agency regarding energy; or
 4. Raises novel legal or policy issues adversely affecting the supply, distribution or use of energy arising out of legal mandates, the President's priorities, or the principles set forth in Executive Order Nos 12866 and 13211.
5. What does an agency do with this Statement of Energy Effects?

First, and most important, agencies are to utilize, to the extent permitted by law, the Statement of Energy Effects in their decisionmaking to improve the quality of agency actions affecting energy supply, distribution, or use.

Second, agencies are to submit a Statement of Energy Effects to the Administrator of the Office of Information and Regulatory Affairs (OIRA) whenever they present a significant energy action for OIRA review under E.O. 12866 (Sec. 3(a)).

Third, agencies are to publish their Statements of Energy Effects, or a summary thereof, in each related Notice of Proposed Rulemaking (NPRM) and in any resulting Final Rule (Sec. 3(b)). On those occasions when an agency publishes only a summary of a Statement of Energy Effects, the agency shall also make the Statement of Energy Effects available through an agency web site (and include the web site address in the NPRM and/or Final Rule) and provide the public with notice of whom to telephone to request, without cost, a paper copy of the Statement of Energy Effects.

6. What is a Statement of Energy Effects?

According to E.O. 13211, "A Statement of Energy Effects shall consist of a detailed statement by the agency responsible for the significant energy action relating to:

"(i) any adverse effects on energy supply, distribution, or use (including a shortfall in supply, price increases, and increased use of foreign supplies) should the proposal be implemented, and

“(ii) reasonable alternatives to the action with adverse energy effects and the expected effects of such alternatives on energy supply, distribution, and use” (Sec. 2(b)).

In preparing a Statement of Energy Effects, agencies must follow the “Guidelines to Standardize Measures of Costs and Benefits and the Format of Accounting Statements” (OMB Memorandum M-00-08, March 22, 2000)(<http://www.whitehouse.gov/omb/memoranda/m00-08.pdf>).

7. What is meant by “reasonable alternatives?”

Alternatives that rely on incentives and offer increased flexibility are often more cost-effective than more prescriptive approaches. Reasonable alternatives may include any of the following.

1. Informational Measures;
2. Market-Based Approaches;
3. Performance-Based Standards;
4. Different Requirements for Different Segments of the Regulated Population;
5. Alternative Levels of Stringency;
6. Alternative Effective Dates of Compliance; or
7. Alternative Methods of Ensuring Compliance.

Within a command-and-control regulatory program, performance-based standards may offer advantages over standards specifying design, behavior, or manner of compliance.

8. How detailed should the Statement of Energy Effects be?

As a general matter, the Statement of Energy Effects should be prepared at the level of detail appropriate and practicable for reasoned decisionmaking on the matter involved, taking into consideration uncertainties, the significance and complexity of the decision, and the need to adequately inform the public. For example, if the significant energy action has an economic impact that would require the agency to prepare a Regulatory Impact Analysis (RIA) under Sections 3(f)(1) and 6(a)(3)(C) of E.O. 12866, then the Statement of Energy Effects should be prepared at the level of detail and analytic effort commensurate with the RIA. If the significant energy action has less economic impact, then the level of detail and analytic effort should be commensurate therewith.

9. What happens in emergency situations or in situations with short-term deadlines?

In emergency situations, or when an agency is obligated by law to act more quickly than normal rulemaking procedures allow, the agency shall notify OIRA as soon as possible, and, to the extent practicable, comply with E.O. 13211. For those regulatory actions that are governed by a

statutory or court-imposed deadline, the agency shall, to the extent practicable, schedule rulemaking proceedings so as to permit sufficient time to prepare any applicable Statement of Energy Effects and to permit OIRA to conduct its regulatory review.

10. When did the Order take effect?

E.O. 13211 became effective on May 18, 2001. It applies to any significant energy action initiated by an agency after May 18, 2001. If an agency has already published a Notice of Proposed Rulemaking that constitutes a significant energy action, the agency shall prepare the Statement of Energy Effects and submit it to OIRA as soon as practicable, but no later than the agency submits the Final Rule to OIRA under E.O. 12866.

11. With whom should we consult when we have questions concerning E.O. 13211?

If your staff have questions concerning this Order, please contact Richard Theroux in OIRA (202/395-3089 and rtheroux@omb.eop.gov).

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Memorandum	Faxed Memorandum and attachment - To: Agency Heads - From: Jay P. Lefkowitz	9	07/11/2001	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Council of Economic Advisers

SERIES:

Hubbard, R. Glenn - Subject Files

FOLDER TITLE:

Office of Management and Budget [5]

FRC ID:

5648

OA Num.:

1551

NARA Num.:

1403

FOIA IDs and Segments:

2014-0342-F

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MODE = MEMORY TRANSMISSION

START=JUL-10 13:52

END=JUL-10 13:52

FILE NO.=485

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-EOP-CEA

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202 395 6958- *****

CEA has no objection.

*per DFR
7-9-01*



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 6, 2001

MEMORANDUM FOR DESIGNATED AGENCY HEADS
(SEE ATTACHED DISTRIBUTION LIST)

FROM: Jay P. Lefkowitz
General Counsel

SUBJECT: Proposed Executive Order Entitled "President's Council of Advisors on Science and Technology"

Attached is a proposed executive order entitled "President's Council of Advisors on Science and Technology," that was prepared by the White House National Economic Council.

On behalf of the Director of the Office of Management and Budget, I would appreciate receiving any comments you may have concerning this proposed executive order. If you have any comments or objections, they should be received no later than close of business, Monday, July 16, 2001. Please be advised that agencies that do not respond by the deadline will be recorded as not objecting to the proposal.

Comments or inquiries may be submitted by telephone to Mr. Mac Reed (202-395-3563) of this office or fax to 202-395-7294.

Thank you.

Attachments - Distribution List
Proposed Executive Order

- | | | | |
|-----|-----------------|----------------|--------------|
| cc: | Mitch Daniels | Dick Emery | Chris Ullman |
| | Sean O'Keefe | Karen Keller | |
| | Austin Smythe | Marcus Peacock | |
| | Jim Capretta | Eric Pelletier | |
| | Robin Cleveland | Amy Smith | |



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

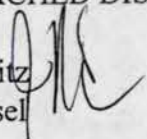
CEA has no
objection.

per DFR

7-9-01

July 6, 2001

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Austin Smythe Marcus Peacock
Jim Capretta Eric Pelletier
Robin Cleveland Amy Smith

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Assistant to the President and
Director of Legislative Affairs

Honorable Albert Hawkins
Assistant to the President and
Cabinet Secretary

Executive Order

President's Council of Advisors on Science and Technology

By the authority vested in me as President by the Constitution and the laws of the United States of America, including section 301 of title 3, United States Code, and in order to establish an advisory committee on science and technology, it is hereby ordered as follows:

Section 1. Establishment. There is established the President's Council of Advisors on Science and Technology Policy (PCAST). PCAST shall be composed of not more than 25 members, one of whom shall be the Assistant to the President for Science and Technology ("Assistant"), and 24 of whom shall be appointed by the President and have diverse perspectives and expertise in science, technology and the impact of science and technology on the economy. The Assistant to the President for Science and Technology shall co-chair PCAST with a nonfederal member designated by the President.

Sec. 2. Functions.

- (a) The PCAST shall advise the President, through the Assistant, on matters involving science and technology policy.
- (b) In performance of its advisory duties, PCAST shall assist the National Science and Technology Council (NSTC) in securing private sector involvement in its activities.

Sec. 3. Administration.

- (a) The heads of the executive departments and agencies shall, to the extent permitted by law, provide PCAST information concerning scientific and technological matters when requested by the PCAST co-chairs.
- (b) In consultation with the Assistant, PCAST is authorized to convene ad hoc working groups to provide preliminary non-binding information and advice directly to PCAST.
- (c) Members of PCAST shall serve without any compensation for their work on PCAST. However, members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the government service (5 U.S.C. 5701-5707).
- (d) Any expenses of PCAST shall be paid from the funds available for the expenses of the Office of Science and Technology Policy.
- (e) The Office of Science and Technology Policy shall provide such administrative services as PCAST may require.

Sec. 4. General.

- (a) Notwithstanding any other Executive order, the functions of the President applicable to PCAST under the Federal Advisory Committee Act, as amended, except that of reporting to Congress, shall be performed by the Office of Science

and Technology Policy in accordance with the guidelines and procedures established by the Administrator of General Services.

