



**TRADE POLICY REVIEW**

REPORT BY

THE UNITED STATES

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the United States is attached.

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## 1 THE UNITED STATES IN THE GLOBAL TRADING SYSTEM

1.1. As the United States Government undergoes its thirteenth Trade Policy Review—more than any other WTO Member—the United States remains committed to an ambitious trade and investment strategy to create and sustain jobs and promote economic growth and development. Recognizing that trade has made and continues to make a powerful contribution in expanding the global economy, the United States aims to create momentum for market-opening measures that increase economic opportunities and support jobs through exports by encouraging a strong rules-based international trading system, and bolstering international trade relationships.

1.2. The WTO has long been a vital aspect of the United States' trade and investment policy, given its important function in setting the rules that govern the global trading system. The WTO provides opportunities to further liberalize global trade, strengthen the multilateral rules-based trading system, enforce global trade rules, and serve as an important bulwark against protectionism.

1.3. In addition to supporting the expansion of WTO Membership and playing a proactive role in market-opening negotiations, including the plurilateral Environmental Goods Agreement, the United States will continue to promote and strengthen the WTO's existing core functions. This includes the day-to-day activities of the WTO committees, working groups, and councils (including DSB supervision of the dispute settlement mechanism). These institutional structures are critical to promoting transparency in WTO Members' trade policies, and they provide essential fora for monitoring and resisting protectionist pressures. By working together, WTO Members can build upon efforts to revitalize the WTO and ensure that the institution remains well-equipped to drive future economic growth and development. The United States will also utilize the WTO's network of committees to consider emerging challenges, such as state-owned enterprises, electronic commerce, food security, and regulatory trade barriers.

1.4. More broadly, the United States will appropriately utilize every available policy tool – and will continue to develop new tools – to pursue the most efficient and productive pathways to expand trade and foster economic growth, consistent with WTO rules. In February 2016, the United States and our 11 partners signed the Trans-Pacific Partnership (TPP) Agreement to open markets and raise standards in the world's fastest growing region. The United States also made significant progress in negotiating the Transatlantic Trade and Investment Partnership (T-TIP) and the Trade in Services Agreement (TiSA). Progress with the European Union toward a T-TIP agreement is expected to further strengthen the world's largest trade relationship, while TiSA promotes fair and open competition in the service sectors of participating countries.

1.5. Robust trade enforcement across the spectrum of goods and services remains a central pillar of U.S. trade policy. For more than two decades, the WTO dispute settlement system has proven valuable to Members as an important venue for the discussion and adjudication of disputes with our trading partners. The United States' enforcement priorities seek to target the most commercially and systemically-significant challenges facing U.S. workers and businesses, including emerging issues with implications for the rules-based global trading system. Vigorous work by the Office of the U.S. Trade Representative (USTR) and sister U.S. agencies, including the Departments of Agriculture, Commerce, State, Treasury, and others, helps ensure that trade agreements yield the maximum benefits in terms of ensuring market access for Americans, promoting respect for international obligations, and creating a fair, open, and predictable trading environment. Ensuring full implementation of U.S. trade agreements remains one of the United States' strategic priorities.

1.6. The United States will continue its vigilant trade enforcement efforts at the WTO, while also monitoring and enforcing commitments in our bilateral, plurilateral, and regional trade agreements, to maintain a level playing field and promote a rules-based international trading system. The United States remains committed to working with its trading partners to create a global trading system in which markets are open, intellectual property is protected, innovation is promoted, electronic commerce and the global digital economy grow, agricultural and industrial regulations are based on science, transparent rules and regulations are applied without discrimination, and high environmental and labor standards are respected.

1.7. Trade is a key component in efforts to achieve the broad-based economic growth necessary to drive development, economic growth, and recovery in low-income economies and countries transitioning away from conflict and natural disasters. Many such countries, including some of the United States' near neighbors, rely on the American market for export revenue, employment, and rural income. Recognizing the role that trade policies can serve in helping to alleviate poverty, therefore, the United States has continued to partner with some of the world's least-advantaged economies in order to promote trade as a tool for poverty reduction. In 2015, the United States renewed the Generalized System of Preferences, secured a ten-year renewal of the African Growth and Opportunity Act, and extended trade preferences for Haiti to 2025. In 2016, the U.S. Congress approved a new trade preference program that would grant duty-free treatment to certain specified products from Nepal to help its ongoing economic recovery efforts following earthquakes last year.

1.8. Looking at the historical record, it is clear that while trade alone cannot solve every development challenge, open markets are a necessary part of any successful and sustainable development strategy. Thus, the U.S. trade agenda brings traditional policy tools into the 21<sup>st</sup> century and offers a more comprehensive look at development. Many regions of the developing world hold considerable potential for economic growth, and the United States will continue to explore new ways to partner with those countries to harness the power of trade as an engine of growth and prosperity.

## **2 THE UNITED STATES ECONOMIC AND TRADE ENVIRONMENT**

### **2.1 Trade Policy**

2.1. The WTO remains the critical forum for liberalizing multilateral trade, strengthening the multilateral rules-based trading system and enforcing global trade rules, and serves as an important defense against protectionism. The United States is committed to preserving and enhancing the WTO's role. With roughly 80% of the world's economy and 95% of the world's population living outside the United States, the United States is committed to opening foreign markets through negotiating trade agreements, whether multilateral, regional, bilateral, or plurilateral, as well as maintaining the integrity of existing trade agreements and enforcing U.S. rights under those agreements.

2.2. Trade liberalization has benefited both the United States and the rest of the world by providing more affordable goods and services, raising living standards, fueling economic growth, and supporting good jobs. Reducing barriers to worldwide trade also offers greater product variety, enhances product quality, and increases innovation. All countries can gain from trade when we all focus on opening markets and playing by the rules of our WTO-based multilateral trading system.

2.3. In 2015, U.S. goods and services exports supported an estimated 11.5 million jobs in the United States alone, including more than one in four jobs in the manufacturing sector. These export-oriented jobs pay on average up to 18% higher wages than the national average. Imports helped expand purchasing power in the United States, widen choice for American consumers, provide valuable intermediate inputs into U.S. production, and increase U.S. competitiveness. Roughly half of U.S. imports in 2015 were intermediate inputs.

2.4. The United States maintains one of the world's most open trade regimes, with the current U.S. simple average tariff at 3.5% on a bound basis under the WTO. When FTAs, GSP, and other tariff preferences are taken into account, the U.S. trade-weighted average tariff is 1.5% on an applied basis. By comparison, simple average tariffs in our top five trading partners range from 4.2% to 9.6% and trade-weighted average tariffs range from 2.1% to 5.0%. In 2015, 50% of MFN imports and nearly 70% of all U.S. imports (including under preference programs) entered the United States duty free. U.S. service markets are open to foreign providers and U.S. regulatory processes are transparent, accessible, and open to public input.

### **2.2 Economic Growth**

2.5. During the period under review, the United States continued to grow. U.S. real gross domestic product (GDP) increased by 2.4% in 2014 and 2.6% in 2015. For the first half of 2016, real GDP is up 1.0%, on an annual basis. The slowdown in growth in the first half of 2016 from the

previous years is attributable to a drawdown of inventories, as well as fixed business investment (particularly in mining and oil and gas). The Administration is projecting real GDP growth of 1.9% for 2016, and 2.5% and 2.4% for 2017 and 2018, respectively. Since the end of the recession in the 2<sup>nd</sup> quarter of 2009 through the 2<sup>nd</sup> quarter of 2016, U.S. GDP has increased at an annual rate of 2.1%.

2.6. The primary contributor to real growth since 2014 has been consumer spending. Personal consumption expenditures, which account for nearly 70% of U.S. GDP, increased 2.9% in 2014, 3.2% in 2015, and 3.0%, on an annual basis, for the first half of 2016. Consumer spending has contributed roughly three quarters of the increase in U.S. real GDP since the end of the recession. Business fixed investment (nonresidential) increased 6.0% in 2014 and 2.1% in 2015, but declined by 1.3%, on an annual basis, for the first half of 2016 (4<sup>th</sup> quarter 2015 to 2<sup>nd</sup> quarter 2016). U.S. real exports of goods and services increased 4.3% in 2014, but have exhibited little growth since then, up 0.1% in 2015 and up 0.5% on an annual basis for the first half of 2016 (4<sup>th</sup> quarter 2015 to 2<sup>nd</sup> quarter 2016). Real imports, which subtract from economic growth on an accounting basis, increased by 4.4% in 2014 and 4.6% in 2015, but have declined by 0.2% on an annual basis so far in 2016 (4<sup>th</sup> quarter 2015 to 2<sup>nd</sup> quarter 2016). U.S. government expenditures decreased 0.9% in 2014, but increased 1.8% in 2015, before remaining roughly the same through the first half of 2016 on an annual basis (4<sup>th</sup> quarter 2015 to 2<sup>nd</sup> quarter 2016).

### 2.3 Federal Budget Deficit

2.7. The Federal budget deficit has declined significantly over the period under review in both absolute terms and relative to GDP. The budget deficit dropped from US\$679.5 billion (4.1% of GDP) in fiscal year 2013 to US\$484.6 billion (2.8% of GDP) in fiscal year 2014, and to US\$438.4 billion (2.5% of GDP) in fiscal year 2015. The federal deficit in fiscal year 2015, at 2.5% of GDP, was the lowest level since 2007 and about one quarter of the 9.8% of GDP deficit recorded in 2009, the most rapid sustained reduction since just after World War II. The 2015 deficit as a share of GDP was also well below the average over the last 40 years. According to the *Mid-Session Review of the FY2017 Budget*, the federal budget deficit is projected to increase to US\$615.8 billion (3.3% of GDP) in FY2016, then decline to US\$503.5 billion (2.6% of GDP) in FY2017. The deficit is estimated to average 2.6% of GDP from FY2018 through FY2026. The debt-to-GDP ratio is projected to peak at 77.1% in FY2017 and then begin to decline, falling to 73.0% of GDP by FY2026 (equivalent to its FY2013 level). The progress in reducing the deficit as a share of GDP reflects both the stronger U.S. economy and the deficit reduction plan put into place by the United States.

### 2.4 Nominal Savings/Investment

2.8. U.S. gross saving as a percentage of gross national income has continued to grow in recent years following the recession. After dropping to a low of 14.3% in 2009 (from a peak of 21.1% in 1998), it has increased for the past six years reaching 18.6% in both 2014 and 2015, the period under review. The increase in gross saving of US\$396 billion between 2013 and 2015 was due to an increase in household and institution saving of US\$208 billion as well as government saving of US\$119 billion. Deleveraging by households continued during the period under review as the personal savings rate increased from 5.0% in 2013 to 5.6% in 2014 and 5.8% in 2015. While these rates were below the post-recession peak of 7.6% in 2012, they were more than double the low of 2.5% reached in 2005. U.S. gross investment increased by US\$371 billion between 2013 and 2015, 93% the increase in U.S. gross saving.

### 2.5 Labor Markets

2.9. U.S. employment continued to increase during the period under review, up 7.2 million between December 2013 and August 2016 (up 3.0 million between December 2013 and December 2014, up 2.7 million between December 2014 and December 2015, and up 1.5 million between December 2015 and August 2016). U.S. employment has increased by 14.9 million between the trough in February 2010 and August 2016, and private employment has increased for 77 of the past 78 months, up 15.1 million in all. Manufacturing employment has also increased, up over 828 thousand since February 2010, up six straight years (longest streak since 1990s), and accounted for one in 11.5 U.S. non-farm jobs in 2015. Thus far in 2016 however, it is down 39 thousand jobs. Service-providing industries (including government) employed 86% of all

U.S. non-farm workers in 2015, and services jobs are up 12.9 million since February 2010. With the improvement in U.S. employment during this period, the unemployment rate has also declined, dropping from a high of 10.0% in October 2009 to 4.9% in August 2016. Since December 2013, the unemployment rate has declined by 1.8 percentage points.

