

December 17, 2001

Ms. Gloria Blue
Executive Secretary, Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W., Room 122
Washington, D.C. 20508

RE: TIA Submission for the Annual National Trade Estimate Report

Dear Ms. Blue:

Thank you for providing the Telecommunications Industry Association (TIA) with an opportunity to participate in the development of the National Trade Estimate report by highlighting the trade concerns which affect our industry. Obtaining greater access in foreign telecommunications equipment markets is a key priority of TIA, and we and our more than 1,000 members from throughout the United States welcome this opportunity to identify barriers which skew the market unfairly and hinder the free flow of products in the global market.

We recognize that your request for comments included instructions to provide estimated increases in exports and the methodology used to make these estimates. We certainly believe that this is valuable information, however, we were unable to compute these figures in the relatively short time frame between the announcement of the draft National Trade Estimate (NTE) Report and the due date for comments. Nevertheless, we hope that the information we have provided below will be useful as you address trade issues of importance to TIA member companies.

Equipment Certification

One of the most challenging barriers facing our members in doing business in other countries is the difficulty in getting products approved or certified for sale and use in the marketplace. These testing requirements—which are often duplicative and, in many cases, unnecessary—increase the cost to users and delay the availability of products in a large number of markets. TIA has long supported the development of mutual recognition agreements (MRAs) for conformity assessment, whose purpose is to decrease costs and time delays in exporting, while ensuring safety and reliability to consumers. Over the longer term, we support manufacturers' self-testing and the acceptance of a Supplier's Declaration of Conformity as proof of compliance to technical regulatory requirements as a means of replacing the current patchwork of certification systems.

Import Duties

A key area of concern for TIA is the reduction of import tariffs. Import duties, like other market access barriers, distort trade flows and increase the costs to the economy at large. Because

telecommunications products enable the establishment of an infrastructure for overall economic growth, the cost to society is even greater.

A strong supporter of the original Information Technology Agreement (ITA), TIA has continued to advocate this valuable trade initiative by involving its members in the first review of the ITA—"ITA II." Unfortunately, because of persistent differences among a few key countries about the inclusion of certain additional products and product types (namely, consumer electronics), it is very unclear as to whether an expansion of ITA can actually be accomplished. This is a particularly acute problem because, without any changes to the current product list as it now exists, new products risk not being given tariff-free status, even though these new products clearly fall within the scope of the ITA. At this point, TIA believes that a more realistic alternative to ITA II may be for ITA signatories to agree to declare the ITA inclusive of all IT products while reserving the right to *exclude* particular products that are currently holding up the process. TIA urges the U.S. Government to continue to advocate for a solution to the current stalemate over ITA II.

TIA remains concerned that several major players in the global economy, WTO members in particular, have not joined the United States, the European Union, Japan, India and others in signing on to the ITA. Brazil and Argentina, which are WTO members and the largest, most developed economies in Latin America, continue to maintain their own high tariff rates while benefiting from the elimination of rates in other markets, taking advantage of the fact that the ITA is a voluntary agreement. Other Latin American countries not fitting that category have yet to sign on to the agreement as well, while small economies such as Panama, Costa Rica and El Salvador have. Given the importance of import duty elimination in the IT sector, the U.S. government should push for making the ITA binding for all WTO members.

Technology Neutrality in Licensing Commercial Wireless Networks

TIA has adopted a market-oriented policy position with respect to the standards and technology decisions made for the deployment of commercial wireless systems. TIA firmly believes that the decision regarding which standard/technology is to be used in a wireless network should be made exclusively by the operator of the network based completely on commercial considerations. TIA believes that governments and other non-commercial factors should not influence an operator's choice regarding which technology would best suit the needs of its customers. TIA is concerned that governmental interference in this process in markets around the world may greatly reduce the market opportunities for U.S. suppliers. TIA believes that given an open, competitive environment, U.S. suppliers will be able to compete successfully. However, if governments interfere and push operators into choosing a particular wireless technology, U.S. suppliers may be shut out of the market.