(b) PCAST shall terminate 2 years from the date of this order unless extended prior to that date.

(c) Executive Order 12882 of November 23, 1993; Executive Order 12907 of April 14, 1994; and section 1(h) of Executive Order 13138 of September 30, 1999 are hereby revoked.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 22, 2001

THE DIRECTOR

M-01-24

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr. *M.E. Daniels, Jr.*
Director

SUBJECT: Reporting Instructions for the Government Information Security Reform Act

The Government Information Security Reform Act (Security Act), passed last year as part of the FY 2001 Defense Authorization Act (P.L. 106-398), amended the Paperwork Reduction Act of 1995 (PRA) by adding a new subchapter on information security. The Security Act focuses on the program management, implementation, and evaluation aspects of the security of unclassified and national security systems. Generally, the Security Act codifies existing OMB security policies, Circular A-130, Appendix III, and reiterates security responsibilities outlined in the Computer Security Act of 1987, the PRA, and the Clinger-Cohen Act of 1996. In addition, the Security Act requires annual agency program reviews and annual independent evaluations for both unclassified and national security programs.

On January 16, 2001, OMB issued memorandum 01-08, guidance to agencies on implementing the Security Act. The guidance directs agency heads to transmit to OMB in September, contemporaneous with their FY 2003 budget materials, copies of the annual agency program reviews, independent evaluations, and for national security systems, audits of the independent evaluations. In addition to the program reviews and evaluations, agency heads should also provide a brief executive summary, not to exceed 15 pages, developed by the agency Chief Information Officer, agency program officials, and the Inspector General that is based on the results of their work. These executive summaries will serve as the primary basis for OMB's summary report to Congress. Instructions for completing the executive summary are detailed in the attachment.

A letter from the agency head that transmits the required information should be sent to:

Mitchell Daniels
OMB Director
Eisenhower Executive Office Building
Room 252
Washington, DC 20503

The program reviews, independent evaluations, and executive summaries along with any other appropriate information should be sent electronically in Microsoft Word or Word Perfect to Kamela White at kgwhite@omb.eop.gov.

Attachment

Reporting on the Government Information Security Reform Act

OMB Memorandum, 01-08, "Guidance on Implementing the Government Information Security Reform Act", directs agencies to provide to OMB the following information: 1) copies of annual program reviews; 2) copies of independent evaluations; and 3) for national security systems, copies of audits of the independent evaluations. Additionally, the OMB guidance referenced follow-on instructions to be issued to agencies on reporting the results of the program reviews and independent evaluations in an executive summary. The reporting instructions below provide a consistent form and format for agencies to report back to OMB. Each topic in the reporting instructions relates to a specific agency responsibility outlined in the Security Act or OMB Circular A-11.

I. Reporting Instructions for the Executive Summary

For non-national security programs, each agency head shall transmit to the OMB Director the results of an annual security review that includes: 1) an executive summary on how the agency is implementing the requirements of the Security Act and 2) copies of the annual program reviews¹ and independent evaluations. For national security programs, the agency head shall transmit to the OMB Director an annual report that includes: 1) an executive summary on how the agency is implementing the requirements of the Security Act and 2) the audits of independent evaluations of national security systems.

The executive summary shall consist of two separate components, one prepared by the Inspector General (IG) characterizing the results of the independent evaluation and the other prepared by the Chief Information Officer (CIO), working with program officials, that is based on the results of the annual program reviews. These summaries will be the primary basis of OMB's summary report to Congress. The executive summary, consisting of both the IG and CIO components, should not exceed 15 pages.

Each agency shall submit their executive summary and additional required materials to OMB September 10th when their budget submission is due. Please note that this information should be sent to OMB under separate cover from the agency's budget materials according to the directions in the memorandum attached to these reporting instructions.

¹Agencies should provide sufficient documentation for each of the reporting areas that supports the findings and assessments in their annual program reviews as reported in the executive summary. They should not submit copies of actual program reviews. For example, for system reviews (which are essential elements of each program review), the submission should include the number and types of systems in place for that program, the number of systems tested, and the specific types of tests conducted to determine whether appropriate management, operational, and technical controls were in place and functioning properly. The submission should include a characterization of problems found (e.g., types of vulnerabilities), but specific problems should not be associated with any specific system.

A. Instructions for Agency CIOs and Program Officials

CIOs working with program officials should respond to the 14 topics listed below. All responses should be based on the results of the annual program reviews. Unless otherwise noted, all responses to the statements below should be organized by major agency component, e.g. operating division or bureau, and be separated into each of the 13 topic areas. Please note that most of the topic areas below require that the agency first describe how it measures performance² for the requirements of the Security Act and second describe the actual level of performance based on the results of the annual program reviews.

Topic 14 requires the agency to develop a plan of action with milestones to correct any security weaknesses identified by the annual program reviews and independent evaluations. This plan is due to OMB by October 31, 2001. Additional instructions on the plan of action will be issued by OMB this summer.

B. Instructions for Agency IGs

The Security Act directs IGs or their designee, to perform annual independent evaluations of the information security program and practices of the agency. OMB requests that IGs respond to topics 2-13. All responses should be based on the results of the independent evaluations. IGs are not required to describe or evaluate how an agency measures performance with respect to its annual program reviews or evaluate the review itself. Instead, IG responses should focus on the actual performance of the agency's security program and practices. For national security systems, IGs should respond to topics 2-13 as appropriate based on the information in the audits of the independent evaluations.

II. Specific Questions

A. General Overview

In this section, the agency shall provide the following information:

1. Identify the agency's total security funding as found in the agency's FY01 budget request, FY01 budget enacted, and the FY02 budget request. This should include a breakdown of security costs by each major operating division or bureau and include critical infrastructure protection costs that apply to the protection of government

² In this context, performance measures are not those required by the Government Performance and Results Act. However, agencies, in consultation with the CIO, should begin incorporating into their performance plans (as required under section 1115 of title 31) this summer a description of the time periods and the resources, to include budget, staffing and training, that are necessary to implement an agencywide information security program. (Section 3534(d)(1)-(2) of the Security Act).

operations and assets.³ Do not include funding for critical infrastructure protection pertaining to lead agency responsibilities such as outreach to industry and the public⁴.

2. Identify the total number of programs included in the program reviews or independent evaluations.

3. Describe the methodology used in the program reviews and the methodology used in the independent evaluations.

4. Report any material weakness in policies, procedures, or practices as identified and required to be reported under existing law. (Section 3534(c)(1)-(2) of the Security Act).

B. Security Program Performance

In this section, the agency shall succinctly describe:

5. The specific measures of performance used by the agency to ensure that agency program officials have: 1) assessed the risk to operations and assets under their control; 2) determined the level of security appropriate to protect such operations and assets; 3) maintained an up-to-date security plan (that is practiced throughout the life cycle) for each system supporting the operations and assets under their control; and 4) tested and evaluated security controls and techniques. Include information on the actual performance for each of the four categories. (Section 3534(a)(2) of the Security Act).

6. The specific measures of performance used by the agency to ensure that the agency CIO: 1) adequately maintains an agency-wide security program; 2) ensures the effective implementation of the program and evaluates the performance of major agency components; and 3) ensures the training of agency employees with significant security responsibilities. Include information on the actual performance for each of the three categories. (Section 3534(a)(3)-(5) of the Security Act).

7. How the agency ensures that employees are sufficiently trained in their security responsibilities. Identify the total number of agency employees and briefly describe what types of security training was available during the reporting period, the number of agency employees that received each type of training, and the total costs of providing such training. (Section 3534(a)(3)(D), (a)(4), (b)(2)(C)(i)-(ii) of the Security Act).

³Agencies should report security costs which agree with those reported on their FY02 Exhibit 53. If security costs detailed in an agency's Exhibit 53 were incomplete or inaccurate, corrected security costs should be reported, and differences with the final FY02 Exhibit 53 noted.

⁴The following agencies have lead agency responsibilities pertaining to critical infrastructure protection: Commerce, Treasury, EPA, Transportation, FEMA, HHS, Energy, Justice, State, DOD, and CIA.