2.10. Although the labor market continues to improve, the recovery is still not complete. Labor force participation has remained constant at 62.8%, the same rate as in October 2013, though down from the 67.3 percent rate in April 2000. The number of workers working part time for economic reasons remains elevated. Also, the United States faces long run downward pressure on the labor force participation rate due to the aging of the population. The participation rate fell more quickly than demographics alone would imply during the recession, though, suggesting more labor market slack. More recently, the participation rate has remained roughly constant since October 2013 as the downward demographic trend was offset by a strengthening economy pulling people into the labor force. Labor compensation has started to increase. Real hourly wages are up 1.3% over the 12 months ending in August 2016, and nominal wages have grown 2.8% at an annual rate so far this year. Real median household income in the United States increased 5.2% in 2015, the first annual increase in median household income since 2007, the year before the recession.

## **2.6 Productivity**

2.11. Labor productivity, as measured by output per hour worked, grew by 1.7% between 2013 and 2015 (up 0.8% in 2014 and up 0.9% in 2013). Although low, this compares favourably to growth in the earlier period, up 1.3% between 2011 and 2013. However, productivity has declined more recently, down 0.4% over the last four quarters, reflecting faster growth in total hours worked than in output. Low productivity growth in recent years has been a global phenomenon affecting nearly all advanced economies, although the United States has had the strongest productivity growth of any G-7 economy in the last decade. The slowdown in labor productivity in the United States and elsewhere is mostly due to the shortfall in investment.

## **2.7 Exports, Imports, and the Trade Balance**

2.12. Nominal U.S. exports of goods and services, on a balance of payments basis, increased by 3.6% in 2014, then declined by 4.9% in 2015. Thus far in 2016 through August, U.S. exports were down 4.1%. Similar to exports, nominal U.S. imports of goods and services grew in 2014 (by 4.0%), and declined in 2015 (down 3.7%) and thus far in 2016 (down 3.6%). The slowdown in U.S. trade can be attributed, in part, to slow economic growth abroad, lower commodity prices, and the stronger dollar. As a share of nominal GDP, U.S. goods and services exports increased to record levels of nearly 14% from 2011 to 2014 before dropping to 12.5% in 2015. U.S. goods and services imports decreased from 17.2% of GDP in 2011 to 15.3% of GDP in 2015.

2.13. The United States was the recipient of 19.1% of goods and services exports from the rest of the world (excluding intra-European Union exports) in 2015. The United States supplied 15.5% of goods and services imports to the rest of the world (excluding intra-EU imports).

2.14. During the period under review, the U.S. goods and services trade deficit with other countries (on a national income and product accounts basis) increased by 6.1% from US\$492 billion in 2013 (2.9% of U.S. GDP) to US\$522 billion in 2015 (still at 2.9% of U.S. GDP). Excluding the recession year of 2009, the trade deficit in 2015 was at its lowest level since 1999 as a share of GDP. The U.S. deficit in 2015 was significantly down from its all-time high of US\$771 billion, or 5.6% of GDP, in 2006.

## **2.8 Challenges to the U.S. and Global Recovery/Economy**

2.15. In the United States, per-capita GDP fell 5.5% from peak to trough during the Great Recession, which is the worst economic crisis since the Great Depression. Yet by the fourth quarter of 2013, per-capita GDP had recovered to pre-crisis levels, and in the second quarter of this year was 3% above its pre-crisis peak. The unemployment rate today is 4.9%, below its pre-recession average of 5.3%, and real wages are rising. Overall, the current U.S. economic recovery has outpaced both recoveries from earlier financial crises in the United States and the recent experience of many other countries—in part because of a combination of a large initial fiscal

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expansion, consistently vigorous accommodative monetary policy, and an aggressive financial accounting, clean-up, and liquidity assistance through programs such as the Troubled Asset Relief Program, the Hardest-Hit Fund, the Term Auction Facility, and Dodd-Frank reforms.

2.16. Nine years after the onset of the crisis, the world economy is growing, and the advanced economies have made significant progress in recovering, but this process has been uneven. Unusually high unemployment rates in some European countries and some continued labor market slack elsewhere persist, and many emerging markets are still struggling with the effects of last year's precipitous drop in commodity prices. Longer-run supply challenges, in the form of lower productivity and investment growth, have also been pervasive across all of the advanced economies.

2.17. A key challenge to the global recovery is the slowdown in productivity growth. In 30 of 31 advanced economies productivity slowed from 1995-2005 compared with 2005-2015. The slowdown began before the Great Recession, so this slowdown is not simply a function of the financial crisis. While the United States has had faster productivity growth than the other G-7 economies, productivity in the United States remains well below trend. Productivity is an important driver of employment, wages, and investment; long term growth will be dependent on a productivity recovery. While the United States has seen recent gains in employment and wages, business fixed investment (BFI) has been weak. This weak investment has itself contributed to the productivity slowdown as capital services per worker have declined in the last five years. The United States is not unique in this experience, as investment has fallen across the world as global demand weakened. The negative impact of declining oil prices on BFI has largely already had its impact, and expectations are generally for an increase in BFI in the second half of the year. Overall investment was also hit in the first part of the year by declines in inventory investment, which is not expected to continue into the second half of the year.

2.18. All of these factors have led to repeated downgrades in global growth prospects forecasted by the OECD and the IMF, with warnings that growth that is too low for too long may result in a low-growth trap. The slowdown presents headwinds to the U.S. economy, evident in the slowdown in U.S. export growth, but to the degree that subdued investment results in continued lower productivity growth and a smaller future capital stock, it may also result in lower potential growth in the future.

2.19. The current account balance provides another way to examine the relative strengths and weaknesses in demand in the global economy. Countries that produce more than they consume and invest (net exporters) may have weaker aggregate demand than those whose demand exceeds production (net importers). After running a sizable current account deficit from 2003-7, the U.S. current account balance as a share of GDP narrowed to under 3% in 2009 and has remained there since, hitting a 14-year low in 2014. Despite this substantial progress, the United States still runs a larger current account deficit than its sustainability target as estimated by the IMF; in part, reflecting the relative strength of U.S. demand compared with the rest of the world. China, Japan, and the euro area – especially Germany – all have larger current account surpluses than either their most recent IMF sustainability targets, current account norms, or both.

2.20. In short, various parts of the world economy are growing slowly, and likely too slowly. The U.S. economy is not a large enough share of the world economy, nor can it grow fast enough, to solely support world growth. Both the OECD and the IMF have advocated coordinated policies to boost growth, including public investment in infrastructure and research and development, as well as structural reforms, warning of the risks inherent if low global growth persists.

## **2.9 Conclusion**

2.21. The WTO rules-based system has proved its value in supplying the framework of rules, rights, and obligations; the United States remains firmly committed to this institution. The United States looks to work with other members to achieve further significant liberalization and expansion of world trade through the WTO, which will benefit both developing and developed countries.

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### 3 OPENNESS AND ACCOUNTABILITY: BUILDING SUPPORT FOR TRADE

3.1. Support for the United States' active trade agenda – including for bilateral and regional trade agreements as well as U.S. participation in the WTO – has been built through constant coordination with Congress and extensive outreach to U.S. industry leaders, entrepreneurs, farmers, ranchers, small business owners, workers, state and local government officials, and advocates for labor rights, environmental protection, and public health, among other issues. The United States views the act of consulting with those interested in and affected by issues as an important part of any government's responsibility. Consultation and engagement is vital to ensuring that trade policy reflects American interests and American values. Advice from such stakeholders is both a critical and integral part of the trade policy process.

3.2. As a result, the Administration has sought to broaden opportunities for public input and increased transparency of trade policy. USTR works to ensure that timely trade information is available to the public and disseminated widely to stakeholders. This has been accomplished in part via increased use of the Office of the U.S. Trade Representative's website, social media, and newsletter communications; online posting of *Federal Register* Notices soliciting public comment and input and publicizing Trade Policy Staff Committee (TPSC) public hearings; increased transparency in all trade negotiations; increased outreach and engagement with a broad array of stakeholders, including small and medium-sized businesses, agricultural commodity groups and farm associations, environmental organizations, labor unions, consumer advocacy groups, non-governmental organizations, academia, think tanks, trade associations, faith groups, development and poverty relief organizations, and state and local governments; and advocacy for the President's robust trade agenda in speeches to audiences around the country. In addition, USTR is responsible for administering the statutory advisory committee system created by Congress under the Trade Act of 1974, as amended, as well as facilitating formal consultations with state and local governments regarding trade issues which may impact them. These efforts are bringing U.S. trade policy into greater balance with the concerns and aspirations of the American people.

#### 3.1 Policy coordination

3.3. USTR has primary responsibility, with the advice of the interagency trade policy organization, for developing and coordinating the implementation of U.S. trade policy, including on commodity matters (for example, coffee and rubber) and, to the extent they are related to trade, direct investment matters. Under the Trade Expansion Act of 1962, Congress established an interagency trade policy mechanism to assist with the implementation of these responsibilities. This organization, as it has evolved, consists of three tiers of committees that constitute the principal mechanism for developing and coordinating U.S. Government positions on international trade and trade-related investment issues.

3.4. The Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC), administered and chaired by USTR, are the subcabinet interagency trade policy coordination groups that are central to this process. The TPSC is the first-line operating group, with representation at the senior civil servant level. Supporting the TPSC are more than 100 subcommittees responsible for specialized issues. The TPSC regularly seeks advice from the public on its policy decisions and negotiations through *Federal Register* Notices and public hearings. In 2015 and 2016, the TPSC held public hearings on China's compliance with its WTO Commitments (September 2015 and September 2016), Russia's implementation of its WTO Commitments (October 2015 and October 2016) and the annual Special 301 report on intellectual property protection (February 2015 and February 2016).

3.5. Through the interagency process, USTR requests input and analysis from members of the appropriate TPSC subcommittee or task force. The conclusions and recommendations of this group are then presented to the full TPSC and serve as the basis for reaching interagency consensus. If agreement is not reached in the TPSC, or if particularly significant policy questions are being considered, issues are referred to the TPRG (Deputy USTR/Under Secretary level) or to the Deputies Committee of the National Security Council/National Economic Council. Issues of the greatest importance move to the Principals Committee of the NSC/NEC for resolution by the Cabinet, with or without the President in attendance.

3.6. The 21 member agencies of the TPSC and the TPRG consist of the U.S. Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, Energy, Health and Human Services, Homeland Security, the Environmental Protection Agency, the Office of Management and Budget, the Council of Economic Advisers, the Council on Environmental Quality, the U.S. Agency for International Development, the Small Business Administration, the National Economic Council, and the National Security Council as well as USTR itself. The U.S. International Trade Commission is a non-voting member of the TPSC and an observer at TPRG meetings. Representatives of other agencies also may be invited to attend meetings depending on the specific issues addressed.

### **3.2 Public engagement and transparency**

3.7. The Bipartisan Congressional Trade Priorities and Accountability Act of 2015 marked a watershed not only in the ambitious negotiating objectives it set for the United States, but in the reforms it brings to the American trade policymaking process. USTR has encouraged public participation and broadened opportunities for input, created new institutional guarantees of public access including the milestone appointment of a Chief Transparency Officer and the formalization of comprehensive Guidelines for Consultation and Engagement, and increased the transparency of trade policy through initiatives carried out by the Office of Intergovernmental Affairs and Public Engagement.

3.8. Through its blog and website pages, <http://www.ustr.gov>, USTR shares updated information about the United States' efforts to support jobs by opening markets and enforcing America's rights in the rules-based global trading system. Interactive tools on the site allow the public to stay informed of USTR's day-to-day operations. The public is also invited to sign up on USTR's homepage to receive the weekly e-mail newsletter, which highlights USTR's efforts to engage the public, open markets, and enforce trade agreements around the world. This is a useful tool for small businesses and stakeholders outside Washington, D.C. to stay informed about trade policy developments and new market opportunities.