TIA urges the United States Trade Representative to actively engage countries around the world on this matter in a manner consistent with U.S. trade policy, which promotes U.S. exports and stimulates U.S. employment.

Market Access

With respect to market access, the countries of particular concern to TIA include those with large internal markets with specific policies in place that protect local telecommunications suppliers. These countries include Brazil, China, the European Union (EU), India, Indonesia, Japan, Korea, Mexico, Russia, Taiwan and Vietnam.

Brazil -- The Brazilian government's privatization of the former state-controlled telecommunications system in 1998 continues to present as many challenges for U.S. telecommunications equipment suppliers as it does opportunities. The independent regulator, ANATEL, is presiding over one of the largest telecommunications systems in the world and has begun some much-needed reforms. However, the Brazilian government continues to view imports of telecommunications equipment as a "problem" and has maintained a heavy regulatory involvement in both the provision of goods and services in the Brazilian market.

Also, TIA has long argued that government practices that require local content provisions, induce technology transfer, or force local investment in research and development may have the effect of distorting trade since these factors frequently act as a deterrent to companies wishing to enter the market. Unfortunately, Brazilian law continues to restrict the importation of high technology products through a variety of practices such as those noted above. It is significant that such rules remain in place but are enforced only selectively, and there seems to be no imminent change in these practices despite liberalization and privatization of the service sector.

To illustrate, the Brazilian government maintains a tax incentive program that heavily subsidizes locally made products. The government issued the Informatics Decree, which gives preference to local suppliers in public bids. The Informatics Decree also allows for an exemption from the federal tax on manufactured products (the Imposto Sobre Produtos Industrializados, or IPI), an income tax exemption for research and development expenses, and a tax reduction for firms acquiring stock in Brazilian-owned informatics firms. A national informatics council determines which locally assembled products are eligible for these benefits and incentives using an analysis of local value-added, quality and price compared with a competing imported good. Firms must spend a minimum of five percent of total sales on research and development and establish export programs and training programs for local staff to qualify for the income tax exemption. TIA believes these practices may make it more difficult for U.S. companies, especially small and medium-sized enterprises, to access the Brazilian market.

Another example of a government practice that distorts trade is exemplified in the Brazilian telecommunications law, which provides for discrimination against imported telecommunications equipment. In concession contracts which wireline operators were required to sign, there is an "equivalence" provision which mandates that service providers give preference to Brazilian products and/or "Brazilian technology" when making procurement decisions. Wireline operators are suing Anatel over these provisions, largely because they do not apply to their wireless competitors and because they force operators to reveal private business data. Additionally, Brazilian law requires public sector organizations (including privatized service providers) to "give preferential treatment to the acquisition of informatics and automation

products and services provided by Brazilian companies." If followed precisely (which is not always the case), the law establishes a three-step process which virtually guarantees that imported products competing with similar domestic products will be shut out of procurements based on a government-created index of values skewed towards domestically produced goods. These rules are particularly troubling in that their use is selective and targeted towards telecommunications products, rather than applied to all high technology imports.

Finally, TIA is mindful of the concern expressed by the Government of Brazil about the volume of imports of electronic components, especially for telecom. TIA hopes that this will not lead to further tariff barriers for components and further efforts to force companies to set up local operations.

China -- The U.S. business community applauds and welcomes China's WTO accession. China became a member of the Basic Telecom Agreement and its accompanying Reference Paper and Chairman's Note upon WTO accession on December 11, 2001, which includes such pro-competitive principles as cost-based pricing, interconnection rights and an independent regulatory authority. China has also agreed to a technology-neutral policy toward the provision of telecom services, allowing satellite, cable and other delivery means into China's telecom sector.

With regard to specific market access issues in China, TIA and its affiliate office in Beijing, the U.S. Information Technology Office (USITO), offer the following comments.