8. The agency's documented procedures for reporting security incidents and sharing information regarding common vulnerabilities. Include a description of procedures for external reporting to law enforcement authorities and to the General Services Administration's FedCIRC. Include information on the actual performance and the number of incidents reported. (Section 3534(b)(2)(F)(i)-(iii) of the Security Act).
9. How the agency integrates security into its capital planning and investment control process. Were security requirements and costs reported on every FY02 capital asset plan (as well as exhibit 53) submitted by the agency to OMB? If no, why not? (Sections 3533(a)(1)(A)-(B), (b)(3)(C)-(D), (b)(6) and 3534(a)(C) of the Security Act).
10. The specific methodology (e.g., Project Matrix review) used by the agency to identify, prioritize, and protect critical assets within its enterprise architecture, including links with key external systems. Describe how the methodology has been implemented. (Sections 3535(a)(1)(A)-(B), (b)(3)(C)-(D), (b)(6) and 3534(a)(C) of the Security Act).
11. The measures of performance used by the head of the agency to ensure that the agency's information security plan is practiced throughout the life cycle of each agency system. Include information on the actual performance. (Sections 3533(a)(1)(A)-(B), (b)(3)(C)-(D), (b)(6) and 3534(a)(C) of the Security Act).
12. How the agency has integrated its information and information technology security program with its critical infrastructure protection responsibilities, and other security programs (e.g., physical and operational). (Sections 3534 (a)(1)(B) and (b)(1) of the Security Act).
13. The specific methods (e.g., audits or inspections) used by the agency to ensure that contractor provided services (e.g., network or website operations) or services provided by another agency are adequately secure and meet the requirements of the Security Act, OMB policy and NIST guidance, national security policy, and agency policy. (Sections 3532(b)(2), 3533(b)(2), 3534(a)(1)(B) and (b)(1) of the Security Act).

C. Next Steps

14. Each agency head, working with the CIO and program officials, must provide the following information to OMB by October 31, 2001. Provide a strategy to correct security weaknesses identified through the annual program reviews, independent evaluations, other reviews or audits performed throughout the reporting period, and uncompleted actions identified prior to the reporting period. Include a plan of action with milestones that include completion dates that: 1) describes how the agency plans to address any issues/weaknesses; and 2) identifies obstacles to address known weaknesses.

William B. Boning

06/26/2001 04:00:51 PM

Record Type: Record

To: Alice H. Williams/CEA/EOP@EOP

cc:

Subject: emergency board for american and apfa

I have no objections. the memo says non-responders are recorded as not objecting, so I will not respond.

Brent

Withdrawal Marker

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Message:



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20502

THE CHAIRMAN

May 15, 2001

MEMORANDUM FOR MAC REED

FROM:

Alice H. Williams *Alice H. Williams*
Executive Assistant to the Chairman

SUBJECT:

Distribution List – Proposed Executive Orders

Please change the name on the distribution list of Proposed Executive Orders from:

Honorable Diana Furchtgott-Roth
Chief of Staff
Council of Economic Advisers

to the following:

Honorable R. Glenn Hubbard
Chairman
Council of Economic Advisers

Dr. Hubbard was confirmed by the Senate on May 10 and appointed by the President to be Chairman of the Council of Economic Advisers on May 11.



Phillip L. Swagel
06/14/2001 11:00:24 AM

Record Type: Record

To: Annette E. Rooney/OMB/EOP@EOP

cc:

Subject: CEA comments on LRM AER91 USTR fact sheet on TPA

CEA comments on LRM AER91 USTR fact sheet on TPA

1. page 1, Free Trade, 1st bullet. The figure that export jobs pay 13-18% more than non-export jobs is based on data from before NAFTA. This is way out of date. New research on this has been held up by disputes between IRS and Census. Until that is resolved, we should unfortunately drop this talking point.
2. page 1, Free Trade, 3rd bullet. Check source on NAFTA and UR give \$1500 per family.

Phillip Swagel
Council of Economic Advisers
Old Executive Office Building, Room 328
Washington, DC 20502
(202) 395-5040
(202) 395-6853 fax
pswagel@cea.eop.gov

URGENT

PS ✓ (1/14/01) 11 AM

Total Pages: 17

LRM ID: AER91

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001**

Wednesday, June 13, 2001

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below
FROM: John D. Burnim (for) Assistant Director for Legislative Reference
OMB CONTACT: Annette E. Rooney
E-Mail: Annette_E_Rooney@omb.eop.gov
PHONE: (202)395-7300 FAX: (202)395-5691
SUBJECT: US Trade Representative Fact Sheet on Trade Promotion Authority (Nine)
DEADLINE: 5:00 PM Thursday, June 14, 2001

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: *this LRM has also been e-mailed*

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The Bush Administration's Framework for Trade Promotion Authority

The President's first legislative trade priority is U.S. Trade Promotion Authority (TPA). TPA is a critical part of the President's ability to negotiate good trade deals that will open markets, increase choices and lower costs for American farmers, workers, consumers, and businesses.

- Our trading partners need to know the President's negotiators speak for the entire United States. U.S. TPA tells other governments that there will be no more negotiation once they reach an agreement with the President. And it ensures close collaboration with Congress. The Executive Branch has not had TPA since 1994, and America's competitors have taken advantage in the interim.

Since taking office, the Bush Administration has listened to diverse viewpoints, and the Bush trade agenda represents broadly supported goals and principles.

- The President's trade agenda for 2001 is intended to further the benefits of expanding markets for American consumers, farmers, workers, and businesses to advance a forward strategy for freedom, sustainable development, and increased living standards.

TPA gives the President the flexibility to seize any trade opportunity, without compromising American sovereignty or slipping into protectionism. As the President has said, trade helps create the culture of liberty and the economic wealth needed to build and sustain support for better working conditions and improved environmental protection around the world.

- The TPA framework also reflects the fact that there is a range of trade-related opportunities beyond trade negotiations themselves to move governments around the world toward respect for worker rights and for the environment in connection with international trade. There is also a "toolbox" of illustrative measures that can be used in combination with trade negotiations to encourage countries to protect their environments and observe core labor standards.

This is a major step forward for those concerned about labor and environmental issues in trade.

- Both labor and environmental goals will be included in the list of principal U.S. negotiating objectives for future trade agreements, thus meeting a key request from the labor and environmental communities. The framework also seeks to increase transparency in international trade organizations and agreements, including opening the WTO to greater public scrutiny and allowing the public to observe dispute settlement proceedings -- two important NGO requests.

The longer we wait, the more we delay opportunities for our consumers, farmers, workers and businesses. The rest of the world is moving forward and signing trade deals that exclude the U.S.

- U.S. exporters are losing business in Chile to Canadian firms because Canada has negotiated a free trade agreement with Chile and the U.S. has not. This is just one example, there are over 130 preferential trade agreements in the world today, and the U.S. is a party to only two.

Free Trade

- Free Trade is good for American workers, because when American workers compete on the world stage, American workers win. 12 million U.S. jobs depend on exports, and pay on average 13-18% more.
- Free Trade is good for American farmers, because when the world buys America's top-quality food, American farmers win. One in three U.S. farm acres is planted for export, and 25% of gross farm income comes from exports. *Control date*
NAFTA
- Free Trade is good for American consumers and businesses, because when Americans can shop the world for the best prices and highest quality goods, American consumers and producers win. The NAFTA and Uruguay Rounds have provided an average savings of approximately \$1,500 per family.

What is U.S. TPA?

- U.S. Trade Promotion Authority (TPA) is the trade negotiating authority that Congress has granted to each of the previous five presidents since 1974.
- Under this authority, which expired in 1994, the executive branch is bound by law to consult regularly and in detail with the Congress, and solicit advice from statutory advisory committees and the public, as trade agreements are negotiated. In return, Congress agrees to vote up or down on legislation implementing trade agreements that the President brings back.
- Because of the close executive-Congressional collaboration that TPA requires, it helps ensure that U.S. negotiators will bring back trade agreements that Congress has shaped. In addition, TPA gives U.S. trade negotiators maximum leverage by telling the world that Congress and the executive branch are united in seeking to open foreign markets.
- At the same time, our trading partners know that an agreement they strike with U.S. negotiators under TPA will not be reopened once the President sends it to the Congress. That means foreign governments do not need to hold back concessions for fear there will be a second round of negotiations.
- TPA gives other countries confidence to close out complex and politically sensitive agreements with the United States.

Why does the U.S. need TPA now?