3.9. Throughout 2015 and 2016, USTR has published Federal Register Notices online to solicit public comment on negotiations and policy decisions. Public comments received in response to Federal Register Notices are available for inspection online at <http://www.regulations.gov>. Some examples of trade policy initiatives for which USTR has sought public comment include: renewal of the African Growth and Opportunity Act (AGOA) and the review of South Africa's AGOA eligibility, implementation of the WTO's Government Procurement Agreement, the 2015 National Trade Estimate report, and the functioning of the Generalized System of Preferences and the Caribbean Basin trade preference program. USTR also held public hearings regarding a variety of trade policy initiatives, including renewal of the AGOA, additions of products to the Generalized System of Preferences, and implementation of the Russian and Chinese WTO accession agreements. These hearings were web-cast live, and the submissions of all parties were posted online.

3.10. USTR has also taken steps in specific issue areas to increase transparency and augment opportunities for public input, such as through the inclusion of stakeholders at the Transatlantic Trade and Investment Partnership (T-TIP) and Trans-Pacific Partnership (TPP) negotiations. Stakeholder engagement events are an important opportunity for USTR and its trade negotiators to receive feedback as talks are ongoing, with the aim of ensuring the strongest possible outcomes for trade negotiations. USTR has hosted stakeholder forums during the U.S.-hosted rounds of the T-TIP negotiations. These events hosted included over 250 global stakeholders at each forum. Stakeholders were invited to give presentations, engage with negotiators, and attend briefings hosted by the U.S. and EU Chief Negotiators. In addition, during TPP negotiations, USTR worked with each TPP partner hosting negotiating rounds to plan events open to registered stakeholder participation. These events, including during the final round of negotiations in Atlanta in September-October 2015, included briefings from chief negotiators and provided multiple opportunities to provide input into the negotiations, including those with respect to chapters addressing agriculture, market access for industrial goods, environment, tobacco, investment, pharmaceuticals, and intellectual property.

3.11. USTR published the full text of the TPP Agreement on 5 November 2015, well in advance of the legal requirement, accompanied by detailed chapter summaries and fact sheets explaining the agreement's contents and benefits for workers, manufacturers, ranchers, farmers, services providers, and others, and explaining its achievements on issues such as maintaining a free and

open Internet, raising labor and environmental standards, and helping American small and medium-sized businesses export.

### **3.3 Advisory committee process**

3.12. The United States continues to rely on its trade advisory committee system as an integral part of its efforts to ensure that U.S. trade policy and trade negotiating objectives adequately reflect U.S. public and private sector interests. The trade advisory committee system, substantially broadened and reformed, consists of 28 advisory committees, with a total membership of approximately 700 advisors. Advisory committee members represent the full span of interests including manufacturing; agriculture; digital trade; intellectual property; services; small businesses; labor; environmental, consumer, and public health organizations; and state and local governments. The system is arranged in three tiers: the President's Advisory Committee for Trade Policy and Negotiations (ACTPN); five Policy Advisory Committees dealing with environment, labor, agriculture, Africa, and state and local issues; and 22 technical advisory committees in the areas of industry and agriculture.

#### **3.3.1 Tier I: President's Advisory Committee on Trade Policy and Negotiations (ACTPN)**

3.13. The ACTPN consists of not more than 45 members who are broadly representative of the key economic sectors affected by trade. The President appoints ACTPN members to four-year terms not to exceed the duration of the committee's charter. Members of ACTPN are appointed to represent a variety of interests including non-Federal Governments, labor, industry, agriculture, small business, service industries, retailers, and consumer interests.

#### **3.3.2 Tier II: the Policy Advisory Committees**

3.14. Members of the five policy advisory committees are appointed by USTR or in conjunction with other Cabinet officers. The Intergovernmental Policy Advisory Committee on Trade (IGPAC), the Trade and Environment Policy Advisory Committee (TEPAC), and the Trade Advisory Committee on Africa (TACA) are appointed and managed by USTR. The Agricultural Policy Advisory Committee for Trade (APAC) is managed jointly with the Department of Agriculture and the Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC) is managed jointly with the Department of Labor. Each committee provides advice based upon the perspective of its specific area and its members are chosen to represent the diversity of interests in those areas.

#### **3.3.3 Tier III: the Technical and Sectoral Advisory Committee**

3.15. The 22 technical and sectoral advisory committees are organized into two areas: agriculture and industry. Representatives are appointed jointly by the U.S. Trade Representative and the Secretaries of Agriculture and Commerce, respectively. Each sectoral or technical committee represents a specific sector, commodity group, or functional area and provides specific technical advice concerning the effect that trade policy decisions may have on its sector or issue.

### **3.4 State and local government relations**

3.16. USTR maintains consultative procedures between Federal trade officials and state and local governments. USTR informs the states, on an ongoing basis, of trade-related matters that directly relate to, or that may have a direct effect on, them. U.S. territories may also participate in this process. USTR also serves as a liaison point in the Executive Branch for state and local government and Federal agencies to transmit information to interested state and local governments, and relay advice and information from the states on trade-related matters. This is accomplished through a number of mechanisms, detailed below.

#### **3.4.1 State Point of Contact System and IGPAC**

3.17. For day-to-day communications, pursuant to the NAFTA and Uruguay Round implementing legislation and Statements of Administrative Action, USTR created a State Single Point of Contact (SPOC) system. The Governor's office in each state designates a single contact point to disseminate information received from USTR to relevant state and local offices and assist in relaying specific information and advice from the states to USTR on trade-related matters. The

SPOC network ensures that state governments are promptly informed of Administration trade initiatives so their companies and workers may take full advantage of increased foreign market access and reduced trade barriers. It also enables USTR to consult with states and localities directly on trade matters which may affect them.

3.18. The IGPAC makes recommendations to USTR and the Administration on trade policy matters from the perspective of state and local governments. During the review period, the IGPAC has been briefed and consulted on trade priorities of interest to states and localities, including: the TPP; the T-TIP; the Trade in Services Agreement (TiSA); enforcement actions at the WTO; and other matters. IGPAC members are also invited to participate in periodic teleconference call briefings, similar to teleconference calls held for SPOC and chairs of the advisory committees.

#### **3.4.2 Meetings of state and local associations and local chambers of commerce**

3.19. USTR officials participate frequently in meetings of state and local government associations and local chambers of commerce to apprise them of relevant trade policy issues and solicit their views. USTR senior officials have met with the National Governors Association, the National Conference of State Legislatures, the U.S. Conference of Mayors, and other state and local commissions and organizations. Additionally, USTR officials have addressed gatherings of state and local officials and port authorities around the country.

#### **3.4.3 Consultations regarding specific trade issues**

3.20. USTR initiates consultations with particular states and localities on issues arising under the WTO and other U.S. trade agreements and frequently responds to requests for information from state and local governments. Topics of interest since the last U.S. Trade Policy Review included the TPP, T-TIP, TiSA, the application of the WTO Government Procurement Agreement, the General Agreement on Trade in Services, enforcement of trade agreements, and consultations with individual states regarding certain trade remedy investigations.

### **4 TRADE POLICY DEVELOPMENTS SINCE 2014**

#### **4.1 WTO Agreements and Initiatives**

4.1. The United States maintains an abiding commitment to the rules-based multilateral trading system, which advances the well-being of the people of the United States and of our trading partners. The WTO plays a vital role in securing new economic opportunities for all traders and promoting global growth and development with widely shared benefits. The WTO agreements also provide a foundation for high-standard U.S. bilateral and regional agreements that make a positive contribution to a dynamic and open global trading system based on the rule of law.

4.2. During the review period, the United States continued efforts to strengthen the rules-based multilateral trading system, including through new initiatives, as evidenced by the U.S. role in finalizing the expansion of the Information Technology Agreement (ITA), in negotiating the Environmental Goods Agreement (EGA), and in announcing—together with a diverse group of developing and developed countries—our intention to launch negotiations in the WTO on a plurilateral fisheries subsidies agreement.

4.3. The ITA expansion negotiations were launched by the United States and five other ITA participants in May 2012; in July 2015, the United States and over 50 WTO Members announced the landmark deal to eliminate tariffs on 201 technology products that comprise about US\$1.3 trillion in annual global trade. Members completed the process to review and approve the draft tariff schedules, clarifying how each will implement its commitments, in December 2015.

4.4. In July 2014, the United States and 13 other WTO members, accounting for 86% of global trade in environmental goods, launched the EGA negotiations. The current 17 WTO Members participating in the EGA negotiations have made significant progress to develop a list of environmental technologies that will be subject to tariff elimination. At the G20 Leaders' summit in September 2016, Ministers achieved a landing zone to conclude the EGA negotiations by the end of 2016. Achieving global free trade in environmental goods is a key part of both the President's Climate Action Plan and U.S. trade and environmental policy.

4.5. On 14 September 2016, the United States and 12 other WTO members announced their intent to negotiate a plurilateral fisheries subsidies agreement to address the urgent challenges facing global fisheries. Our goal is to eliminate harmful subsidies, including those subsidies that contribute to overfishing and overcapacity, and subsidies linked to illegal, unreported and unregulated (IUU) fishing.

4.6. At the WTO's Eighth Ministerial Conference (MC8) in December 2011, there was a consensus among Ministers that the Doha Development Agenda (DDA) was at an impasse, and that fresh, credible approaches were needed to further trade liberalization. The Ministerial Conference noted that "Members need to more fully explore different negotiating approaches," and reiterated previous ministerial guidance that, where progress can be achieved on specific elements of the DDA, provisional or definitive agreements might be reached before all elements of the negotiating agenda are fully resolved. During the course of 2012 and 2013, Members took the MC8 guidance to heart in working collectively to complete the historic "Bali Package" at the WTO's Ninth Ministerial Conference (MC9) in Bali, Indonesia. The Bali package reflected the approach called for at MC8, and included the first new multilateral agreement, the Trade Facilitation Agreement (TFA), in the nearly 20-year history of the WTO. In January 2015, the United States submitted to the WTO its letter of acceptance of the TFA protocol.

4.7. At the WTO's Tenth Ministerial Conference (MC10) in December 2015, Members succeeded in building on the results of Bali by reaching agreement on multiple agriculture issues, including export competition, and concluding decisions on key issues for the benefit of the least developed countries. However, for the first time since the launch of the DDA in 2001, Ministers could not agree to reaffirm the Doha mandates going forward. The United States joined a number of other Members in insisting that the moment had come to move on from the DDA given its limited results and multiple failures in 14 years of negotiations. As a result, the United States expects that future discussions in the WTO will focus on developing new approaches and taking up new issues in negotiations, without being constrained by the DDA architecture established over 15 years ago. This was a historic turning point for the WTO, allowing Members to further reestablish the negotiating credibility of the multilateral trading system and to achieve results that reflect the many changes in the global economy since the beginning of the Doha Round.

4.8. Since entry into force of the Uruguay Round Agreements in 1995, a central theme of U.S. trade policy has been to promote the effective and timely implementation of WTO commitments. The United States believes it is not only important for American trade interests, but for the WTO system as a whole, to ensure that all Members meet their commitments. The various manifestations of this policy range from active and constructive participation in the deliberations of WTO committees to the use of various proceedings available under the WTO dispute settlement mechanism. U.S. trade policy seeks to support and advance adherence to WTO rules that underpin the international trading system.

4.9. USTR coordinates the Administration's active monitoring of foreign government compliance with trade agreements to which the United States is a party and pursues enforcement actions, negotiating solutions, employing WTO and FTA institutional mechanisms, using dispute settlement procedures, and applying the full range of U.S. trade laws when necessary. Vigorous investigation efforts by USTR and relevant sister agencies help ensure that these agreements yield the maximum benefits in terms of ensuring market access for Americans, advancing the rule of law internationally, and creating a fair, open, and predictable trading environment. Ensuring full implementation of U.S. trade agreements is one of the United States' strategic priorities.