Provincial Telecom Regulators. In August 2000, China's Ministry of Information Industry (MII) established provincial-level independent telecom regulator offices, under the direct administration of MII in Beijing and with a "dotted line" relationship to the local provincial government. These independent regulators at the local level will have an important role to play in licensing of intra-provincial telecom services. While specific functions, responsibilities, staffing, and budgets still need to be worked out, these provincial regulators will face an enormous challenge in remaining totally neutral toward all carriers, both domestic and foreign, now that China has entered the WTO. The U.S. business community stands ready to help MII in building capacity at the local level for how an independent regulatory authority can best work to promote competition and maximum growth in the telecom sector.

Telecommunications Equipment, Standards, and Mutual Recognition Agreements (MRAs). Compared to the telecommunications services market, China's telecommunications equipment market is relatively open to foreign suppliers. However, Chinese government intervention in picking standards, technologies and even companies, retards the growth of China's telecom industry by offering cross-subsidies between successful and unsuccessful Chinese companies. TIA and USITO member companies believe it would benefit Chinese industry to purchase telecom equipment on the basis of functionality and cost requirements for any given project, rather than favoring domestic enterprises. In addition, "buy local" policies that treat joint ventures as completely foreign vendors serve only to discourage further foreign capital or technology investment in the country. Therefore, the new ministerial order on requesting and

tendering bids for telecom projects is a welcome development. It should be emphasized, though, that the establishment of an *independent* telecom regulatory agency means that the agency is independent from all telecom operators and manufacturers and therefore does not intervene to influence purchasing decisions. Procurement by the government should be governed by transparent, fair and open standards, and business purchasing decisions should be made on the principle of “government-enterprise separation” that has been implemented so thoroughly already in China over recent years.

Chinese regulatory officials have on occasion advised foreign equipment suppliers that they need to transfer technology, establish a joint venture with a local partner, and/or establish manufacturing facilities if they wish to supply equipment to China for certain new telecommunications services. These informal requirements serve as administrative barriers to trade and are outside the legal standing of these agencies.

China's standards and certification processes concern U.S. companies in the telecommunications industry. While regulators have a legitimate interest in ensuring product quality, safety and compliance to standards, foreign companies need to clearly understand how the standards are set, what they are and which government entity has final certification authority.

The October consolidation of standards responsibilities was a welcomed and overdue action. The State Commission for Administration of Standardization, also called the State Standardization Administration, was designed by the State Council to provide unified leadership over standardization work in the country. The new organization is authorized to excise administrative functions and take charge of the country's administration of standardization work. It will also be responsible for drafting and revising national standards for products. Standardization, which was previously administered by the former state quality and technical supervision bureau, has become an increasingly important role as China has been expanding the market economy in depth and as its admittance into the WTO has approached.

Moreover, U.S. companies look forward to implementation of the APEC Mutual Recognition Arrangement (MRA), which China endorsed in June 1998, and urge implementation of the arrangement's Phase I and Phase II procedures at the earliest date possible. That agreement ensures automatic approval of imported telecommunication equipment already tested or certified in the exporting country.

In addition, standards work should be made more transparent in order to welcome foreign expertise and participation in the drafting of China's national standards. Foreign manufacturers should be eligible to participate as full and not just correspondence members in national standards bodies, and should also stand ready to help China integrate its standards-setting work more closely with international and overseas standards-setting institutions. Government influencing carriers' decisions in this regard will only lead to inefficiencies, subsidies and potential disputes, thereby further retarding the growth of China's telecom sector.

Transparency. MII has made great strides in introducing greater transparency into its proceedings over recent years. However, many foreign telecom companies remain confused as to current regulations on many issues, a situation compounded by the fact that the telecom

industry is evolving so quickly. The U.S. business community urges MII to either update its outdated Website, www.mii.gov.cn, or to adopt a centrally unified publication – either online or in print – to provide all former, current and forthcoming regulations in a timely manner to domestic and overseas companies. Experience in other countries has shown that a public comment period or consultations with industry can lead to a more satisfactory regulation from the outset, serving both regulatory, technological and business needs from the outset rather than needing to be issued on a trial basis and then working through the problems in practice.