- In the absence of U.S. Trade Promotion Authority (TPA), other countries have been moving forward with trade agreements while America has lagged behind. There was a time when U.S. involvement in international trade negotiations was a prerequisite for them to succeed. That is no longer true. Indeed, other countries are writing the rules of the international trading system as they negotiate without us.
- For example, the European Union has preferential trade agreements with 27 countries, and 20 of these agreements have been signed since 1990. Just last year, the European Union and Mexico – the second largest market for American exports – entered into a preferential trade agreement. The European Union is also negotiating preferential trade deals with the Mercosur nations of Argentina, Brazil, Paraguay and Uruguay, and the Gulf Cooperation Council countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Japan is negotiating a free trade agreement with Singapore, and is exploring free trade agreements with Mexico, Korea, and Chile.
- There are more than 130 preferential trade agreements in force globally, but the United States has only 2 free trade agreements in effect: one with Canada and Mexico (NAFTA), and the other with Israel.
- Our deadlock hurts American businesses, workers, and farmers, as they find themselves shut out of the many preferential trade and investment agreements negotiated by our trading partners. To cite just one example, while U.S. exports to Chile face an 8% tariff, the Canada-Chile trade agreement will free Canadian imports of this duty.
- Other countries are adopting standards for autos and other products that benefit each other's producers and make it harder for our companies to sell in their markets. The United States needs to decide whether it wants to stand on the sidelines and cede these markets to European, Japanese, and other competitors, or whether we want to negotiate market access and rules that will benefit U.S. producers and workers.
- We cannot afford to stand still while other nations seize the mantle of leadership on trade from the United States. This would be a huge missed opportunity and an historic mistake for our people.

The Bush Administration Trade Agenda: U.S.-Vietnam Bilateral Trade Agreement

The U.S.-Vietnam bilateral trade agreement (BTA), signed in July 2000, is part of a historic, decade-long normalization of U.S.-Vietnam relations begun in the 1990s under former President George Bush.

- Implementation of the BTA requires comprehensive trade and investment liberalization by Vietnam, in exchange for normal trade relations (NTR) tariff benefits from the U.S..

The BTA will expand economic freedom not only for Americans in Vietnam, but for Vietnamese citizens, by expanding the right to trade, requiring greater transparency in decision-making, and introducing competition in key services sectors.

- Implementation of the comprehensive agreement fulfills the strategic U.S. goal to open the Vietnamese market and move Vietnam toward rules-based, global market systems. These reforms will help create a more open society in Vietnam.

The BTA enjoys bi-partisan, broad-based support from the Congress, non-governmental organizations and business associations.

- The BTA is strongly supported by Vietnam veterans and former POWs now serving their country as Members of Congress, such as Sens. John McCain, John Kerry, and Chuck Hagel, and others, as well as former Sen. Bob Kerrey and Gov. Jesse Ventura. In addition, a wide range of educational and humanitarian NGOs, including the US-Indochina Educational Foundation, the Church World Service and Witness, and International Voluntary Services, have endorsed BTA implementation.

The BTA is a comprehensive trade agreement which will provide expanded market access for U.S. goods and services.

- Vietnam has made significant commitments across a wide range of industries, including: the lowering of tariffs on hundreds of categories of industrial goods and farm products; the phasing out of all non-tariff measures; and expanding access to its services market in a broad array of areas, including financial services, telecommunications services, distribution services, audio visual services, as well as other sectors.

This agreement will provide for greater protection for U.S. intellectual property rights and investment and the adoption of a transparent rules-based legislative and regulatory system.

- Vietnam will adopt the WTO "TRIPs" standards for intellectual property protection in 18 months or less; phase out its burdensome investment licensing regime for many sectors; and adhere to WTO standards in applying customs, import licensing, state trading, technical standards and sanitary and phytosanitary measures.

U.S.-Vietnam Trade: In 2000, the U.S. exported \$368 million of goods to Vietnam, including:

- Machinery \$80 million; Electrical Machinery \$59 million; Fertilizers \$47 million; Optics and Medical Equipment \$13.1 million; Cotton, Yarn and Fabric \$15.5 million; Animal Feed \$8.7 million; Dairy Products \$4 million; Pharmaceuticals \$4 million.

4

Background on the U.S.-Vietnam Bilateral Trade Agreement

The growth of the world economy depends on world trade. The growth of world trade depends on American leadership. And America will lead -- toward freer trade, toward wider and more lasting prosperity for ourselves and for the world. President George W. Bush, May 31, 2001

Vietnam is one of six countries with whom the United States does not now have normal trade relations, meaning that the lower tariff rates the United States applies to imports from nearly every other country are not applied to imports from Vietnam.

Under U.S. law, two conditions must be met in order for Vietnam to receive Normal Trade Relations ("NTR") status: (1) Vietnam must sign, and Congress must approve, a bilateral commercial agreement; and (2) the President must either find that Vietnam is in compliance with certain freedom of emigration requirements (commonly referred to as the "Jackson-Vanik" amendment) or annually "waive" those requirements, thus indicating that Vietnam is making sufficient progress on this issue.

In July, 2000, the United States and Vietnam signed a bilateral trade agreement that fulfills the first condition necessary to give Vietnam NTR status. Negotiations on the agreement began in 1996. The agreement represents an important milestone in the decade-long normalization of U.S.-Vietnam relations begun in the 1990s under former President Bush.

Under legislation dating from 1975, trade agreements with countries like Vietnam are subject to expedited Congressional review. Under this procedure, Congress considers whether to approve a joint resolution, the wording of which is set out in law and may not be amended. A maximum of 45 legislative days is allotted for committee review of the resolution and both houses of Congress must vote on the resolution within 15 legislative days thereafter.

Vietnam has received annual waivers of "Jackson-Vanik" requirements since 1998. A waiver makes Vietnam eligible for benefits provided by the U.S. Overseas Private Investment Corporation and the Export-Import Bank. If Congress approves the bilateral trade agreement, Vietnam will also be eligible for NTR status, subject to renewal each year.

Under the trade agreement, Vietnam has committed to opening its market to U.S. goods, services, and investment and to moving toward adoption of World Trade Organization and other international trade and investment norms. The agreement covers six major areas: market access for industrial and agricultural goods, protection of intellectual property, market access for services, investment protection, business facilitation, and transparency.

5

Questions and Answers on the U.S.-Vietnam Bilateral Trade Agreement

Q: *What is the Vietnam Trade Agreement?*

A: In July 2000, the United States and Vietnam signed a bilateral trade agreement, that will, when it becomes effective, extend normal trade relations (NTR) benefits to Vietnam.

- This agreement will establish a legal framework for basic trading relations. It is not a free trade agreement.
- Without NTR, Vietnamese industrial and agricultural goods would face U.S. tariffs on average of 40-50 percent. With NTR, U.S. tariffs are reduced to the lower NTR tariff rate at an average of 3 percent.
- The agreement also requires Vietnam to open its market for goods and services, protect intellectual property rights comprehensively, reform its investment regime, and establish a transparent trade and investment system.
- The agreement must be approved by Congress to enter into force. The Administration supports normalization of trade relations with Vietnam.

Q: *What action does Congress need to take to pass the Vietnam BTA?*

A: Congress needs to enact a Joint Resolution approving the trade agreement, which authorizes the President to extend NTR tariff rates to Vietnam.

Q: *What opportunities are there for U.S. firms in the Vietnamese market? How will the bilateral trade agreement enhance these opportunities?*

A: The bilateral agreement will increase opportunities for U.S. firms in Vietnam by requiring Vietnam to dismantle a wide range of trade barriers, open its services market in areas such as banking, insurance, telecommunications and distribution, and provide comprehensive protection of intellectual property rights.

- Vietnam is a country of 80 million people, most of whom are under the age of 25. Thus, though its income levels are low, it holds great potential as a market for U.S. goods and services, as its economy develops, the private sector expands, and the government loosens its controls over markets.
- Under this agreement Vietnam has agreed to significantly increase its openness to U.S. investment. The agreement assures U.S. companies protection for their investments in Vietnam and permits repatriation of profits and other financial transfers on a national treatment basis.
- The BTA phases out investment screening by the Vietnamese government. Within a three year period the BTA will reform the functioning of joint ventures, allowing U.S. investors to select managerial personnel without regard to nationality, and enjoy greater managerial control over their ventures.
- U.S. merchandise exports to Vietnam in 2000 were \$368 million, up 27 percent from 1999. Top exports included machinery, fertilizer, and footwear components.

Q: What is the status of the working party on Vietnam's accession to the World Trade Organization, and are the Vietnamese actively seeking accession at present?

A: Vietnam applied to accede to the WTO in 1995, and its accession working party has met four times since then. To date, most of Vietnam's efforts have been spent responding to obligatory questions about its trade regime.

