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**HAND DELIVERY**

May 10, 2001

Ms. Gloria Blue  
Executive Secretary  
Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street, NW, Room 122  
Washington, DC 20508

Re: Comments Concerning U.S. Preparations for the Fourth WTO Ministerial Conference  
(66 Fed. Reg. 18142-43)

Dear Ms. Blue:

I am writing on behalf of United Technologies Corporation ("UTC") in response to the April 5, 2001, request for public comment regarding U.S. objectives and preparations for the upcoming meeting of the World Trade Organization ("WTO"). As stated in the request, the Office of the U.S. Trade Representative ("USTR") is seeking comment as part of its efforts to develop proposals and positions for the Fourth Ministerial Conference to be held in Doha, Qatar, on November 9-13, 2001.

UTC strongly supports the launch of a new WTO negotiating round that further opens and expands international trade and investment opportunities for American businesses and workers. Our comments encompass a range of issues with respect to the scope and content of the WTO's forward work agenda, and include observations on the implementation of existing agreements and work programs. The subject matter covered below includes industrial market access, aircraft negotiating objectives, including close monitoring and aggressive enforcement of multilateral subsidy disciplines, government procurement practices, customs valuation and trade facilitation, intellectual property protection, dispute settlement, and negotiations on trade and investment.

**UTC Background**

UTC is a global, diversified corporation based in Hartford, Connecticut. UTC posted revenues of \$26.6 billion in 2000, with more than half of revenues generated outside the United States, and employs 154,000 people at 2,000 locations in over 220 countries. UTC supplies a broad range of high technology products and support services to the building systems, transportation, power generation and aerospace industries. UTC's companies are industry leaders, and its best known products include Pratt & Whitney aircraft engines, space propulsion systems and industrial gas turbines, Carrier heating, air conditioning and refrigeration systems, Otis elevators, escalators and people movers, Sikorsky helicopters, Hamilton Sundstrand aerospace and industrial systems, and International Fuel Cells power systems.

## WTO Negotiations

### 1. Industrial Market Access

As in the Uruguay Round negotiations, the U.S. government should aggressively promote further reductions in industrial tariffs worldwide. Tariffs continue to restrict UTC's trade flows in many regions, and in certain instances pose significant barriers to the efficient operation of UTC facilities located overseas. In many developing countries, tariff rates on industrial goods remain very high. In cases where tariff rates are relatively low, their mere presence generates delays in customs clearance and other administrative costs that hamper efficient and timely trade (so-called "nuisance tariffs"). The U.S. government should encourage zero-for-zero tariff initiatives, and seek to expand the number of countries and product sectors subject to reciprocal tariff elimination. The elimination of tariff peaks and nuisance tariffs should also be a priority for a new negotiating round.

### 2. Aircraft Negotiating Objectives

United States negotiating objectives on civil aircraft were the subject of explicit agreement between the Congress and the Executive Branch. This agreement was incorporated into statute with the full support of the U.S. aerospace industry in section 135 of the Uruguay Round Agreements Act ("URAA"). UTC strongly supports continued U.S. adherence to the statutory civil aircraft negotiating objectives as set forth in the URAA, in particular the unambiguous preservation of rights and obligations concerning foreign subsidies to civil aircraft products under the WTO Agreement on Subsidies and Countervailing Measures ("SCM Agreement").

UTC supports the following principal negotiating objectives regarding trade in civil aircraft, as set forth in greater detail in Section 135(c) of the URAA:

- to obtain competitive opportunities for U.S. exports;
- to obtain the reduction or elimination of specific tariff and non-tariff barriers;
- to maintain disciplines on foreign subsidy practices;
- to maintain the scope and coverage on indirect support in the U.S.-EC bilateral agreement on large civil aircraft; and
- to obtain greater transparency with respect to foreign subsidy programs.

URAA Section 135 clearly states the objective of maintaining disciplines on civil aircraft subsidies under the SCM Agreement. The Statement of Administrative Action reinforces this objective, stating that the United States "will seek to ensure that full application of the Uruguay Round Agreement on Subsidies and Countervailing Measures is maintained and that any renegotiation of the 1979 Agreement on Trade in Civil Aircraft fully preserves such application." Consistent with these statements, we urge the U.S. government to oppose any efforts to weaken subsidy disciplines on civil aircraft.

### 3. Agreement on Transparency in Government Procurement

UTC continues to support the goal of achieving a WTO Agreement on Transparency in Government Procurement, and commends U.S. proposals on technical assistance and implementation before the WTO Working Group on Transparency. UTC companies regularly participate in government

procurement competitions in all regions of the world. An agreement on transparency and due process in government procurement practices would help create a more stable and predictable environment for UTC and other private sector suppliers as well as for the government customers. Such agreement would also help curtail irregular and anti-competitive practices in the \$3.0 trillion plus government procurement market.

To ensure that government procurement decisions are based on the merits, according to clear rules and procedures, any transparency-agreement should include the following elements:

- publication of all laws and regulations setting forth procurement policies and procedures;
- publication of information on procurement opportunities;
- dissemination of qualification criteria and procedures to all interested suppliers;
- dissemination of technical requirements or other bid evaluation criteria to interested suppliers;
- disclosure of information on contract awards;
- establishment of transparent and accessible bid challenge procedures;

Furthermore, complaints falling within the scope of the transparency agreement must be subject to the WTO Dispute Settlement Understanding.

These fundamental principles of due process and good governance – enforceable through WTO dispute resolution procedures – would yield benefits to both potential bidders and government customers. Likely benefits include increased competition in government procurement markets, lower cost and higher quality products, enhanced confidence and public trust, and increased foreign investment and export opportunities for U.S. companies.