Translation of documents is also a major problem in terms of transparency. China's entry into the WTO is a major step forward, but China's translation of documents needs to happen faster than it currently occurs. China's recent efforts in this regard are recognized as a good start, but in the grand scheme of WTO membership are still inadequate with much room for improvement.

Information Technology Agreement (ITA). The U.S. business community welcomes China's commitment to sign the Information Technology Agreement (ITA) as part of China's entry into the WTO. The question is over China's implementation. The United States government should work with industry to monitor closely whether or not China actually adheres to this schedule, once China officially joins the WTO.

European Union --

General Concern on Implementation Hindering Access. The exporters to the EU mainly face continued issues related to the implementation of existing EU legislation in the EU Member States, leading to continued discrimination against foreign suppliers of telecommunication equipment. However, TIA applauds the European Parliament's passage of the draft Telecom Framework on December 12, 2001, which consists of five proposed draft directives (the draft Framework Directive, draft directives on authorizations, access and interconnection, universal service and users' rights) and a draft Commission decision on a regulatory framework for radio spectrum. While we are concerned about the prospect of over-regulation of the telecom industry and we believe that the implementation of these draft directives must be monitored, we nevertheless, believe that the passage of this package of draft telecom directives, in principal, reflects a positive step within the Union. The U.S. government, however, should encourage the EU to pursue the opening of markets where incumbents are still retaining a "quasi" monopoly on the market.

Telecom Data Privacy. On December 12, 2001, the European Parliament agreed to remove the draft directive on data protection from the Telecom Package that was approved that same day. This was due to the inability of the European Council and Parliament to reach a common position on the directive. Thus, while not part of the current package, the possibility exists that the issue will be addressed again in early 2002. Because recent terrorist events have led to increased sensitivity about the scope and the implementation of data privacy, the U.S. government should continue its dialogue with the EU on this issue.

Waste from Electrical and Electronic Equipment. Another potential trade barrier that merits U.S. attention is the EU's work on a draft directive on waste from electrical and electronic equipment

(WEEE). This directive, if adopted, would regulate the content of electronics, require additional product marking and material labeling coding, impose take-back obligations on distributors and producers, and result in extensive annual reporting by manufacturers. The draft directive would preclude the use of some materials, and would likely result in the adoption of technical standards that affect the kinds of materials that manufacturers can use in products, as well as product design. This far-reaching proposed directive goes well beyond its environmental intent and has the potential to impose significant trade barriers, without promoting enhanced environmental protection. The current timetable foresees adoption by the EU Council in the so-called Conciliation Procedure with the European Parliament during the second half of 2002. The United States government should do every thing in its power to urge the EC to reconsider issuing the draft directive as a formal proposal to the Council and Parliament.

New EU Members. TIA encourages the U.S. government to monitor closely the possible discriminatory effects of association agreements between the EU and those countries that are preparing to become members of the European Union. TIA maintains that member companies should not be subject to new discriminatory treatment as a result of these agreements, where this discriminatory treatment had not existed before. The recent pronouncement of a wave of 10-12 new entrants to the EU will require close scrutiny of the issues TIA reported on in last year's NTE submission (*A decision is expected this week*). In addition, however, TIA believes that the U.S. Government should actively negotiate with non-ITA countries that are potential EU members to achieve tariff concessions.

India -- India maintains a variety of additional charges on imports, described as the equivalent of domestic taxes on local goods (the so-called countervailing duties), further raising the cost of imports as they enter the stream of domestic commerce.

Budget 2000 reduced the import duty on mobile handsets from 25% to 5% but left the countervailing duty (CVD) unchanged at 16%. At present total customs duty rate on mobile phones is 26.67% (including basic import duty of 5%, CVD of 16% and special additional duty of 4%). This high duty has encouraged smuggling of handsets in India. It is estimated that more than 80% handsets are bought from the gray market.

Duties on basic telecom infrastructure equipment remain extremely high -- 53.82% (basic duty 25% plus CVD, surcharge and special duty). In Internet service, most of the items are exempted, except a few, on which the duty is about 21.8%.