- The bilateral trade agreement moves Vietnam solidly in the direction of adopting WTO standards in a number of key areas. But more work needs to be done, in the area of rules and market access.
- The U.S. has already begun to indicate to Vietnam how its regime needs to be modified to comply with WTO rules. The next meeting of the accession working party is this fall.

Q: Why should the United States normalize trade relations with a country such as Vietnam, which does not respect basic human rights and religious freedom?

A: The Administration shares the concern about the protection of human rights and religious freedom in Vietnam, and recognizes that while some progress has been made in recent years, repression still exists.

- The United States has engaged in a human rights dialogue with Vietnam for over eight years, and the Administration continues to express these concerns, including in senior level meetings with Vietnamese officials.
- Once granted by the U.S. government, Vietnam's NTR status will be contingent upon an annual Presidential recommendation to Congress that the Jackson-Vanik waiver be extended for another year. Upon a Presidential recommendation for a waiver, the Congress may introduce and vote on a resolution of disapproval within 60 days.
- Normalized trade relations with Vietnam can help lead to expanded economic opportunities in a rules-based environment, which can foster stronger civic institutions, transparency in governmental and judicial decision making and a greater degree of individual freedoms. It is no coincidence that countries that enjoy such freedoms are, in fact, those with open economies.

Q: Under U.S. trade laws, what determines whether or not Vietnam receives NTR status?

A: Under U.S. trade laws, in order for Vietnam to receive such Normal Trade Relations status, two conditions must be met:

- Vietnam must sign, and the Congress must approve, a bilateral commercial agreement; and
- The President must either find that Vietnam is in compliance with certain freedom of emigration requirements (commonly referred to as the "Jackson-Vanik" amendment) or annually "waive" those requirements, thus indicating that Vietnam is making sufficient progress on this issue. Jackson Vanik waivers must be reviewed and renewed by the President annually in order for NTR status to

continue.

Q: *Has the delay in introducing the implementing resolution damaged U.S.-Vietnamese bilateral relations?*

- As the Administration has explained to the Vietnamese government, the timing of the implementing resolution is not related to bilateral issues. It has to do with considerations concerning the broader trade legislative agenda and the legislative calendar. From a practical point of view, the House Ways and Means Committee and the Senate Finance Committee have only recently concluded their consideration of President Bush's tax reduction legislation.
- Furthermore, the President wanted to outline a comprehensive trade agenda for the upcoming year. The 2001 trade agenda has been presented to the Congress and the public, and in doing so, the President has indicated that the Vietnam BTA is a part of his overall trade agenda.
- Putting the agreement in a broader historical context, the negotiation was mostly completed in 1999, and the United States wanted to finalize it at that time, but Vietnam delayed for an entire year.
- The Administration is pleased that Vietnam agreed to sign the agreement in July 2000, but that resulted in the issue running over into the transition of Administrations.



Background on the U.S.-Jordan Free Trade Agreement (FTA)

FTA Provisions

The Jordan Free Trade Agreement (FTA) was signed on October 24, 2000. It will take effect as America's third free trade agreement, and the first ever with an Arab state. The FTA is the capstone of growing U.S.-Jordanian collaboration in economic relations, which began with close bilateral cooperation on Jordan's accession to the World Trade Organization (WTO) and was followed by the conclusion of a trade and investment framework agreement and a bilateral investment treaty. The FTA serves as an example for Jordan's neighbors in the Middle East of the benefits of peace and economic reform.

The Jordan FTA achieves significant and extensive liberalization across a wide spectrum of trade issues. It will eliminate all tariff and non-tariff barriers to bilateral trade in virtually all industrial goods and agricultural products within 10 years.

The FTA also includes, for the first time ever in a trade agreement, a set of substantive provisions on electronic commerce that set a good example for other countries to follow with respect to liberalization in areas critical to the high-tech and multimedia industry. The agreement helps to advance a global free trade agenda for electronic commerce. Both countries agreed to seek to avoid imposing customs duties on electronic transmissions, imposing unnecessary barriers to market access for digitized products, and impeding the ability to deliver services through electronic means. These provisions also tie in with commitments in the services area that, taken together, aim at encouraging investment in new technologies and stimulating the innovative uses of networks to deliver products and services. Jordan is one of only 13 other countries in the world to provide market access and national treatment guarantees for the motion picture industry - one of the U.S.' largest exports. The agreement will significantly liberalize bilateral trade in services across a wide range of services sectors.

The FTA's provisions on intellectual property rights (IPR) build on the strong IPR commitments Jordan made in acceding to the WTO. The FTA incorporates the most up-to-date international standards for copyright protection, as well as data exclusivity for pharmaceuticals and stepped-up commitments on enforcement. Among other things, Jordan has undertaken to ratify and implement the World Intellectual Property Organization's (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty within two years. These two treaties, sometimes referred to as the "Internet Treaties," establish several critical elements for the protection of copyrighted works in a digital network environment, including creators' exclusive right to make their creative works available online, as well as Jordanian adherence to new WIPO treaties on copyright protection in the internet.

The agreement also contains trade-related environmental and labor provisions. These provisions will not require either country to adopt any new labor or environmental laws, and each country retains the absolute right to set its own labor and environmental standards and to change those standards. As part of the agreement, the two countries affirm the importance of not waiving or derogating from their labor or environmental laws in order to encourage trade.

Like the 1985 U.S.-Israel Free Trade Area Agreement, the Jordan FTA creates a multi-step dispute settlement process that places a premium on cooperative resolution of disputes, as well as on procedural transparency. Any dispute that cannot be resolved through consultation may be referred to a panel of independent experts for a non-binding opinion. If a dispute cannot be settled after panel proceedings are completed, the FTA authorizes the affected party to take any "appropriate and commensurate measure," without specifying the form that this action should take. However, the party taking the action may not act in a manner that is inconsistent with its WTO obligations. Because the United States already has a Bilateral Investment Treaty with Jordan, the FTA does not include an investment provision.

Jordan's Trade Profile

Jordan became a member of the World Trade Organization in April 2000. In 2000, U.S. exports to Jordan were \$306 million. Top U.S. exports to Jordan in 1999 included wheat (\$58 million), machinery and mechanical appliances (\$43 million) and aircraft and aircraft parts (\$19 million). Jordanian exports to the United States in 2000 were \$73 million. Jordan has a population of roughly 5 million and is bordered by Iraq, Israel, Saudi Arabia, and Syria.

The Bush Administration Trade Agenda: U.S.-Jordan Free Trade Agreement (FTA)

Implementation of the U.S.-Jordan FTA is of major strategic importance to the United States. Jordan is a key ally and friend in working with the United States to promote peace and prosperity in the Middle East region.

- The FTA sends a signal to Jordan, as well as other countries in the region, that support for peace and economic reform yields concrete benefits. It will support Jordan's domestic economic reforms, encourage efforts by other neighboring countries to open their economies, and enhance regional stability in the Middle East.
- The FTA, the first ever between the United States and an Arab state, represents a positive step during a very sensitive moment in the Middle East.

The U.S.-Jordan FTA also has economic importance in its implications for the region.

- Although Jordan itself is a small market, the FTA attests to the fact that Jordan is a model for economic reform for other countries in the region. The agreement's provisions on trade set a high standard for other countries to emulate, and provide better market access for U.S. suppliers vis a vis European Union suppliers. The EU has its own FTA with Jordan.

The Jordan FTA achieves significant and extensive liberalization across a wide spectrum of trade issues. The FTA will eliminate tariffs on virtually all bilateral trade in agricultural and industrial goods within 10 years.

- The tariff reductions will take place in four stages: Current tariffs of less than 5 percent ad valorem will be phased out in two years; those that are now between 5 and 10 percent will be eliminated in four years, those between 10 and 20 percent will be eliminated over five years, and those that are now more than 20 percent will be phased out over 10 years.

Jordan already enjoys near complete access to the U.S. services market. The FTA will open the Jordanian services market to U.S. companies.

- The agreement will significantly liberalize bilateral trade in services across a wide range of services sectors. Liberalization has been achieved in many key sectors, including energy distribution, convention services, printing and publishing, courier services, audiovisual, education, environmental, financial, health services, and transport services.
- Jordan is one of only 13 other countries in the world to provide market access and national treatment guarantees for the motion picture industry - one of the United States' largest exports.

The FTA also includes, for the first time ever in a trade agreement, substantive provisions addressing electronic commerce.

