

EXECUTIVE OFFICE OF THE PRESIDENT  
THE UNITED STATES TRADE REPRESENTATIVE  
WASHINGTON, D.C. 20508

OCT 17 2001

The Honorable Thomas J. Vilsack  
Office of the Governor  
State Capitol  
Des Moines, IA 50319

Dear Governor Vilsack:

Thank you for your letter urging the United States to exempt Iowa from a broad range of service sector commitments applicable to your state under the WTO General Agreement on Trade in Services (GATS) and to exclude Iowa from any further commitments under that agreement.

As you may know, the WTO negotiations under the Doha Development Agenda were suspended in July. As a result, the deadlines mentioned in your letter for revised offers and closing the negotiations are no longer applicable. Nevertheless, I still believe it is important to respond directly to your concerns.

In requesting the exclusion of Iowa from GATS commitments, you assert that the GATS threatens Iowa's ability to regulate insurance, healthcare, construction, engineering, and distribution services in the public interest. This is simply not the case. Moreover, if the United States were to seek to renege on longstanding, internationally agreed services rules and commitments that apply to your state, it would risk sending the signal that Iowa no longer welcomes foreign trade and investment. I am confident that is not a message you wish to convey.

The GATS has been in place for more than ten years, as have the U.S. GATS commitments with respect to Iowa that you urge me to withdraw. In that entire period, not one WTO member has brought a complaint against any Iowa law or regulation across the list of services sectors that you would like to see exempted. Indeed, as far as I know, no WTO member has voiced any concern about any measure Iowa has adopted, or has considered adopting, to regulate those sectors. Nor does your letter mention any instance in which Iowa has felt compelled to change or withdraw a regulatory measure in any service sector out of deference to the GATS.

Thus, far from preventing Iowa from regulating services for the public good, the GATS has imposed no demonstrable restraint on your state's ability to regulate in the public interest.

It took years of hard work under both Democratic and Republican administrations for the United States to convince governments around the globe to begin leveling the trade playing field for American services workers and companies, the most competitive in the world. Many Iowa companies and their employees directly benefit from this effort, including in key high-wage sectors like financial services.

The Honorable Thomas J. Vilsack  
Page Two

The GATS calls for WTO members to open their services markets to foreign suppliers and to afford them the same non-discriminatory treatment as local firms. The United States was, and is, a clear winner under the agreement. Most of our services markets have long been open to foreign firms, unlike the case abroad.

At the heart of the international trading rules that the GATS establishes is the principle of non-discrimination. The GATS commits WTO members to give equally favorable treatment to foreign and domestic service firms in the sectors in which they undertake commitments.

If the United States were to withdraw its GATS commitments as they apply to Iowa, this would communicate to the world that Iowa is no longer prepared to provide non-discriminatory treatment to foreign firms across a wide range of services sectors. It would be hard to convince our trading partners otherwise given Iowa's experience under the GATS over the past decade. Moreover, it would be difficult to explain why Iowa perceives a need to discriminate against foreign services companies, which support some 18,000 jobs in your state, in order to carry out the state's public policy initiatives.

While the GATS includes a mechanism that authorizes any participating government that can no longer meet a specific services commitment to withdraw it, there is no reason to believe that Iowa's laws and regulations governing services are not fully compatible with U.S. commitments. Therefore, I see no reason to invoke that provision. Moreover, unless the United States were to provide offsetting market-opening services commitments that our trading partners found to be adequate – and I note that your letter offers none that Iowa is prepared to provide – other governments would be free to withdraw GATS commitments of their own. The impact of those withdrawals would not necessarily fall on Iowa alone. I am sure you understand that as United States Trade Representative I must consider the interests of our nation as a whole.

In addition, you will be pleased to know that the concern expressed in your letter that the GATS could preclude local regulators from enforcing local zoning and land-use regulations is also without foundation. As a recent WTO publication addressing myths and facts about the GATS states: "Foreign suppliers operating on the basis of a market-access commitment are subject to exactly the same domestic regulations as national suppliers; they have no right to exemption from planning or zoning rules, or any other kind of regulation."

With respect to your concern regarding public libraries, given the pervasiveness of government support for public libraries around the world, it is highly unlikely that public support for libraries would ever come into question. Moreover, the GATS contains no provisions limiting the ability of federal, state, or local governments to provide funding to public libraries.


You also ask for Iowa to be exempted from the services offer that U.S. negotiators have tabled in the GATS negotiations currently under way. However, the current U.S. offer does not call for

The Honorable Thomas J. Vilsack  
Page Three

Iowa to make any changes in the way it regulates services. There is no basis for the view that the proposed new GATS commitments will impede Iowa from regulating services in the public interest or developing innovative public policy.

In closing, I share your interest in enhancing federal-state collaboration on trade matters. We welcome the opportunity to collaborate further and appreciate your attention to these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan C. Schwab". The signature is written in a cursive style with a large initial "S" and a prominent "C".

Susan C. Schwab