#### 4. Revision and Expansion of Government Procurement Agreement (GPA)

Building on the transparency concepts noted above and negotiations held under Article XXIV:7, the U.S. government should continue to pursue broader changes to the scope and coverage of the GPA within the WTO Committee on Government Procurement. Future negotiations on changes to the GPA should focus not only on simplifying and improving the provisions of the agreement, but also on expanding the scope of the agreement to eliminate discriminatory measures and promoting greater participation by WTO member countries. In addition, we encourage the U.S. government to continue to push for GPA accession as one of its principal objectives for WTO accession negotiations.

Expanded membership in the GPA would produce the greatest progress towards elimination of discriminatory measures and practices that distort procurement decisions in many countries. In particular, the elimination of local content rules and requirements to procure local goods and services as required by the agreement would improve UTC competitiveness in procurement competitions. Local content and purchase requirements increase foreign government procurement costs, and foster unhealthy and uneconomic industries that often must rely on government subsidies to survive. The elimination of preferences for local products would enhance competition, reduce costs, and improve supply availability.

With regard to changes to the GPA provisions, UTC believes the following areas should be taken into consideration: (i) increased use of information technologies and electronic communications in procurement processes; (ii) privatization of covered entities and development of rules for determining

government control of newly-privatized entities; (iii) expansion of entity coverage to capture a wider range of subcentral procuring authorities; (iv) simplification of statistical reporting; and (v) greater use of monitoring procedures to ensure the availability and effectiveness of domestic relief mechanisms.

5. Customs Valuation and Trade Facilitation

Implementation by all WTO members of the Agreement on Customs Valuation should continue to be a priority for the United States. The valuation disciplines set forth in the agreement are vital to proper functioning of the international trading system, and bear a direct relation to the value of bound tariff commitments and attendant costs associated with UTC's cross-border shipments. UTC firmly believes the international standardization of customs valuation principles, and elimination of arbitrary and inequitable valuation practices (e.g., uplifts, reference prices, minimum values, etc.), will greatly facilitate trade and investment worldwide. In addition, UTC supports the U.S. government's pursuit of a general trade facilitation negotiation and work program – particularly with regard to improving the efficiency and transparency of border transactions – as part of any new round.

An area of particular concern to UTC is the increasing reliance by countries on private pre-shipment inspection (PSI) companies to perform customs clearance and duty collection functions. UTC companies have experienced serious trade disruptions based on valuation abuses by PSI firms, the most recent example of which involves the Philippines. In the 1999 National Trade Estimate Report on Foreign Trade Barriers, USTR identified PSI as a significant barrier to market access in the Philippines and characterized the actions of the private PSI entity operating there as import harassment.

Objectionable PSI practices include the increase of import values through arbitrary changes in valuation bases, as well as the complete lack of a transparent and objective appeals process for importers and exporters. In addition, the compensation arrangements with PSI entities and the presence of representatives of the private entity on appellate bodies perpetuate an unacceptable and inappropriate conflict of interest. In this connection, UTC applauds the report and recommendations adopted by the working party on preshipment inspection, and supports continued work in the Committee on Customs Valuation to encourage implementation and observance of the recommendations as an adjunct to the WTO Agreement on Preshipment Inspection.

6. Intellectual Property Rights

UTC urges the U.S. government to maintain as a primary objective the full and effective implementation of members' commitments under the Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). TRIPS sets forth norms for international harmonization of intellectual property rights in a technology neutral fashion, and the U.S. should oppose any attempts to rollback commitments or timetables under the agreement. Given the record of continuing problems associated with achieving TRIPS compliance around the world, UTC believes that any consideration of new IPR norms should be postponed so as not to interfere with the primary goal of securing full compliance with existing commitments.

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7. Dispute Settlement

UTC supports procedural changes to improve transparency and understanding of the WTO dispute settlement process. In particular, the timely derestriction and public release of submissions to and reports of panels and the Appellate Body will lead to greater confidence in the dispute settlement process. We also support the principle that dispute settlement panels and the Appellate Body have discretion to accept written materials from non-governmental parties and organizations.

8. Trade and Investment

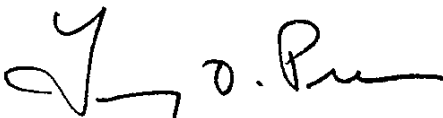
As a major source of U.S. direct investment overseas, UTC supports the development of legally binding bilateral and multilateral rules that establish the highest standards for liberalized treatment and full protection of international investment. A comprehensive, global regime for investment would lower risk, enhance certainty, and increase efficiency in the allocation of investment resources.

UTC favors a multi-dimensional approach towards global investment liberalization and protection, including bilaterally through investment protection treaties and multilaterally through strengthening and/or expanding WTO agreements and rules pertaining to investment. Existing WTO investment rules, as embodied in the Agreement on Trade-Related Investment Measures (TRIMs) and certain GATS provisions, are limited in scope and do not cover a broad enough range of cross-border investment. In this connection, we support increased technical work on investment within the WTO as well as other multilateral bodies as appropriate, such as the OECD and UNCTAD. By proceeding on as many fronts as possible, the U.S. government can best promote meaningful progress in the area of investment.

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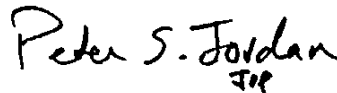
UTC appreciates the opportunity to present its views to USTR on the agenda for the upcoming Fourth WTO Ministerial Conference. For additional information, please contact Jeremy O. Preiss at (202) 336-7428 or Peter S. Jordan at (202) 336-7467.

Sincerely,



Jeremy O. Preiss  
Chief International Trade Counsel  
United Technologies Corporation

Sincerely,



Peter S. Jordan  
Deputy International Trade Counsel  
United Technologies Corporation