4.10. To ensure the enforcement of WTO agreements, the United States has been one of the world's most frequent users of WTO dispute settlement procedures. Since the establishment of the WTO in 1994, the United States has filed 117 complaints at the WTO, thus far successfully concluding 78 of them by settling 31 cases favorably and prevailing in 47 others through litigation before WTO panels and the Appellate Body. The United States has obtained favorable settlements and rulings in virtually all sectors, including manufacturing, intellectual property, agriculture, and services.

## 4.2 Regional Initiatives

4.11. As part of its broader efforts to liberalize trade, the United States is also involved in several regional and bilateral initiatives, which complement and reinforce our efforts within the multilateral trading system. Like other Members of the WTO, the United States has created an extensive series of bilateral and regional trade and investment agreements. The WTO agreements provide a foundation for high-standard U.S. bilateral and regional agreements that make a positive contribution to a dynamic and open global trading system based on the rule of law. To extend the benefits of trade more broadly, the United States is working with like-minded partners around the world to remove barriers to trade, address new and emerging trade issues, and enhance economic integration on a regional basis.

4.12. The United States has insisted on high standards for U.S. trade agreements, and has taken a proactive approach, in close consultation with Congress and American stakeholders, to ensure trade agreements not only open markets, but also improve transparency and governance, and support stronger protection of labor rights and the environment. Such an approach better serves American workers and business, better reflect our values, and creates a stronger, more enduring foundation for economic links with our partners. Throughout 2015 and 2016, the United States has sought to intensify its efforts through regional initiatives, such as the TPP and the T-TIP, as well as through bilateral engagement with major trading partners and emerging markets.

4.13. The following regional initiatives are each examples of the WTO-complementary liberalization efforts pursued by the United States.

### 4.2.1 The Trans-Pacific Partnership (TPP)

4.14. During the period of this review, the United States and its 11 TPP partners – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam – concluded the TPP, a high-standard, regional trade and investment agreement. Negotiations were concluded in October 2015, and the agreement was signed by the 12 TPP partners in February 2016. The TPP countries have now turned to approval of the agreement through their respective domestic processes. In the United States, the Congressional approval process is laid out in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, known as Trade Promotion Authority.

4.15. The TPP Agreement will open markets and raise standards in the fastest growing region in the world, boosting economic growth, promoting innovation, and supporting job creation in the United States and its TPP partners, as shown by independent economic studies. In addition to including ambitious market access commitments, the TPP addresses non-tariff barriers and includes commitments that will create common, high standards across the region in such areas as intellectual property, labor, environment, and transparency and anti-corruption. The TPP also addresses new and emerging issues that affect the ability of businesses and workers to compete, including digital commerce, regulatory coherence, and disciplines on the competitive behavior of state-owned enterprises.

4.16. TPP has been designed as a regional platform, and following the conclusion of the TPP negotiations, a number of other Asia-Pacific economies expressed interest in potentially seeking to join TPP in the future. The 12 TPP partners have welcomed this interest, while noting that their current focus is on completing their respective domestic approval processes and having the agreement enter into force.

### 4.2.2 North American Free Trade Agreement

4.17. On 1 January 1994, the North American Free Trade Agreement between the United States, Canada, and Mexico (NAFTA) entered into force. Under NAFTA, the Parties progressively eliminated tariffs, with final tariffs eliminated, as scheduled, on 1 January 2008. NAFTA created the world's largest free trade area, which now links 478 million people producing roughly US\$20.7 trillion worth of goods and services. By dismantling barriers, NAFTA has led to increased trade and investment, growth in employment, and enhanced competitiveness. Trade between the United States and its NAFTA partners has soared since the agreement entered into force. U.S. goods exports to NAFTA partners increased by 264% between 1993 and 2015, from US\$142 billion to an estimated US\$516 billion.

4.18. After signing NAFTA, the United States, Canada, and Mexico concluded supplemental agreements on labor and environment. Under these agreements, the Parties are, among other things, obligated to effectively enforce their environmental and labor laws. The agreements also provide frameworks for cooperation among the Parties on a wide variety of labor and environmental issues. In connection with NAFTA, the United States and Mexico also agreed to fund a development bank to address environmental infrastructure needs along the U.S.-Mexico border.

4.19. The North American Commission for Environmental Cooperation (CEC) oversees trilateral cooperation on environmental matters. The United States, together with Mexico and Canada, have continued efforts to ensure that trade liberalization and environmental policies are mutually supportive, including by having trade and environment officials participate in the development of the CEC's work plans.

### **4.2.3 Central America and the Dominican Republic**

4.20. On 5 August 2004, the United States signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic. The CAFTA-DR is the first free trade agreement between the United States and a group of smaller developing economies. This agreement is creating new economic opportunities by eliminating tariffs, opening markets, reducing barriers to services, and promoting transparency. It is facilitating trade and investment among the seven countries and furthering regional integration.

4.21. CAFTA-DR countries represent the third largest U.S. export market in Latin America, behind Mexico and Brazil. U.S. goods exports to the CAFTA-DR countries were valued at US\$29 billion in 2015. Combined total two-way trade in 2015 between the United States and Central America and the Dominican Republic was US\$53 billion.

4.22. The agreement entered into force for the United States and El Salvador, Guatemala, Honduras, and Nicaragua during 2006, for the Dominican Republic on 1 March 2007, and for Costa Rica on 1 January 2009.

### **4.2.4 Asia-Pacific Economic Cooperation Forum**

4.23. Since it was founded in 1989, the Asia-Pacific Economic Cooperation (APEC) forum has been instrumental in promoting regional and global trade and investment and is central to U.S. efforts to achieve a seamless economy in the Asia-Pacific region that will expand opportunities for U.S. exporters, services providers, and workers, providing greater economic growth across the region.

4.24. As of November 2015, the 21 APEC member economies collectively accounted for about 40% of the world's population, 44% of global trade, and close to 60% of total GDP. In 2014, U.S.-APEC total trade in goods was an estimated US\$2.5 trillion. Total U.S.-APEC trade in services (exports and imports) was US\$418 billion in 2014 (latest data available). The significant value of U.S. trade in the Asia-Pacific region underscores the importance of the region as a market for U.S. exports and the significant role APEC continues to play in promoting trade and investment liberalization and facilitation in the region.

4.25. In 2015, during the Philippines' APEC host year, the United States worked with APEC to build on the commitments of previous years, as well as to launch work on other issues of priority to the United States and other APEC economies, that will help promote economic growth and support jobs for American workers and businesses. The United States joined with other APEC economies to advance capacity building actions to help developing APEC economies improve the efficiency of supply chains, as measured by reductions in time, cost, and uncertainty of shipments. The projects in the plan match closely with the provisions of the WTO Trade Facilitation Agreement. APEC's supply chain work will make it significantly cheaper, easier, and faster for businesses to trade in the Asia-Pacific. APEC is working closely with supply chain experts in the region through the APEC Alliance for Supply Chain Connectivity (A2C2) to advance these goals.

4.26. A major accomplishment in 2015 was the implementation by most APEC economies of APEC Leaders' ground-breaking 2011 commitment to reduce their tariffs on an agreed list of

environmental goods to 5% or less by 2015. APEC also started to advance work on promoting services trade through the adoption of the APEC Services Cooperation Framework. APEC focused attention in 2015 on the growing importance of digital trade to economic growth and innovation. APEC also showed leadership by continuing efforts to strengthen the implementation of good regulatory practices and by launching a set of actions designed to enable the growth of global value chains.

#### **4.2.5 The U.S.-ASEAN Trade and Investment Framework Arrangement**

4.27. The United States is pursuing several initiatives to expand and deepen economic engagement with the 10 member countries of the Association of South East Asian Nations (ASEAN). ASEAN collectively represents the United States' fourth largest goods export market and fifth largest trading partner. Under the Trade and Investment Framework Arrangement signed in 2006, the United States is working with ASEAN countries to enhance and deepen the U.S.-ASEAN economic relationship and support ASEAN regional integration. Earlier this year, the United States and ASEAN concluded the ASEAN-United States Cooperation in Fostering Transparency and Good Regulatory Practices, and the ASEAN-United States Cooperation in Fostering International Investment, which will help promote best practices across the region in these areas.

#### **4.2.6 Engagement with the Middle East and North Africa**

4.28. The revolutions and other changes that swept through the Middle East and North Africa (MENA) in 2011 prompted a comprehensive reevaluation of U.S. trade and investment policies toward this critical part of the world. In response to these events, USTR coordinated with other Federal agencies, outside experts, and stakeholders in both the United States and MENA partner countries to develop trade and investment initiatives to support jobs and enhance regional trade. To pursue these initiatives, the United States initially focused on certain specific areas, including trade facilitation, investment, and the information and communications technology (ICT) sector, as a first step toward developing longer-term trade and investment objectives with trading partners in the region.

4.29. Although ongoing political and in some cases military turmoil in the MENA region has hampered, to varying degrees, U.S. efforts to engage MENA partner governments, the U.S. Government has sought to maintain dialogue with as many partners as possible. In 2015-16, the United States continued to monitor, implement, and enforce U.S. FTAs in the region (Bahrain, Israel, Jordan, Morocco, and Oman) and held consultations under Trade and Investment Framework Agreements (TIFAs) with Algeria, the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), Tunisia, and Egypt. In these discussions, the United States and partner governments have explored possible new ways to address key trade and investment issues affecting bilateral trade and investment, including customs, intellectual property, control procedures for food imports, standards development, legal harmonization, and WTO initiatives.

#### **4.2.7 U.S.-EU Trade**

4.30. The U.S. trade and investment relationship with the EU is the largest and most complex economic relationship in the world, with transatlantic trade in goods and services averaging over US\$3 billion each day during 2015. The total stock of transatlantic direct investment was worth US\$4.6 trillion in 2015. These enormous trade and investment flows are a key pillar of prosperity both in the United States and Europe, and countries around the world benefit from access to the markets, capital, and innovations of the transatlantic economy.

4.31. The United States interacts extensively with counterparts in the major EU governing institutions (the European Commission, the European Parliament, and the European Council) and EU member State governments on key issues for U.S. workers, farmers, and businesses, such as EU restrictions on U.S. agricultural exports, the protection of intellectual property rights (IPR), and joint efforts on shared concerns in third country markets.

4.32. To further strengthen this critical trade and investment relationship, on 17 June 2013 President Obama and EU Leaders announced the launch of negotiations on the T-TIP agreement, with the mutually agreed commitment to further strengthen the contribution of trade and

investment to fostering jobs, growth, and competitiveness in both economies and to address global issues of common concern.

4.33. The United States and the EU completed the 15<sup>th</sup> round of T-TIP negotiations in New York City in October 2016. Significant progress has been made toward completing negotiation of a comprehensive agreement, with notable advancement toward the elimination of duties and on various regulatory issues. The United States and EU have also made progress toward agreement on a number of other provisions that would expand market access, as well as rules-based commitments which will build on rules in the WTO. The parties continue to work toward completing negotiation of a comprehensive and ambitious T-TIP agreement.

4.34. Under the Transatlantic Economic Council (TEC) umbrella, officials from USTR, Department of Commerce, and the U.S. Small Business Administration (SBA) and the EU's Directorate-General for Trade and Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs organized the 7<sup>th</sup> U.S. Small and Medium Enterprise Workshop in Tallinn, Estonia in June 2016. Participants in the conference exchanged best practices, identified common trade barriers and facilitated increased small business participation in transatlantic trade.