- Jordan and the United States have each committed to promote a liberalized trade environment for electronic commerce that should encourage investment in new technologies and stimulate the innovative uses of networks to deliver products and services. Both countries will seek to avoid imposing customs duties on electronic transmissions, imposing unnecessary barriers to market access for digitized products, and impeding the ability to deliver services through electronic means.
- Jordan has made market access and national treatment commitments in all the sectors critical to completing an electronic commerce transaction, including telecommunications, computer-related services, financial services, distribution services and express delivery services.

The intellectual property rights provisions of the agreement incorporate the most up-to-date international standards for copyright protection.

- Among other things, Jordan has undertaken to ratify and implement the World Intellectual Property Organization's (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty within two

years. These two treaties, sometimes referred to as the "Internet Treaties," establish several critical elements for the protection of copyrighted works in a digital network environment, including creators' exclusive right to make their creative works available online.

The agreement also contains trade-related labor and environmental provisions. These provisions will not require either country to adopt any new labor or environmental laws, and each country retains the absolute right to set its own labor and environmental standards and to change those standards. With respect to labor:

- The labor provisions reaffirm the parties' support for the core labor standards adopted in the 1998 International Labor Organization's Declaration on Fundamental Principles and Rights at Work.
- As part of the agreement, the two countries affirm the importance of not waiving or derogating from their labor laws to encourage trade, and agreed to strive to improve their labor standards.
- The agreement also includes commitments related to the effective enforcement of each country's labor laws. Each government has agreed not to fail to enforce its labor laws, through a sustained or recurring course of action or inaction, in a manner affecting trade with the other party. The agreement makes clear that in enforcing its labor laws, each country retains the right to set its own enforcement priorities accordingly. The labor provisions of the FTA do not require any changes in U.S. law. Indeed, each country reserves its right to change its laws.

The Jordan FTA also includes a separate set of substantive provisions on trade and the environment. Specifically, each country affirms the importance of not waiving or derogating from its environmental laws to encourage trade.

- The United States and Jordan also reaffirm their belief in the principle of sustainable development and agree to strive to maintain high levels of environmental protection and to improve their environmental laws. The agreement also includes a provision, similar to that described above regarding the enforcement of domestic labor laws, addressing the effective enforcement of each country's environmental laws. Like the agreement's labor provisions, the environmental provisions of the FTA do not require any changes in U.S. law. Indeed, each country reserves its right to change its laws.

The United States and Jordan also agreed, in a separate understanding, on an environmental cooperation initiative.

- It establishes a U.S.-Jordanian Joint Forum on Environmental Technical Cooperation for ongoing discussion of environmental priorities and identifies environmental quality and enforcement as areas of initial focus. The FTA and supplemental understandings also contain other environment-related elements, including provisions addressing transparency and public input and environmental exceptions. Finally, the FTA's provisions eliminating tariffs on environmental goods and liberalizing Jordanian restrictions on certain environmental services constitute a "win" for business and a "win" for the environment. Both countries conducted environmental reviews of the FTA.

Like the 1985 U.S.-Israel Free Trade Area Agreement, the Jordan FTA creates a multi-step dispute settlement process that places a premium on cooperative resolution of disputes, as well as on procedural transparency.

- Any dispute that cannot be resolved through consultation may be referred to a panel of independent experts for a non-binding opinion. If a dispute cannot be settled after panel proceedings are completed, the FTA authorizes the affected party to take any "appropriate and commensurate measure," without specifying the form that this action should take. However, the party taking the action may not act in a manner that is inconsistent with its WTO obligations.

Questions and Answers on the U.S.-Jordan Free Trade Agreement (FTA)

Q: *Why is the U.S.-Jordan Free Trade Agreement important for Jordan and the United States?*

A: Strategic Importance

- Jordan is an key ally and friend. It is an important partner in working with the United States to promote peace and prosperity in the region and cooperates closely on a variety of issues.
- The FTA, the first ever between the United States and an Arab state, represents a positive step during a very sensitive moment in the Middle East.
- The U.S.-Jordan Free Trade Agreement (FTA) sends a signal to Jordan, as well as to other countries in the region, that support for peace and economic reform yield concrete benefits.
- The FTA will contribute to increased bilateral trade and investment. Closer business ties between our countries should help bring about needed economic growth and job creation in Jordan.

A: Economic Importance:

- The FTA attests to the fact that Jordan is a model for economic reform for other countries in the region. The agreement's provisions on trade set a high standard for other countries to emulate.
- The FTA reduces tariffs across-the-board on bilateral trade in both industrial and agricultural goods. This sets a good precedent for trade liberalization with other countries in the region and provides better market access (albeit to a small market) for US suppliers vis a vis the EU.
 - In the case of tariffs for autos and auto parts, the United States received quicker and deeper tariff cuts than the European Union in its FTA with Jordan.
- The FTA is the first ever trade agreement to include commitments covering electronic commerce, an area of vital commercial interest to the United States.
 - Jordan is the first country to legally bind itself to no customs duties on electronic transmissions (WTO members currently only have political commitments in this area).
 - Jordan's other steps in this area include its commitment not to impose unnecessary regulation on electronic commerce.

- Jordan is one of only 13 other countries in the world to provide market access and national treatment guarantees for the motion picture industry - one of the United States' largest exports.
- The agreement includes state-of-the art commitments for the protection of intellectual property that go beyond TRIPS in a region where piracy is a significant problem for all content providers.

Q: *How does the Administration plan to address trade-related labor and environment issues in the U.S.-Jordan FTA and other agreements?*

A: On May 10 President Bush submitted to Congress his 2001 legislative agenda for international trade. The President's International Trade Agenda clearly demonstrates that the Administration's commitment to open trade is matched by a strong commitment to protecting the environment and improving labor standards, as well as promoting the protection of children.

- The President's trade agenda recognizes that there are many ways we can advance our goals in these areas as we pursue more traditional commercial objectives. By including a principal trade negotiating objective on mutually reinforcing trade and environment policies, the agenda indicates that we can make progress in addressing labor and environment issues in trade negotiations. The agenda includes an illustrative "toolbox" of actions that the United States can take in combination with trade negotiations to advance trade-related labor and environment goals.
- As we work with Congress to enact the Administration's top trade priority, Trade Promotion Authority, as well as other key objectives such as the U.S.-Jordan FTA, we are confident that we can craft a bipartisan approach to environment and labor objectives that respects U.S. sovereignty and avoids protectionism.

Q: *Is the Administration going to reopen negotiations with Jordan to change those provisions?*

R: Recognizing that the FTA negotiations with Jordan have been completed and the agreement signed, we do not intend to reopen the text. However, we will continue to work with Congress to address any concerns with the FTA through implementing legislation or other means.

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Questions and Answers on the President's Trade Legislative Agenda and Trade Promotion Authority

Q: *Why is U.S. Trade Promotion Authority important?*

A: To move forward on a trade agenda and negotiate the best possible deals, the executive branch will need as much negotiating leverage as possible. Our trading partners need to know the President's negotiators speak for the entire United States. U.S. TPA tells other governments that there will be no more negotiation once they reach an agreement with the President. And it ensures close collaboration between Congress and the President.

Q: *What are the prospects for TPA?*

A: TPA has not been renewed since 1994, so no one should underestimate the difficulty of the task. However, the stakes are too high not to succeed. The economic prosperity of the United States - with more choices and lower prices for consumers, export opportunities for farmers, or new business opportunities for entrepreneurs - demands that Congress and the President work together to ensure success.

Q: *What is the thinking behind the various labor and environment provisions in the framework?*

A: The framework is based on the premise that, in the trade and economic sphere, we can promote environmental protection, help protect children from grave labor abuses, and promote adherence to core labor standards around the world in three ways.

- First, as the President has said, trade helps create the culture of liberty and the economic wealth needed to build and sustain support for better working conditions and improved environmental protection around the world.
- Second, we can also make progress in addressing labor and environment issues in trade negotiations. For that reason, the framework makes the promotion of core labor standards, the protection of children, and mutually reinforcing trade and environmental policies principal negotiating objectives for the United States, along with more traditional commercial objectives.
- Third, is the concept of a "toolbox" of illustrative measures that could be used in combination with trade negotiations to encourage countries to protect their environments and adhere to core labor standards.

Q: *Why should trade critics view this proposal as progress on these issues?*

A: This is a major step towards those who have sought to have labor and environment issues treated on an equal footing with more traditional trade negotiating objectives. Both labor and environmental goals will be on the list of principal U.S. negotiating objectives for TPA agreements, thus meeting a key request from the labor and environmental communities in recent debates over TPA.