TIA would like to see both the CVD and special duty removed or significantly reduced in order to lower the cost of imports. Import duties for telecommunications equipment overall remain extremely high and act as a barrier to trade.

Mexico -- *Conformity Assessment.* Mexico was required under its NAFTA obligations starting January 1, 1998 to recognize conformity assessment bodies in the U.S and Canada under terms no less favorable than those applied to Mexican conformity assessment bodies. Mexico has indicated that it is willing to conform to these obligations only when the Government of Mexico determines that there is additional capacity needed in conformity assessment services. So far no

U.S. or Canadian conformity assessment bodies have been recognized by Mexico for most products that are exported from the U.S. and Canada to Mexico, which need conformity assessment. This procedure does not meet the intent of Mexico's NAFTA obligations, continues to protect their conformity assessment bodies and Mexican manufacturers from fair competition from U.S. and Canadian exports into Mexico.

Both the U.S. and Canada have been openly recognizing each other's conformity assessment bodies under the same NAFTA provisions for many years. This has promoted U.S. - Canadian trade by reducing the burden on exports from each other's markets while meeting the confidence needs of the regulators and the market by allowing manufacturers to attain needed conformity assessments locally that provide market access for both the U.S. and Canada.

Russia -- U.S. firms in Russia point to licensing and certification as an area of concern. The issue is under debate in the Russian government. Foreign companies complain of obscure standards and compliance processes, unreasonably high demands, and excessive costs of certification testing. The Russian government is also under pressure to harmonize existing Russian standards with international standards so that Russia can gain access to the World Trade Organization.

Improvement of the system is likely in coming years partly resulting from dialog between international business and the Russian government and scientific personnel. The Russian government and people feel a need for government protection of public and consumer safety. However, sufficient funding and oversight is necessary to achieve results acceptable to the Russian public and to keep Russia open to the benefits of trade and new technology.

Certification of Telecommunications Equipment. The Russian Ministry of Communications and Informatization (Ministry) continues to employ a long and costly process for certifying telecommunications equipment for domestic use. U.S. companies are frustrated by delays, which cost millions of dollars in time spent obtaining certificates, hiring additional human resources to complete the certification process, and paying fees to commercial entities licensed by the Ministry to conduct certification. In general, the certification process is lengthy, inefficient, expensive and non-transparent.

In addition, current certification regulations do not reflect market dynamics. In many cases, because the regulations are onerous and outdated, they are the primary cause of 'gray imports', thus causing the State to lose considerable revenues from the lack of customs tax collection. As a result, the State budget seldom benefits from the hundreds of millions of dollars importers spend on certification. In addition, there is little transparency in the cost structure of the certification process, including those charges to importers that are mandated by private test centers.

The result of the system's inefficiencies is that U.S. companies are left no choice but to negotiate independent arrangements with specific certification centers of the Ministry of Communications and GosStandardt, Russia's standards setting body. Moreover, the lack of transparency worries many American companies that have strong reason to believe that Russian firms and foreign

competitors are not subject to the same fees and processes for similar services. Russia's Ministry of Communications needs to harmonize its equipment certification procedures with international and WTO telecommunications principles. U.S. manufacturers do not consider cosmetic changes to Russian certification regulations as sufficient harmonization with worldwide practices and norms.

Restrictions on Foreign Ownership. According to the Russian Ministry of Communications and Informatization's recently released "Concept of the Development of Russian Telecommunications," which outlines a ten-year blueprint for the development of Russia's telecommunications industry, the Ministry can "impose restrictions on direct access by foreign entities to the Russian telecommunications services market and restrict (foreign entities') direct and indirect majority ownership in Russian telecommunications companies." While Ministry officials appear to have softened their public remarks on the restrictions since the document was released in December, this is troubling to companies that may wish to enter Russia's telecommunications services market in the future. It is also questionable as to whether or not such a restriction is compliant with the WTO Basic Telecommunications Services Agreement.