#### **4.2.8 African Growth and Opportunity Act**

4.35. AGOA has been the cornerstone of U.S.-African engagement on trade and investment since it was enacted in 2000. By providing duty-free entry into the United States for almost all products of beneficiary countries, AGOA has helped to expand and diversify two-way trade between the United States and sub-Saharan Africa, and helped to foster an improved business environment in many sub-Saharan African countries. AGOA was extended to 2025 by the Trade Preferences Extension Act of 2015. The renewed AGOA provides additional tools to support compliance with the AGOA eligibility criteria, including by providing greater flexibility to withdraw, suspend, or limit benefits under the program if it is determined that such action would be more effective than termination of AGOA eligibility. The renewed AGOA was also enhanced to promote greater regional integration by expanding rules of origin and by encouraging beneficiary countries to develop AGOA utilization strategies. In 2015, U.S.-sub-Saharan Africa two-way trade (exports plus imports) totalled US\$37 billion. U.S. total imports under AGOA, including its Generalized System of Preferences provisions, was US\$9.3 billion and U.S. imports of non-oil goods under AGOA totalled US\$4.1 billion, a nearly threefold increasing since AGOA entered into force.

4.36. AGOA requires the President to monitor, review, and report to Congress bi-annually on the progress of sub-Saharan African countries in meeting the AGOA eligibility criteria set out in the legislation – including, among other things, making continual progress in establishing a market based economy, rule of law, and protection of internationally recognized workers' rights. The U.S. Trade Representative makes recommendations to the President regarding which countries should be eligible for benefits based on an annual country eligibility review that takes into account information drawn from U.S. Government agencies, the private sector, non-governmental organizations, and prospective beneficiary governments. In 2016, 38 countries were eligible for AGOA benefits.

4.37. The United States-Sub-Saharan Africa Trade and Economic Cooperation Forum, informally known as the "AGOA Forum," is an annual ministerial-level meeting with AGOA-eligible countries. In August 2015, the U.S. Trade Representative led the USG delegation to the AGOA Forum held in Libreville, Gabon. The U.S. Trade Representative and other U.S. participants met with numerous African senior officials, including trade ministers, leaders of African regional economic organizations, and representatives of the African and American private sectors and civil society to discuss issues and strategies for advancing trade, investment, and economic development in Africa as well as ways to increase two-way U.S.-African trade. In September 2016, the U.S. Trade Representative led the USG delegation to the AGOA Forum held in Washington, D.C., where they met with African trade ministers, senior African officials, and participants from the private sector and civil society. The discussion topics included how to foster greater trade and investment between the United States and Africa, and how to expand that relationship beyond AGOA in the future.

4.38. Most recently, as part of the Congressionally required response to the long-term renewal of AGOA in 2015, USTR published a major study entitled "Beyond AGOA: Looking to the Future of

U.S.-Africa Trade and Investment". (At: <https://ustr.gov/sites/default/files/2016-AGOA-Report.pdf>) The report presents the case for deepening U.S.-Africa economic investment, and outlines key trends in Africa, the United States and the broader global trading system against which such engagement will likely evolve. It also explores the substantive building blocks potentially important to a new U.S.-Africa trade architecture, and assesses some strategic and structural options for moving forward.

#### **4.2.9 East African Community Trade and Investment Partnership**

4.39. During his landmark visit to sub-Saharan Africa in the summer of 2013, President Obama announced a new initiative, Trade Africa, which is a new partnership between the United States and sub-Saharan Africa that seeks to increase intra-Africa trade and investment and expand trade and economic ties between Africa, the United States, and other global markets. Trade Africa will initially focus on the member states of the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda. Subsequently, South Sudan became a member of the EAC in 2016. Trade Africa will help mobilize resources to support increased U.S.-EAC trade and investment, building upon the United States-EAC Trade and Investment Partnership announced in June 2012. In February 2015, the U.S. Trade Representative and trade ministers from five EAC countries marked a milestone for Trade Africa by signing a "Cooperation Agreement among the Partner States of the East African Community and the United States of America" on trade facilitation, sanitary and phytosanitary measures, and technical barriers to trade. The Agreement will increase trade-related capacity building in these key areas in EAC countries and is intended to deepen economic ties between the United States and the EAC. Total two-way goods trade between the United States and the EAC was an estimated US\$2.0 billion in 2015, with US\$1.2 billion in U.S. goods exports and U.S. goods imports totalling US\$796 million.

#### **4.2.10 The Caribbean Basin Initiative**

4.40. The programs known collectively as the Caribbean Basin Initiative (CBI) are a vital element in U.S. economic relations with its neighbors in Central America and the Caribbean. Initially launched in 1983 by the Caribbean Basin Economic Recovery Act (CBERA) and substantially expanded in 2000 with the U.S.-Caribbean Basin Trade Partnership Act (CBTPA), the CBI was further expanded in the Trade Act of 2002. In addition, the United States provides substantial benefits to Haiti through the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 ("HOPE Act"), the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 ("HOPE II"), and the Haiti Economic Lift Program Act of 2010 ("HELP Act"). In 2015, Congress extended this program of unilateral support for Haiti through 2025.

4.41. The CBERA provides beneficiary countries and territories with duty-free access to the U.S. market for certain eligible articles. Current beneficiary countries are: Antigua and Barbuda, Aruba, the Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. At the end of 2013, the President designated Curaçao, a successor political entity of the Netherlands Antilles, as an eligible beneficiary of CBERA and CBTPA.

4.42. On the date the CAFTA-DR entered into force for Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic, respectively, each country ceased to be designated as a CBERA and CBTPA beneficiary. Similarly, Panama ceased to be designated as a CBERA and CBTPA beneficiary when the United States-Panama Trade Promotion Agreement entered into force on 31 October 2012.

4.43. Since its inception, the CBERA has helped beneficiaries diversify their exports. In conjunction with economic reform and trade liberalization by beneficiary countries, the trade benefits of the program have contributed to their economic growth. In December 2015, USTR submitted its eleventh biannual report to Congress on the operation of the CBERA. The report can be found on the USTR website, <http://www.ustr.gov>. On 10 July 2014, the United States submitted a report to the WTO on the operation of the trade-related provisions of the CBERA (WT/L/928).

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### **4.3 Bilateral Trade Agreements and Initiatives**

#### **4.3.1 United States–Australia Free Trade Agreement**

4.44. The United States-Australia FTA entered into force on 1 January 2005. U.S. two-way goods trade with Australia totalled US\$36 billion in 2015, up 67% since 2004, the year before the FTA entered into force. U.S. two-way services trade with Australia totalled US\$26 billion in 2014 (latest data available), an increase of 151% since 2004. The stock of U.S. foreign direct investment in Australia reached US\$180 billion in 2014 (latest data available); the United States is the largest foreign investor in Australia, while the United States is the top destination for outbound Australian foreign direct investment.

4.45. The United States and Australia continue to closely monitor FTA implementation. The fifth Joint Committee Meeting to review implementation of the FTA and other bilateral issues was held in May 2016, and covered topics including customs, services, autos, and investment. The two countries cooperated closely in the successful conclusion of the TPP negotiations in 2015, and worked to further promote trade and investment through WTO, APEC, and other regional initiatives.

#### **4.3.2 United States–Bahrain Free Trade Agreement**

4.46. The United States-Bahrain FTA entered into force on 1 August 2006. On the first day the agreement took effect, 100% of the two-way trade in industrial and consumer products began to flow without tariffs. In 2015, two-way trade in goods was US\$2.2 billion. U.S. exports of goods were US\$1.3 billion, and U.S. imports of goods from Bahrain were US\$902 million.

4.47. The central oversight body for the Agreement is the United States-Bahrain Joint Committee (JC), chaired jointly by the Office of the U.S. Trade Representative and Bahrain's Ministry of Industry and Commerce. Dates for the third meeting of the JC have not yet been set, but when scheduled, officials of the two governments expect to discuss a broad range of trade issues, including efforts to increase bilateral trade and investment levels, possible cooperation in the broader MENA region, and additional cooperative efforts related to labor rights and environmental protection.

4.48. The U.S.-Bahrain FTA also promotes the United States' policy to increase job-supporting trade and investment between the United States and Middle East. The United States-Bahrain Bilateral Investment Treaty (BIT) took effect in May 2001.

#### **4.3.3 United States–Chile Free Trade Agreement**

4.49. The United States-Chile FTA entered into force on 1 January 2004. The United States-Chile FTA eliminates tariffs and opens markets, reduces barriers to trade in services, provides protection for intellectual property, ensures regulatory transparency, guarantees non-discrimination in the trade of digital products, commits the Parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective labor and environmental enforcement. Two-way goods trade totalled US\$24.2 billion in 2015, with U.S. goods exports to Chile totalling US\$15.4 billion. As of 1 January 2015, all products became duty free under the Agreement.

4.50. The central oversight body for the FTA is the United States-Chile Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Chilean Director General of International Economic Affairs or their designees. In June 2014, the United States and Chile executed an exchange of letters agreeing to a Code of Conduct for Dispute Settlement Proceedings and Common Guidelines for the Interpretation, Application and Administration of Chapter Four and other relevant provisions of the Agreement. The FTC last met in June 2015 to review implementation of the Agreement.

#### **4.3.4 United States–Colombia Trade Promotion Agreement**

4.51. The United States-Colombia Trade Promotion Agreement (CTPA) entered into force on 15 May 2012. Two-way goods trade totalled US\$30.4 billion in 2015, with U.S. goods exports to Colombia totalling US\$16.3 billion. "Year 5" tariff cuts occurred on 1 January 2016. The CTPA's

central oversight body is the United States-Colombia Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Colombia Minister of Foreign Trade and Tourism or their designees. In November 2012, the FTC held its inaugural meeting to review implementation of the Agreement.

4.52. During 2014 and 2015, the United States continued intensive engagement with the Colombian government under the Action Plan Related to Labor Rights to support its efforts to improve the protection of worker rights, prevent violence against trade unionists, and ensure the prosecution of the perpetrators of such violence. The Colombian government has continued to take important steps to strengthen labor rights, including issuing a new Presidential Decree in April 2016 to help inspectors investigate and apply potentially very significant fines to employers that use abusive forms of subcontracting to violate labor rights, and hiring 279 additional labor inspectors for a total of 413 new inspectors since the launch of the Action Plan. More work remains to be done, and the United States will continue its intensive engagement with the Government of Colombia and stakeholders to ensure progress on workers' rights.

4.53. In December 2013, both the Environmental Affairs Council (EAC) under the CTPA and the Environmental Cooperation Commission (ECC) under the United States-Colombia Environmental Cooperation Agreement (ECA), which entered into force on 28 June 2013, met. The Council and Commission also held a public session pursuant to the CTPA environment chapter and the ECA. The EAC reviewed implementation of the Environment Chapter of the CTPA including actions taken by both countries to increase levels of environmental protection, ensure effective enforcement of environmental laws, and provide opportunities for public participation in environmental governance and the trade policy-setting processes. The ECC reviewed ongoing environmental cooperation activities and approved and signed the first United States-Colombia Work Program for Environmental Cooperation under the ECA, which provides a robust framework for advancing environmental cooperation in the coming years. In 2015 and 2016, the United States and Colombia made progress toward the establishment of an independent secretariat to receive and consider submissions from the public on matters regarding enforcement of environmental laws pursuant to Article 18.8 of the CTPA, and hope to finalize the agreement in 2016 or early 2017. The secretariat mechanism is intended to promote public participation in the identification and resolution of issues regarding each party's enforcement of its environmental laws.

#### **4.3.5 United States-Israel Free Trade Agreement**

4.54. The United States-Israel Free Trade Agreement is the United States' first FTA. It entered into force in 1985 and continues to serve as the foundation for expanding trade and investment between the United States and Israel by reducing barriers and promoting regulatory transparency. In 2015, U.S. goods exports to Israel were US\$15.1 billion.