- This agenda also increases transparency in international trade organizations and agreements, including opening the WTO to greater public scrutiny and allowing the public to observe dispute settlement proceedings -- two important NGO requests.
- Also included is a "toolbox" of ideas for promoting core labor standards, the protection of children, and environmental protection around the world in combination with trade negotiations.

Q: *The framework does not say whether trade sanctions will apply to labor and the environment. How does the framework address this issue?*

A: The framework include specific objectives that address enforcement concerns. It calls for U.S. negotiators to ensure that U.S. rights under trade agreements are secured through rapid, effective, and transparent enforcement procedures appropriate to the parties, nature, and subject matter of the agreements, without compromising U.S. sovereignty or slipping into protectionism.

Q: *How long will TPA remain in effect?*

A: This is a subject we want to discuss further with the Congress. Whatever period is chosen should be sufficient to allow the Administration to conclude some major trade agreements, such as the FTAA, as well as the potential new WTO negotiating round.

Q: *Is the Administration going to submit TPA legislation?*

A: We intend to continue an active exchange of views with Congress to move the legislative process forward. We hope that our TPA framework will assist the Congress in developing actual legislation and we would hope to assist in that effort.

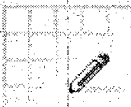
Q: *Does the Administration have a deadline for Congress to take up TPA?*

A: It is important that the President receive this authority quickly. The longer we wait, the more we delay opportunities for our consumers, farmers, and businesses. U.S. exporters are losing business in Chile to Canadian firms because Canada has negotiated a free trade agreement with Chile and the United States has not. This is only one example, there are some 130 preferential trade agreements in the world today, and the United States is a party to only two.

Q: *Will TPA move as a part of a package with other trade bills?*

A: The Administration is prepared to be flexible on that question and are interested in working with Congress to determine the best means of moving TPA and other crucial trade bills on the President's trade legislative agenda forward expeditiously. This is primarily an issue for Congress, but it may be that it is more efficient to deal with a number of similar issues in several of these implementing bills simultaneously.

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Phillip L. Swagel
06/14/2001 11:12:01 AM

Record Type: Record

To: Annette E. Rooney/OMB/EOP@EOP

cc:

Subject: CEA comments on LRM AER90 Commerce Fact Sheets on TPA

On the last page, "Why Trade is Good for America":

3rd bullet point: I calculate that exports accounted for 16 percent (not 18 percent) of GDP growth over 1996-2000 (the last five years).

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URGENT

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Wednesday, June 13, 2001

PS 6/14/01

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: John D. Burnim (for) Assistant Director for Legislative Reference

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SUBJECT: COMMERCE Fact Sheets on Trade Promotion Authority (7)

DEADLINE: 5:00 PM Thursday, June 14, 2001

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: Please provide comments/clearance on the seven attached Commerce Fact Sheets/Talking Points on Trade Promotion Authority by 5:00 PM, Thursday, June 14th. If you do not respond by the deadline, we will presume that your agency has no comment.

Additional papers in support of Trade Promotion Authority are under development and will be circulated as soon as they are available.

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COMPLIANCE AND ENFORCEMENT OF TRADE AGREEMENTS

The Administration will vigilantly monitor and enforce aggressively. The Administration will continue to work with Congress and American businesses, farmers, workers and consumers to ensure effective monitoring of U.S. trade agreements, quick responses to non-compliance, and to make U.S. exporters aware of the opportunities created by these trade agreements and assistance available from the U.S. government.

Monitoring compliance overseas. The Commerce/State Overseas Compliance Program provides for trade experts to monitor compliance with international trade obligations and support enforcement of U.S. trade laws, such as those involving market access issues, subsidies, dumping and other unfair trade practices. By gathering information "on the ground" in foreign countries, we are able to help American businesses make the most of market access opportunities and facilitate the investigation of trade agreement violations.

The Administration's compliance program has been successful.

- For example, the European Commission recently agreed to modify its proposal for a motorcycle driving license directive, removing an engine size restriction, which would have severely limited U.S. exports of motorcycles to the European Union, the largest foreign market for U.S. motorcycle exports.
- After the U.S. expressed concern to Korean officials about new burdensome, costly and potentially discriminatory tire safety inspection procedures, Korean officials agreed to amendments.
- Compliance advocacy efforts helped a small U.S. manufacturer of appliance moving products stop the unauthorized copying of its sales brochures by its Korean distributor.
- As a result of Administration efforts, Egypt ended a prohibition on the importation of consumer goods unless they were shipped directly from the country of origin.

Challenging existing barriers. If the United States cannot achieve compliance on the part of our trading partners, the Administration will not hesitate to seek enforcement either through the World Trade Organization or through the use of U.S. trade laws. The United States has been one of the world's most frequent users of WTO dispute settlement procedures. Of the 57 WTO cases filed so far, we have won 29 either through litigation or settling "out of court" in our favor.

TRADE AGREEMENTS AND THE TRADE DEFICIT

While some critics of Trade Promotion Authority have expressed concern that the negotiation of trade agreements may increase the U.S. trade deficit, the claim has never been substantiated. The fact is that many factors which are not related trade agreements influence the flow of a country's imports and exports. The U.S. trade deficit is primarily driven by macroeconomic factors such as the relative growth of the U.S. economy and the strength of the U.S. dollar.

The U.S. trade balance is mainly the result of macroeconomic factors.

- The strong growth of the U.S. economy coupled with weaker economies abroad has led to an increase in the U.S. trade deficit. The global financial crisis cut U.S. exports to South Korea, the ASEAN states and much of South America. Moreover, U.S. exports waned as a result of the recession in Japan and a period of slower growth in Europe. Consequently, this has resulted in a significant deterioration in foreign demand for U.S. goods and services.
- Appreciation of the U.S. dollar has increased the price of U.S. goods abroad and decreased the price of imports in the United States. *reflects in part capital inflows from foreign*
- Employment statistics refute the critic's argument that a rising trade deficit leads to lower employment. United States job creation has increased dramatically during the past decade and unemployment is near its lowest level since 1970. In 1970, trade as a percentage of GDP was 13 percent; now it is over 31 percent. *perhaps in most of the U.S.*

The benefits of trade agreements are far reaching.

- One of the main purposes of trade agreements is to stimulate growth in foreign countries so that these countries can provide a better market for U.S. goods.
- The strong growth of the Canadian and Mexican markets, facilitated in part by the NAFTA, should help bolster future demand for U.S. exports in these countries.
- Trade agreements foster higher-wage jobs, long term, sustainable growth and raising living standards both in the United States and abroad.
- Trade agreements promote the rule of law and strengthen the international marketplace.

Trade agreements benefit U.S. consumers.

- Although many often equate imports with "lost" jobs, the reality is usually much more complex.
- Imports supply critical inputs for many of the goods and services produced in the United States, including products destined for export, often making them more competitive in a global marketplace.
- Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically.
- More generally, imports provide consumers and businesses with a wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

WHAT IS THE ILO AND WHAT IS ITS RELEVANCE TO TRADE?

Addressing trade-related labor concerns is an important part of the international trade agenda

- President Bush has made clear that our commitment to open trade must be matched by a strong commitment to improving labor standards.

The International Labor Organization (ILO) has an important role to play.

- In this regard, the President has suggested strengthening and raising the profile of the International Labor Organization (ILO) as part of the effort the United States could undertake to promote the protection of children and adherence to core labor standards.

What is the International Labor Organization and how does it work?

- The ILO is an independent agency of the United Nations, based in Geneva, Switzerland with 174 member countries. It is unique in that it is the only international agency with a tripartite structure, composed of business, labor and government. The U.S. is represented at the ILO by the departments of Labor and State, the AFL-CIO and the U.S. Council for International Business. Among other objectives, the ILO's mandate is to promote fair trade among nations through adherence to basic labor standards (freedom of association; the right to organize and bargain collectively; nondiscrimination; abolition of forced and child labor).

Strengthening the ILO's ability to enforce existing standards.

- The President has suggested providing strong support for ILO efforts to foster member country adherence to core labor standards, such as the ILO Declaration on Fundamental Principles and Rights at Work and the new Convention on the Worst Forms of Child Labor. This could include improving the ILO's ability to monitor and hold member countries accountable for violations of core labor standards and encouraging joint work with the WTO and World Health Organization.

ILO is the most competent international organization to deal with trade and labor issues.