Moreover, in some cases there appears to be increasing pressure from both government-controlled and private Russian telecommunications firms on some U.S. companies to relinquish their management control and/or pull out of telecommunications ventures altogether. In addition, in some cases, the Ministry and Russia's judicial system do not treat U.S. investors equally with domestic competitors in the case of disputes.

We urge the Russian government to treat foreign companies equally with Russian companies in practice and under the law. We also urge the U.S. government to oppose limits on foreign participation in the Russian telecommunications services market because the limitations negatively affect the ability of U.S. companies to sell more equipment and services to those companies.

Lack of Transparency in Licensing. The lack of transparency and high level of bureaucracy in Russia's telecommunications equipment licensing practices are areas of serious concern to our member companies. For example, the procedures for officially importing radio emitting devices are time consuming and non-transparent. This is because current regulations require that, prior to obtaining a license to import such devices, importers must obtain from Russia's Ministry of Defense confirmation that the devices cannot be used for military purposes. The process can last at least two months and cost at least 10 percent of the invoice value of the device, on top of other fees. We believe that processes such as this should be streamlined and made more transparent.

On a positive note, Minister Reiman recently said that the Ministry of Communications and Informatization is planning to change its current licensing policy and develop regulations identifying the number of licenses that will be granted through competitive tenders in specific regions. We are supportive of this change, but we believe that future discussions of Russia's evolving telecommunications market should involve both the public and private sectors, including domestic and foreign companies. We also believe that clarifying and streamlining Russia's licensing procedures will improve industry attractiveness to foreign and domestic investment. However, more should be done to promote transparency and the timely distribution

of equipment licenses in Russia to encourage market competition and equal treatment among domestic and foreign manufacturers.

Mobile/Wireless Technologies. TIA supports standards development and deployment processes that are open, transparent, non-discriminatory and driven by commercial interests. We urge the Russian government to adopt a technology-neutral approach toward wireless and other technologies and allow private industry its choice to determine which technologies to employ in their networks.

Taiwan -- The government procurement system has improved, but problems remain in implementation, and government agencies remain easily influenced by local commercial interests. Further effort is required to ensure transparent and fair treatment.

Taiwan's accession to the WTO is a significant step and a most welcome achievement. However, it is TIA's understanding that Taiwan is not yet a signatory to the Agreement on Government Procurement (GPA), but has indicated its intentions to become a member in the near future. TIA hopes to see Taiwan follow through with its promise of GPA membership and adherence to the agreements procedures, which should improve transparency and fair treatment.

Indonesia -- *Value Added Tax on Luxury Goods.* The government of Indonesia has imposed a new luxury tax ranging between 10 and 75 percent on 41 groups of items as part of the government's effort to meet the state income target this year and to cover its budget deficit. Within this, a 20 percent luxury tax was imposed on mobile communications equipment and other IT-related equipment. This tax is significantly impacting companies operating in the Indonesian market, by decreasing sales of these affected products and services.

Japan -- TIA recognizes that the 1999 U.S.- Japan NTT Agreement expired July 1, 2001, as defined in the agreement. However, this recognition of the Agreement's expiration does not translate into overall satisfaction with NTT's procurement practices.

While TIA acknowledges that U.S. suppliers selling to NTT have seen increased sales in certain areas since the 1999 agreement, the results do not equal the level of increased sales U.S. companies have seen for their equipment in the Japanese private market or other regions of the world.

U.S. companies, world leaders in the new technologies in demand worldwide, are well positioned to increase their sales to the NTT successor companies. Because the NTT successor companies procure over \$10 billion in equipment and services annually and plan to increase procurement of data- and Internet-related technologies, an area in which U.S. companies are particularly strong, improved access to the NTT market should result in significant new opportunities for U.S. firms.

While Japan has made positive deregulatory steps, much remains to be accomplished in the telecommunications sector. Over-regulation of new entrants and weak controls over dominant

carrier NTT have stifled competition in Japan's telecom market, deprived the Japanese economy of the benefits of innovative products/services and low prices, slowed growth in Japan's information infrastructure and limited access of competitive U.S. companies.