4.55. In January 2016, the United States and Israel sought ways to engage in collaborative efforts to increase bilateral trade and investment. During the meeting, the United States and Israel began discussion of a work plan to address the remaining barriers to bilateral trade, including in the areas of agriculture and customs, among other areas. The two sides also made progress on a number of market access issues related to standards, customs classification, and technical regulations.

4.56. In 1996, the United States and Israel concluded an Agreement Concerning Certain Aspects of Trade in Agricultural Products (ATAP), which provided for duty-free or other preferential treatment for certain agricultural products. The 1996 agreement was extended through 2003, and a new agreement was concluded in 2004. While this Agreement originally ran through 2008, it has been extended annually since then. In June 2014, the United States proposed revised modalities for a new ATAP agreement, seeking to capitalize on progress to date and to streamline the negotiations while liberalizing trade to the maximum degree possible. Each side is reviewing the proposals put forward by the other in preparation for the next round of negotiations, tentatively planned for late 2016. In December 2015, the two sides agreed to extend the 2004 ATAP through 31 December 2016, while negotiations for a new ATAP continue.

#### **4.3.6 United States–Jordan Free Trade Agreement**

4.57. In 2016, the United States and Jordan continued to benefit from their economic partnership. A key element of this relationship is the United States-Jordan Free Trade Agreement, which entered into force on 17 December 2001, and was implemented fully on 1 January 2010. In addition, the Qualifying Industrial Zones (QIZs), established by the U.S. Congress in 1996, allow products to enter the United States duty free if manufactured in Jordan, Egypt, or the West Bank and Gaza, with a specified amount of Israeli content. The program has succeeded in stimulating significant business cooperation between Jordan and Israel.

4.58. U.S. goods exports were an estimated US\$1.4 billion in 2015, down 33% from 2014. QIZ products account for about 5% of Jordanian exports to the United States, but the QIZ share of these exports is declining relative to the share of exports shipped to the United States under provisions of the FTA. This shift toward exporting products manufactured outside of the QIZs demonstrates the important role the FTA plays in helping Jordan diversify its economy.

4.59. At the May 2016 meeting of the Joint Committee (JC) established under the FTA, the United States and Jordan agreed to update an action plan outlining concrete steps to boost trade and investment bilaterally, and between Jordan and other countries in the Middle East region.

4.60. Additionally, the United States continued to work with Jordan in the area of labor standards, particularly through ongoing efforts under the Implementation Plan Related to Working and Living Conditions of Workers in Jordan, signed in 2013. The Plan addresses labor concerns in Jordan's garment factories including anti-union discrimination against foreign workers, conditions of accommodations for foreign workers, and gender discrimination and harassment.

#### **4.3.7 United States–Korea Free Trade Agreement**

4.61. The United States-Korea Free Trade Agreement (KORUS) entered into force on 15 March 2012. Despite a prolonged period of relatively slow growth in Korea and resultant drop in import demand, U.S.-Korea goods and services trade increased from US\$126 billion to US\$146 billion between 2011 (pre-FTA) and 2015. Manufacturing exports reached US\$37.2 billion in 2015, an 8.2% increase from 2011. Passenger vehicle exports increased 208% by value between 2011 and 2015, more than 14 times faster than the increase in U.S. auto exports to the world. Services exports reached US\$20.5 billion in 2015, an increase of 23.1% from 2011. Overall, the U.S. International Trade Commission estimated in 2016 that U.S. exports to Korea were roughly US\$16 billion higher than they would have been absent KORUS.

4.62. There are 21 KORUS Committees and Working Groups, which meet regularly and can also be convened on an ad hoc basis to address issues of concern. The agreement's central oversight body is the Joint Committee, chaired by the U.S. Trade Representative and the Korean Trade, Industry and Energy Minister. There have been four Joint Committee meetings since the agreement entered into force, at which issues of substantial interest to both Parties, such as the regulatory environment, competition policy, and automotive trade, were discussed. Senior Officials Meetings are also held in conjunction with Joint Committee meetings to coordinate and report on the activities of the committees and working groups established under the agreement and to review important issues as they arise.

4.63. The United States addresses KORUS compliance and other trade issues on a continual basis through regular inter-sessional consultations, through our respective embassies, and other engagement with the Korean government, including at senior levels, in order to resolve issues in a timely manner.

#### **4.3.8 United States–Morocco Free Trade Agreement**

4.64. The United States-Morocco Free Trade Agreement (FTA) entered into force on 1 January 2006. Since the entry into force of the FTA, two-way U.S.-Morocco trade in goods has grown from US\$927 million in 2005 (the year prior to entry into force) to US\$2.6 billion in 2015. U.S. goods exports to Morocco in 2014 were US\$1.6 billion, down 23.5% from the previous year. Corresponding U.S. imports from Morocco in 2015 were US\$1.0 billion, up nearly 2% from 2014.

4.65. The United States and Morocco held the fourth meeting of the FTA Joint Committee (JC) on February 20, 2015 in Rabat. U.S. and Moroccan officials noted productive bilateral environmental and labor-related cooperation under the Labor and Environment FTA Subcommittees, which had met in September and October 2014, respectively. They also reviewed recent improvements to Morocco's legislative regime for the protection of intellectual property rights and discussed Morocco's steps to implement the bilateral Customs and Mutual Assistance and Trade Facilitation agreements, signed in 2013 and which entered into force on February 1, 2016, as well as the WTO Trade Facilitation Agreement.

4.66. In the area of agriculture, the JC reviewed discussions held just prior to the JC's session in combined meetings of the Agriculture and Sanitary and Phytosanitary (SPS) FTA Subcommittees. In the Subcommittee meetings, expert-level delegations considered the steps required to complete Moroccan SPS applications for market access to the United States for a number of agricultural products. They also explored new approaches to the operation of the tariff rate quotas (TRQs) for wheat established by Morocco under the FTA. Useful exchanges of technical information across a range of issues took place, designed to facilitate ongoing discussions. The two delegations committed to a series of digital video conferences and other communications throughout the year in order to maintain progress. Several of these conferences subsequently were held throughout 2015. The Subcommittees are currently planning their next meetings for Fall 2016. The next Agriculture and SPS FTA committee is scheduled for October 2016.

#### **4.3.9 United States–Oman Free Trade Agreement**

4.67. The United States-Oman Free Trade Agreement, which entered into force on 1 January 2009, complements existing FTAs to promote economic reform and openness in the region. Implementation of the obligations contained in the comprehensive agreement will generate export opportunities for U.S. goods and services providers, solidify Oman's trade and investment liberalization efforts, and strengthen intellectual property rights protection and enforcement. In 2015, two-way trade in goods was US\$3.3 billion. U.S. exports of goods were US\$2.4 billion, and U.S. imports of goods from Oman were US\$906 million.

4.68. The central oversight body for the FTA is the United States-Oman Joint Committee, chaired jointly by the U.S. Trade Representative and the Minister of Commerce and Industry. Dates for the third meeting of the JC have not yet been set, but when scheduled, officials of the two governments expect to discuss a broad range of trade issues including efforts to increase bilateral trade and investment levels, possible cooperation in the broader Middle East and North Africa region, and additional cooperative efforts related to labor rights and environmental protection.

#### **4.3.10 United States–Panama Trade Promotion Agreement (Panama TPA)**

4.69. The United States-Panama Trade Promotion Agreement (Panama TPA) entered into force on 31 October 2012. The United States' two-way goods trade with Panama was US\$8.1 billion in 2015, with U.S. goods exports to Panama totalling US\$7.7 billion. "Year 5" tariff cuts occurred on 1 January 2016. The TPA's central oversight body is the United States-Panama Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Panamanian Minister of Trade and Industry or their designees. The Parties have agreed to hold an FTC meeting in November 2016, to review implementation of the Agreement.

4.70. The Agreement includes obligations for both countries to protect fundamental labor rights as well as to effectively enforce existing labor laws, which will enable workers and businesses to compete on a level playing field. The Agreement also established a Labor Affairs Council (LAC) under the labor chapter.

4.71. The Agreement establishes an Environmental Affairs Council (EAC) under the environment chapter. The related U.S.-Panama Environmental Cooperation Agreement (ECA) establishes an Environmental Cooperation Commission (ECC). In December 2015, the United States and Panama signed an agreement establishing the secretariat for environmental enforcement matters, which is housed at the Water Center for Humid Tropics of Latin America and the Caribbean (CATHALAC). The agreement entered into force in August 2016.

#### **4.3.11 United States–Peru Trade Promotion Agreement**

4.72. The United States-Peru Trade Promotion Agreement (PTPA) entered into force on 1 February 2009. The PTPA eliminates tariffs and removes barriers to U.S. services, provides a secure, predictable legal framework for investors, and strengthens protection for intellectual property, workers, and the environment. The United States' two-way goods trade with Peru was an estimated US\$13.8 billion in 2015, with U.S. goods exports to Peru totalling US\$8.7 billion.

4.73. The PTPA's central oversight body is the United States-Peru Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Peruvian Minister of Foreign Trade and Tourism or their designees. In June 2015, the FTC held its fifth meeting to review implementation of the Agreement.

4.74. The PTPA also established the United States-Peru Forest Sector Subcommittee and the Environmental Affairs Council (EAC). The Subcommittee serves as a forum for the Parties to exchange views and share information on any matter arising under the PTPA's Annex on Forest Sector Governance (Forest Annex), and through the EAC, the United States and Peru have had robust engagement concerning the implementation of the environmental obligations under the PTPA Environment Chapter and the Forest Annex. In June 2015, the EAC met in Lima, Peru along with the Forest Sector Subcommittee and the Environmental Cooperation Commission (ECC). The Parties reviewed progress under the Forest Sector Annex, including the launch of a new Peruvian Forest and Wildlife Service in August 2014. The Parties also signed an agreement to establish the secretariat for environmental matters, an independent body to receive public submissions concerning environmental enforcement and approved an ECC Work Program for 2015–2018 which lays out a plan for continued support for Peru. As provided for under the Forest Annex, in February 2016 the United States requested the Government of Peru to verify that a 2015 timber shipment exported to the United States complied with applicable Peruvian laws and regulations. The United States responded to the verification findings with a set of recommended actions and intends to work with the Government of Peru to implement reforms to improve enforcement of Peruvian forestry laws.

#### **4.3.12 United States–Singapore Free Trade Agreement**

4.75. The United States-Singapore FTA, the United States' first in Asia, has been in effect since 2004. Since then, two-way trade has increased 50%. Singapore is the 17<sup>th</sup> largest goods trading partner of the United States, with US\$50 billion in two-way goods trade, and its 19<sup>th</sup> largest services trading partner, with US\$21 billion in two-way services trade. The United States consults regularly with Singapore to monitor implementation of the FTA, address bilateral issues, and further build and expand the bilateral relationship.

### **5 TRADE IN SERVICES AGREEMENT**

5.1. Launched in 2013, the Trade in Services Agreement (TiSA) is a trade initiative focused exclusively on services. Drawing on best practices from around the world, TiSA is designed to encompass state-of-the-art trade rules aimed at promoting fair and open competition across the full spectrum of service sectors – from telecommunications and technology to distribution and delivery services.

5.2. Twenty-three economies are participating in TiSA negotiations: Australia; Canada; Chile; Colombia; Costa Rica; the European Union; Hong Kong, China; Iceland; Israel; Japan; Liechtenstein; Mauritius; Mexico; New Zealand; Norway; Pakistan; Panama; Peru; the Republic of Korea; Switzerland; Chinese Taipei; Turkey; and the United States. TiSA participants represented nearly 70% of the world's US\$55 trillion services market in 2014 (latest data available).

5.3. The United States and other TiSA partners are working to complete negotiations by the end of 2016. Substantial progress has been made in stabilizing texts across its many components, and negotiations will be intensifying in an effort to reach agreement on additional disciplines in areas like telecommunications, financial services, and e-commerce, as well as to obtain high-quality market access offers from all participants.