- Developed and developing countries agree. Accordingly, the ILO will play an increasing role in the debate about how to integrate social issues into the multilateral system. In 1996 the Singapore Ministerial called for greater cooperation between the ILO and the WTO. In Seattle, the U.S. put forward a proposal to create a working group in the WTO to examine the relationship between trade and labor and such issues as the use of positive trade policy incentives to encourage respect for core labor standards and the effects of derogation from national labor standards on international trade.

ILO is moving forward with new ideas.

- ILO Director-General Somavia wants to play a lead role in developing consensus on how trade and labor issues could be integrated in the globalization process. He has floated various ideas to strengthen ILO technical expertise, to foster high-level exchange and dialogue and to provide an integrated framework for greater policy coherence between the multilateral institutions. Employer and worker delegates were supportive of this approach in recent consultations.
- We're encouraged by Director General Somavia's recent efforts to strengthen ILO mechanisms so as to foster consensus on how to integrate trade and labor issues and to promote greater coordination with other international organizations.

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FOREIGN COMPETITION DOES NOT WAIT FOR U.S. LEADERSHIP

The United States is a party to just two of the estimated 130 free trade agreements (FTAs) in force world wide.

- The European Union has FTAs with 27 countries.
- Mexico has FTAs with 26 countries (in addition to NAFTA with the U.S. and Canada).

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for US businesses. Trade Promotion Authority (TPA) is needed because U.S. exporters and workers will gain considerably from negotiations to reduce market barriers.

- Restrictive import policies, exclusionary standards, anticompetitive government procurement rules, lack of intellectual property protection, and services barriers are tremendous obstacles to U.S. exports.
- Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

Without TPA, the United States will lose its role as a world leader in setting global trade policies and standards.

- Given the plethora of FTAs negotiated by our trading partners, the United States is facing the prospect of following precedence set by others.
- Not only is the influence of the United States being threatened on a global scale, but U.S. business decision makers may put more emphasis on foreign markets.
- Businesses may choose to move operations abroad to a country that has favorable trade agreements with foreign competitors.

Failure to secure TPA severely disadvantages U.S. trade negotiators and proves harmful to the economic livelihood of U.S. businesses.

- Trade Promotion Authority is essential to help place U.S. businesses, farmers, and workers in a position of equality with foreign rivals.
- In a sense, if TPA is not granted, the United States will inadvertently enable foreign barriers to U.S. exporters by not combating the obstacles through trade negotiations.

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WHY NAFTA HAS BEEN GOOD FOR AMERICA

The North American Free Trade Agreement (NAFTA) has produced a tremendous growth in trade for the United States and our two partners, Mexico and Canada

- With the advent of NAFTA, Mexico has grown to be our second largest trading partner, second only to Canada. Trade with our NAFTA partners is growing twice as fast as U.S. trade with the rest of the world and accounts for approximately one-third of all U.S. merchandise trade, exceeding trade with both the EU and Japan combined.
- We trade \$1.8 billion a day with our NAFTA partners -- that's \$1.2 million a minute. A staggering amount of trade by any estimation.

NAFTA works for U.S. companies and workers

- NAFTA has leveled the playing field for our exporters. Virtually all our exports enter Canada duty free. Two-thirds now enter Mexico duty-free - almost all manufactured exports will in be duty-free in 2003. (Prior to NAFTA, Mexican duties ranged up to 25 percent and were on average two and one-half times U.S. duties.)
- A key benefit has been NAFTA's help in offsetting the negative effect that the Asian financial crisis has had on the U.S. economy. Between 1997 and 2000, U.S. merchandise exports to other than NAFTA countries rose by just six percent. Meanwhile, U.S. sales to Canada increased 18 percent, and exports to Mexico surged by 56 percent.

The NAFTA has allowed U.S. industry to create productive partnerships, thereby increasing our global competitiveness.

- By reducing barriers and guaranteeing access, businesses have been freed to make decisions based on the most efficient use of resources. The NAFTA has fostered production sharing partnerships in which different parts of the manufacturing process are performed throughout the region, increasing the competitiveness of a number of sectors.

NAFTA and open trade have had real benefits for the average U.S. family

- NAFTA and the Uruguay Round have resulted in higher incomes and lower prices for goods -- benefits amounting to \$1300 to \$2000 a year for a family of four. Taxes on trade are a heavy burden on hard-working families.

The NAFTA has clearly transformed the relationship between the United States and Mexico.

- President Bush noted in a recent address "free trade brings greater political and personal freedom." As Mexico embraced the opening of its economic system under NAFTA, it opened politically as well. President Fox is the first president elected from the opposition in 71 years.

6

SERVICES NEGOTIATIONS AND U.S. SERVICES TRADE

The United States is the world's premier producer and exporter of services.

- Encompassing all economic activity other than agriculture, manufacturing, and mining, the service sector is the largest component of the U.S. economy, accounting for about 80 percent of GDP and private non-farm employment (a record 93 million jobs in 2000).
- The U.S. exported \$295 billion in services in 2000, compared to U.S. service imports of \$215 billion, leading to a \$80 billion trade surplus in services trade. This compared to U.S. exports of goods of \$773.3 billion in 2000 (double-check numbers).
- Services cover an enormous range of industries, including banking and insurance, travel, entertainment, legal and other business services, and professional services.

The United States is currently involved in major multilateral and bilateral trade negotiations which would benefit greatly from the Congress restoring President trade promotion authority.

- With trade promotion authority, our negotiating partners will know that the commitments made by the United States will be accepted or rejected by the Congress as a whole, and without amendments.
- Current negotiations that will benefit trade in services include the General Agreement on Trade in Services, the Free Trade Area of the Americas, the U.S.-Chile Free Trade Agreement, and the U.S.-Singapore Free Trade Agreement. (Any figures on what impact these negotiations could have for U.S. business - \$100 million increase in exports?)

TPA will ensure that American services exporters will have the opportunity to compete successfully in world markets.

- U.S. services compete successfully worldwide. Major markets for U.S. services exports include the European Union (\$93 billion in 2000 exports of U.S. commercial services), Japan (\$34 billion), and Canada (\$22 billion).
- At \$13 billion (1999), Mexico is currently the largest of the emerging markets for U.S. services exports.
- Numerous emerging markets around the world import over \$1 billion in U.S. services each year – Argentina, Bermuda, Brazil, Chile, and Venezuela in this hemisphere, and, in Asia, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand. In 1997, South Africa became the first country in Africa to import over \$1 billion per year in U.S. services.

7

WHY TRADE IS GOOD FOR AMERICA

The free exchange of goods and services creates jobs, raises incomes, sparks innovation, spreads technology, and stimulates opportunity, fresh ideas, and democratic values, both at home and abroad.

- **The U.S. economy now provides Americans with living standards that are higher than those in most other major industrial economies.** One out of every 14 workers in the U.S. business sector is supported by the sale of U.S.-produced goods and services in foreign markets. Since 1980, manufacturing exports alone have grown by nearly three and one-half times and the United States has been exporting six times more services. Roughly 1 in 5 factory jobs is due to exports. In 15 U.S. states, over 1/5 of manufacturing jobs depend on exports. Recent studies provide evidence of substantial wage advantages in jobs supported by goods exports, on the order of a 13-18 percent premium over the average earnings in the overall economy.
- **Trade has become increasingly important to the U.S. economy.** The United States is the world leader in exports, representing 12.7 percent of global trade. In 2000, exports were 11 percent of overall GDP, while imports were nearly 15 percent. Both ratios have increased from about four percent of GDP 40 years ago. In durable goods manufacturing, the presence of international trade is even more pronounced: durable goods exports accounted for about 31 percent of the sector's GDP and imports 45 percent.
- Exports support economic growth through jobs and international sales. During the last five years, exports of U.S. goods and services rose 40 percent. During this time, **export growth accounted for 18 percent of the growth in total GDP**, despite the fact that exports were only 11 percent of the economy.
- **While the manufacturing sector's share of U.S. GDP has shrunk from 25 percent to 16 percent since WWII, its international trade has grown markedly.** In 2000, manufactured goods accounted for just over 80 percent of the country's total trade (exports plus imports, including services). This ratio has increased over the past several decades.
- The decline in the importance of manufacturing in the nation's economy is a trend that can be found in most developed economies. As standards of living rise, demand by consumers shifts from products to services--education, entertainment, travel, financial and government services. At the same time, **world trade in manufactured goods is growing in importance.** The WTO reports that since 1950 the volume of manufactures trade has increased by a factor of 40.