Given the global competitiveness of U.S. telecom suppliers, TIA hopes to see continued increases in foreign sales and market share in Japan following the agreement's expiration. TIA encourages USTR to continue with its efforts in urging Japan to take additional steps to open and deregulate its market.

Korea -- The Korean Government has taken an active role in determining the standards for third generation (3G) wireless services. In 2000, it announced that it would issue three licenses, one for the U.S.-developed cdma-2000 technology, one for the EU-developed W-CDMA technology, and one in which the operator would be free to choose the technology. Three companies submitted qualified bids for licenses using W-CDMA technology and, in December 2000, the top two were awarded licenses (one for the W-CDMA mandated license and one for the free choice license). One company submitted a bid for the cdma-2000 license, but it was judged not qualified. The Korean government plans to re-tender the cdma-2000 license. The U.S. government has urged Korea to allow all licensees to choose their own technology.

TIA supports an open market policy with respect to the standards and technology decisions made for the deployment of commercial wireless systems. We believe that governments or other non-commercial factors should not influence an operator's choice regarding which technology would best suit the needs of its customers.

A number of TIA members have raised concerns about the process for awarding 3rd Generation (3G) wireless licenses in Korea vis-à-vis the TIA and U.S. government positions of technology neutrality noted above. Although it would allow all 3G standards to compete in the market, TIA is concerned by the Korean government's attempt to mandate a specific technology in one of the three networks to be licensed. We are also troubled by reports that the Korean government will reduce the fee for the license using the technology it has mandated and provide other benefits that will not be given to the two additional 3G operators. Finally, there is a concern among some members that the Korean government's action may be a government subsidy of one technology over another in violation of WTO rules.

Vietnam -- Both the U.S. and Vietnam have approved and ratified the historic Vietnam-U.S. trade agreement. The two countries will now exchange diplomatic notes stating that all legal proceedings have been carried out and setting a date for the start of implementation. That date is anticipated to be January 1, 2002. At the time the Agreement takes effect the tariffs rates are then adjusted to column one status, which is the favorable tariff rate applied to most favored nations, such as Europe, Japan and other WTO members.

Vietnam's National Assembly instructed the government to take steps to tighten observance of intellectual property rights, a key requirement of the trade agreement, and admitted that implementation of existing laws was a problem.

Because many of the issues addressed in the comprehensive agreement address complex parts of Vietnam's governing structure, they will take time to implement and resolve. Vietnam is currently pursuing membership in the World Trade Organization (WTO), and many resolutions reached in this bilateral agreement with the U.S. will be indications of strong progress toward Vietnam's eventual WTO accession. Based on the commitments in the bilateral trade agreement, Vietnam will allow for market access for trade in services, including telecommunications.

The two sides agreed that the Telecommunications Reference Paper to the WTO Agreement on Trade in Services (GATS) will be adopted into the Agreement. This means that Vietnam agrees to adopt broad guiding principles addressing technology neutrality, interconnection, creation of an independent regulatory authority and other issues. TIA encourages this move, and will support USTR's efforts in the future to ensure that all these measures are implemented to the fullest.

Summary

In summary, while we are greatly encouraged by political and economic developments throughout the world that are creating unprecedented opportunity for U.S. telecommunications suppliers, we find there are a number of barriers in a variety of countries that continue to hamper the free flow of equipment. Amidst calls from some regions for continued government intervention and even, in the case of the Internet, new government regulation, we believe it is important for our trading partners to understand that this is the wrong way to foster a global communications infrastructure. Indeed, the United States has fostered the most advanced, competitive telecommunications equipment industry in the world, precisely through increased competition and reduced direct regulation. It is therefore critical that the U.S. public and private sectors continue to work together to eliminate foreign trade barriers in order to foster the growth of the global communications market.

If you have any questions related to this submission or if there are other ways we can assist you, please do not hesitate to contact Mr. Jason Leuck of my staff at (202) 383-1493.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew J. Flanigan". The signature is written in a cursive style with a large, stylized initial "M".

Matthew J. Flanigan
President