## **6 TRADE-RELATED CAPACITY BUILDING INITIATIVES**

6.1. Trade policy and development assistance are key tools that together can help alleviate poverty and improve opportunities. Through "Aid for Trade," the United States focuses on helping developing countries integrate into the global trading community. Support to countries, in the form of training and technical assistance, can help them make decisions about the benefits of trade arrangements and reforms; implement their international and regional obligations to bring certainty to their trade regimes; and enhance these countries' ability to take advantage of the opportunities of the multilateral trading system and to compete in a global economy. Accordingly, U.S. assistance addresses a broad range of issues so that communities, rural areas, and small businesses, including female entrepreneurs, benefit from ambitious reforms in trade rules that are being negotiated in the WTO and in other trade fora. The United States promotes trade and economic growth in developing countries through a wide range of trade capacity building (TCB) activities.

6.2. An important element of this TCB work involves coordinating U.S. Government technical assistance activities with those of the international institutions in order to identify and take advantage of donor synergies in programming and to avoid duplication. Such institutions include the WTO, the World Bank, the IMF, the regional development banks, and the United Nations. The United States, led by USTR at the WTO, by the Treasury Department at various international financial bodies, and by the State Department at the United Nations, works in partnership with these institutions and other donors to ensure that, where appropriate, trade-related assistance is an integral component of development programs tailored to the circumstances within each developing country.

6.3. The United States' efforts build on its longstanding commitment to help partner countries benefit from the opportunities provided by the global trading system, both through bilateral U.S. assistance and through multilateral institutions. U.S. bilateral assistance includes programs such as targeted assistance for developing countries participating in U.S. preference programs and coordination of assistance through Trade and Investment Framework Agreements (TIFAs). The United States also provides bilateral assistance to developing countries to enable them to work with the private sector and non-governmental organizations to transition to a more open economy, to prepare for WTO negotiations, and to abide by their trade obligations. Multilaterally, the United States has supported and will continue to support trade-specific assistance mechanisms, such as the Enhanced Integrated Framework for Trade-Related Assistance to Least-Developed Countries and the WTO's Global Trust Fund for Trade-Related Technical Assistance.

### **6.1 World Trade Organization-Related U.S. Trade-Related Assistance**

6.4. International trade can play a major role in the promotion of economic growth and the alleviation of poverty, and the United States recognizes that TCB can facilitate more effective integration of developing countries into the international trading system and enable them to benefit further from global trade. The United States has and will continue to directly support the WTO's trade-related technical assistance efforts. As a major bilateral provider of trade capacity building assistance, the United States has remained an active partner in the WTO's Aid for Trade discussion.

6.5. The United States supports the trade-related assistance activities of the WTO Secretariat through voluntary contributions to the DDA Global Trust Fund. In September 2016, the United States pledged an additional US\$600,000 to the trust fund. Taking into account this contribution, total U.S. contributions to the WTO have amounted to more than US\$17 million since 2001.

6.6. The United States provides technical support to countries that are in the process of acceding to the WTO and for post-accession implementation. In 2015, the United States provided WTO accession assistance to Afghanistan, Kazakhstan, and Liberia. Among current accession applicants, Algeria, Azerbaijan, Belarus, Bosnia and Herzegovina, Ethiopia, Iraq, Lebanon, Serbia, and Uzbekistan received U.S. technical assistance earlier in their accession processes. In addition, Albania; Georgia; Lao People's Democratic Republic; Macedonia; Morocco; Nepal; Tajikistan; Ukraine; and Viet Nam continue to receive assistance with implementing their membership commitments.

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## 6.2 The Enhanced Integrated Framework

6.7. The Enhanced Integrated Framework (EIF) is a multi-organization, multi-donor program that operates as a coordination mechanism for trade-related assistance to least-developed countries (LDCs) with the overall objective of integrating trade into national development plans. The United States supports the EIF primarily through complementary bilateral assistance to EIF participating countries. U.S. Agency for International Development (USAID) bilateral assistance to LDC participants supports initiatives both to integrate trade into national economic and development strategies and to address high priority capacity building needs designed to accelerate integration into the global trading system.

## 6.3 TCB Initiatives for Africa

6.8. In July 2013, President Obama launched "Trade Africa" with the five members of the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda – to support increased regional and U.S.-EAC trade and investment. As part of this engagement, the United States and its EAC partners negotiated, and have been working to implement, a February 2015 Cooperation Agreement covering sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), and trade facilitation. The Administration subsequently expanded the Trade Africa initiative to Cote d'Ivoire, Ghana, Mozambique, Senegal, and Zambia, and it committed to provide technical support on trade matters to the Economic Community of West African States (ECOWAS). Cooperation between the United States and its Trade Africa partners – including through technical and capacity building assistance – could help the latter meet their WTO obligations under the SPS, TBT, and Trade Facilitation Agreements, foster an improved business climate, and address capacity issues that constrain trade.

6.9. The United States has boosted trade capacity building assistance through Trade and Investment Hubs on the continent, which are expected to facilitate over US\$200 million in new investments and foster the creation of 37,000 jobs by 2020. Under this initiative, USAID expanded its flagship Trade Hubs into Trade and Investment Hubs (Hubs). These Hubs, located in Accra, Ghana; Pretoria, South Africa; and Nairobi, Kenya, implement new and innovative initiatives to reduce bottlenecks along major trade corridors, as well as boost exports through the formation of sustainable business associations with international membership. The Hubs are responsible for creating Source Africa, the continent's largest apparel trade show. Moreover, the Hubs support implementation of the Feed the Future initiative to help improve food security by integrating regional markets and reducing the time and cost to move goods from areas of surplus to those of deficit. Supporting such investment allows key value chains to scale up, reaching tens of thousands of smallholder farmers, and create stable, long-term employment opportunities.

6.10. The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) administers a number of agricultural technical assistance, training, and research programs in sub-Saharan Africa. USDA's capacity-building program objectives are to increase agricultural trade both regionally and with the United States, help develop trade policies based on sound science, support agricultural sector growth in partner countries and promote regional food security. To this end, FAS administers programs to support SPS regulatory and policy development and improvements that will help decrease international trade constraints. This capacity building creates regional frameworks for countries to develop equivalent SPS systems that govern regional trade, including transboundary animal disease and plant pest monitoring, control, and emergency response. In addition, FAS capacity building is helping to develop food monitoring systems that will both ensure exported foods meet international requirements and that will safeguard domestic food supplies from chemical and microbiological contamination.

6.11. The Millennium Challenge Corporation (MCC) works in partnership with well-governed developing countries to tackle the most critical obstacles to private investment and economic growth. While MCC's program with each country is different, many partner countries place a high priority on increasing their competitiveness and facilitating domestic commerce as well as regional and international trade. Since MCC was created in 2004, the agency has invested more than US\$6 billion in trade-related assistance to developing countries, and more than half of that has gone to 15 sub-Saharan African countries. This aid focuses on trade-related infrastructure such as roads and electricity, improving the productivity of small and medium-sized businesses and export-oriented industries, and leveraging policy and regulatory reforms. Such support allows countries to expand their export-oriented sectors and better utilize AGOA. Major projects have

included expansions to the principal sea ports of Benin and Cape Verde, upgrades to Mali's international airport, and roads for commerce in Ghana, Senegal, Tanzania, and Mozambique. MCC has also supported trade policy and customs improvements through its threshold programs in Liberia and Zambia.

6.12. Through Power Africa, launched in 2013, the U.S. Government and a coalition of more than 130 public and private sector partners are working to double access to electricity in sub-Saharan Africa. At the 2014 U.S.-Africa Business Forum, President Obama pledged new funding to expand Power Africa's reach to all of sub-Saharan Africa, and announced a new aggregate goal of adding 30,000 megawatts (MW) of new, cleaner electricity and increasing electricity access by at least 60 million new connections. Power Africa is providing support for projects expected to generate more than 29,000 MW, and this support has already helped transactions expected to generate more than 4,600 MW of generation reach financial close. Through the combined efforts of Power Africa's strategic partners, including the World Bank Group, the African Development Bank, the European Union, and the Governments of Sweden, the United Kingdom, Norway, Canada, and Japan, Power Africa is on track to meet its goals by 2030. To date, Power Africa's initial US\$7 billion commitment has mobilized more than US\$52 billion in additional external commitments, including more than US\$40 billion in private sector commitments to invest in power generation and distribution across sub-Saharan Africa. By demonstrating that renewable power transactions are financially viable, improving the performance of utilities, changing the regulatory mind-set on renewables, and harmonizing policies to drive investment and stability, Power Africa is also playing a critical role in advancing affordable, reliable, and modern energy services and substantially increasing the share of renewable energy in sub-Saharan Africa.

6.13. The U.S. Trade and Development Agency (USTDA), the U.S. Government's project preparation agency, works to reduce barriers to financing infrastructure. In support of Trade Africa goals, USTDA increased its portfolio in Africa by two-thirds to stimulate the infrastructure development Africa requires to trade globally. This early-stage investment across 30 projects, including ports, airports, electricity, and telecom, and has the potential to mobilize more than US\$2 billion in private and public financing during implementation. USTDA also facilitated eight reverse trade missions, in which 120 public and private sector delegates from 19 countries in sub-Saharan Africa participated, increasing their capacity to make informed investment decisions in their infrastructure investments.

6.14. Since 2005, the United States has mobilized its development agencies to help the West African countries of Benin, Burkina Faso, Chad, Mali, and Senegal address obstacles they face in the cotton sector. MCC, USAID, and USDA continue to work with these nations as they seek to develop a coherent long-term development strategy to improve prospects in the cotton sector. Elements of such a strategy address key challenges such as improved productivity and domestic reforms. The United States will continue to coordinate with the WTO, World Bank, the African Development Bank, and others as part of the multilateral effort to address the development aspects of cotton. This includes the active participation of the United States in the WTO Secretariat's periodic meetings with donors and recipient countries to discuss the trade, development, and reform aspects of cotton.

6.15. The USAID-funded West Africa Cotton Improvement Program (WACIP), which ran from 2006-2013, and the follow-on Feed the Future C-4 Cotton Partnership Program, along with other U.S. Government and MCC agriculture and trade-related programs in the C-4 countries, reflect the substantial commitment of the U.S. Government to address the development aspects of cotton raised by the C-4 countries. The cooperative agreement for the Cotton Partnership Program was approved in April 2014 and is anticipated to cover four years ending in March 2018. The United States also provides complementary support to the cotton sector through other programs. MCC is implementing or has implemented compacts with Benin, Burkina Faso, Mali, and Senegal. USDA also provides support to these countries through its Food for Progress program, which encourages development of the agriculture sector and market development. USDA further supports the West African cotton sector through its research and exchange programs, specifically the Borlaug and Cochran Programs.

#### **6.4 Standards Alliance**

6.16. In November 2012, the United States launched a U.S.-sponsored assistance facility called the "Standards Alliance" with the goal of building capacity among developing countries to

implement the WTO Agreement on Technical Barriers to Trade (TBT Agreement). The Standards Alliance provides resources and expertise to enable developing countries to effectively implement the TBT Agreement. The focus of these efforts in developing countries includes efforts: to improve practices related to notification of technical regulations and conformity assessment procedures to the WTO; to strengthen domestic practices related to adopting relevant international standards; and to clarify and streamline regulatory processes for products.

6.17. In May 2013, USAID and the American National Standards Institute (ANSI) entered into a public-private partnership that coordinates private-sector subject matter experts from ANSI member organizations in the delivery of training and other technical exchange with interested Standards Alliance countries on international standards and best practices. In coordination with USTR, the USAID-ANSI partnership includes activities in up to 10 markets representing a variety of geographical regions and levels of economic development. In consultation with TPSC member agencies and private sector experts, ANSI reviewed the applications received based on consideration of bilateral trade opportunities, available private sector expertise that may be leveraged, demonstrated commitment and readiness for assistance, and potential development impact. Participating countries/regions include: Central America (CAFTA-DR, Panama), Colombia, Mexico, the East African Community, Indonesia, Middle East/North Africa, Peru, Southern Africa Development Community, developing ASEAN members, and Yemen.

6.18. Between 2014-2016, the Standards Alliance completed over 35 TBT-related trainings, workshops, and delegation visits that included more than 1,500 participants from 65 countries. These capacity building activities have bolstered Standards Alliance countries' understanding and application of TBT-related mechanisms. Highlights from the third year of Standards Alliance implementation include a series of programs on automotive standards and regulation, an advanced course on TBT conducted with Mexico, completion of a pilot project implementing a new Uniform Plumbing Code for Indonesia, and Zambia submitting its first TBT notifications since 2007. During its third year, the Standards Alliance observed an expanded application of WTO mechanisms and increased participation in WTO meetings by Standards Alliance countries. For example, during the past three WTO TBT Committee meetings, Standards Alliance countries raised 24% more specific trade concerns (STCs) on the floor of the WTO when compared with the same period in 2012. Standards Alliance countries also exhibit a growing expertise on TBT matters. The number of STCs raised against Standards Alliance countries in the past three TBT Committee meetings decreased by 49% when compared with the same period in 2012.

## **7 TRADE AND THE ENVIRONMENT**

7.1. Since the last U.S. Trade Policy Review, the United States has achieved significant results on trade and environment matters in multiple fora, including through regional and bilateral trade initiatives.

7.2. The TPP Environment chapter includes commitments addressing a broad range of environmental challenges in the Asia-Pacific region, such as combating wildlife trafficking and illegal logging and associated trade, promoting sustainable fisheries management, and prohibiting harmful fisheries subsidies that negatively affect overfished fish stocks or support vessels engaged in illegal fishing. The TPP Agreement also liberalizes trade in environmental goods and services. The chapter also creates a framework for environmental cooperation and capacity building to help developing TPP countries meet their obligations. Obligations in the chapter are subject to the same dispute settlement procedures and remedies as obligations in other chapters of the TPP Agreement, including the availability of trade sanctions for violations. In the T-TIP negotiations, the United States is also seeking ambitious environmental commitments, including those relating to the protection and conservation of wildlife, marine fisheries, and forest resources.

7.3. The United States has continued to prioritize implementation of the FTAs currently in force. Since the last review, the United States has worked in close collaboration with Peru to advance implementation of the Annex on Forest Sector Governance under the United States-Peru Trade Promotion Agreement. As provided for in the Forest Annex, in February 2016 the United States requested the Government of Peru to verify that a shipment of timber products exported to the United States complied with applicable Peruvian laws and regulations. The United States responded to the verification findings with a set of recommended actions and intends to work with the Government of Peru to implement reforms to improve enforcement of Peruvian forestry laws. During the review period, the United States also met with officials from Central America and the

Dominican Republic, Chile, Colombia, Korea, Morocco, Panama, and Singapore to discuss implementation of the environment chapters of our FTAs.

7.4. The United States and the 16 other WTO Members participating in EGA negotiations have made significant progress to develop a list of environmental technologies that will be subject to tariff elimination. At the G20 Trade Ministerial Meeting in July 2016, Ministers committed to conclude the EGA negotiations by the end of 2016, and to achieve a landing zone by the G20 Leaders' Summit in September 2016, which EGA participants succeeded in achieving. The EGA will eliminate tariffs on a broad range of environmental technologies such as wind turbines, water treatment filters, and solar water heaters, expanding on the APEC list of 54 environmental goods. In addition to the United States, Australia; Canada; China; Costa Rica; the European Union; Hong Kong, China; Iceland; Israel; Japan; Korea; New Zealand; Norway; Singapore; Switzerland; Chinese Taipei; and Turkey are participating in the negotiations.

7.5. In APEC, the United States continued to work closely with other economies to ensure full implementation of APEC Leaders' 2011 commitment to reduce tariffs on environmental goods to 5% or less by the end of 2015. To date, that commitment has resulted in the reduction of duties on hundreds of tariff lines in the Asia-Pacific region, impacting billions of dollars of trade in clean technologies. In 2016, the United States launched an initiative under APEC's Regulatory Cooperation Advancement Mechanism (ARCAM) aimed at facilitating trade and investment in sustainable materials management (SMM) solutions. This effort will catalogue APEC economy definitions of key terms (e.g. municipal solid waste, recyclable material, renewable energy) that impact trade and investment in SMM solutions as a first step towards addressing the barriers these definitions occasionally create.

7.6. In September 2016, the United States and 12 other WTO Members (Argentina, Australia, Canada, Chile, Colombia, New Zealand, Norway, Papua New Guinea, Peru, Singapore, Switzerland, and Uruguay), announced their plans to negotiate in the WTO a first of its kind, rules-based plurilateral agreement to prohibit harmful fisheries subsidies. The United States anticipates that other conservation-minded WTO Members will join these negotiations and work towards an ambitious, high-standard agreement, while at the same time working to make progress toward a multilateral agreement on fisheries subsidies in the WTO.

7.7. In July 2013, the President issued an Executive Order on Combating Wildlife Trafficking in order to enhance U.S. Government efforts to combat wildlife trafficking. The Executive Order established a Presidential Task Force to develop and implement a National Strategy for combating wildlife trafficking. The National Strategy, released in February 2014, includes a comprehensive whole-of-government plan to address the wildlife trafficking crisis, including by using existing and future U.S. FTAs, environmental cooperation mechanisms, and other trade-related initiatives. The United States has made substantial progress in implementing the National Strategy, including by securing enforceable commitments to combat wildlife trafficking in the TPP Environment Chapter.

7.8. In June 2014, the President issued a Presidential Memorandum on Combating Illegal Fishing and Seafood Fraud. The memorandum established a Presidential Task Force that developed a comprehensive framework to combat illegal, unreported, and unregulated (IUU) fishing and seafood fraud, which is outlined in the Action Plan on Combating Illegal, Unreported, and Unregulated (IUU) Fishing and Seafood Fraud (Action Plan), released in March 2015. The Action Plan specifically calls for the United States to seek commitments from U.S. trading partners to combat IUU fishing and eliminate harmful fisheries subsidies, such as those that go to illegal fishers. The TPP Environment Chapter includes commitments in this areas, and the United States is seeking similar commitments in the T-TIP negotiations.

7.9. Through the APEC Experts Group on Illegal Logging and Associated Trade, the United States worked with other Asia-Pacific economies on efforts to combat illegal logging and associated trade. This work included developing a definitional understanding of what constitutes illegal logging and associated trade, and establishing a reporting template for each economy to report on its laws and regulations that are within the scope of the agreed definition. Additionally, the United States is working bilaterally with China to enhance efforts to combat illegal logging and associated trade.

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## 8 TRADE AND LABOR

8.1. Ensuring respect for worker rights is a core value, and the trade policy agenda of the United States includes a strong commitment to ensuring that workers and their families in America and around the world benefit from trade. In the TPP, the United States sought to build on the strong labor provisions in the most recent U.S. trade agreements and achieved enforceable rules that protect the rights of freedom of association and collective bargaining; discourage trade in goods produced by forced labor, including forced child labor; promote acceptable conditions of work; and establish mechanisms to monitor and address labor concerns.

8.2. The United States has continued its efforts to enhance U.S. Government engagement with trade partners to improve respect for labor rights and to increase monitoring and enforcement of trade agreement labor provisions. The United States also continues to enhance its engagement with trade partners on labor rights through the formal mechanisms of trade agreements, trade programs, and other means. In 2014, Labor Affairs Council meetings were held under FTAs with Morocco, Panama and Peru, where high-level labor officials discussed workers' rights and employment issues and held open sessions to meet with labor stakeholders and the general public.

8.3. As an essential component of the Administration's trade agenda, President Obama signed into law renewal of the Trade Adjustment Assistance (TAA) programs to assist workers, firms and farmers adversely affected by global competition. On 29 June 2015, President Obama signed the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA). The TAA Program ensures that workers harmed by foreign trade have the best opportunity to acquire skills and credentials to get good jobs, by offering trade-affected workers retraining to prepare them for the 21<sup>st</sup> century economy. The TAA Program currently offers the following services to eligible workers: training, out of area job search and relocation allowances, weekly income support (Trade Readjustment Allowances (TRA)), wage supplements for older workers (RTAA), and a health coverage tax credit to eligible TAA recipients. In FY2015, US\$507,434,200 was available to carry out the program.

8.4. The United States has continued to promote initiatives on labor rights that strengthen economic integration and build high quality trade agreements around the world. In 2014, the United States developed an initiative with Burma and the international community to develop new tools to help Burma improve fundamental labor rights and set a strong foundation for sustainable growth and development. In October 2014, the United States, along with Burma, Japan, Denmark, and the International Labor Organization (ILO), launched a new Initiative to Promote Fundamental Labor Rights and Practices in Burma. The Initiative will help modernize Burma's labor code, improve compliance with international labor standards, and foster a robust dialogue between the government, business, labor and civil society.

## 9 SMALL AND MEDIUM-SIZED BUSINESS TRADE

9.1. Under the Obama Administration, USTR announced a Small Business initiative aimed at ensuring that the specific export challenges and priorities of Small and Medium Enterprises (SMEs) and their workers are reflected in our trade policy and enforcement activities. During 2015, USTR continued to engage with its interagency partners and with trading partners to develop and implement new and continuing initiatives to enhance small business export opportunities.

9.2. U.S. small businesses are key engines for U.S. economic growth, jobs, and innovation. SMEs that export tend to grow faster, add jobs faster, and pay higher wages than SMEs that serve purely domestic markets. Studies by the U.S. International Trade Commission, requested by USTR, reveal that SMEs play a larger role in the export economy than is suggested by traditional trade statistics, with direct and indirect exports by U.S. SMEs supporting about four million jobs in the United States while accounting for over 40% of the total value of U.S. exports of goods and services. But currently, fewer than 5% of American SMEs export goods, and most of those who do, export only one product to one foreign country.

9.3. Several aspects of U.S. trade policy have particular potential to help boost SME exports. These include enhancing trade facilitation work, strengthening and enforcing intellectual property rights, and targeting services barriers that are especially difficult for SMEs, such as requirements for staffing an office in each country to which companies wish to export. Tariff barriers, burdensome customs procedures, discriminatory or arbitrary standards, and lack of transparency

relating to relevant regulations in foreign markets present particular challenges for SMEs in selling abroad. On an interagency basis, under the Administration's NEI/NEXT initiative, the Trade Promotion Coordinating Committee's (TPCC) Small Business Working Group brings together various U.S. government agencies to promote small business exports and to connect SMEs to trade information online and resources to help them begin or expand their exports and take advantage of existing trade agreements. USTR is supporting interagency efforts to help more SMEs reach overseas markets by improving data, leveraging new technology applications, and empowering local export efforts.

9.4. Since the last TPR, the United States has actively worked to increase opportunities for SME exports. For example, the United States concluded negotiations in 2015 for the landmark TPP agreement, which will open markets for U.S. SME exporters of agricultural goods, industrial goods, and services, and facilitate the participation of U.S. SMEs in regional Asia-Pacific supply chains. TPP is the first U.S. trade agreement ever to contain an SME chapter dedicated to the specific needs of SME exporters, building on commitments elsewhere in the Agreement by requiring the establishment of dedicated national SME websites and other tools to ensure that small businesses have access to the information they need to enter TPP markets. The United States' continuing negotiations under T-TIP with the European Union aim, in part, to strengthen U.S.-EU cooperation to enhance the participation of SMEs in trade between the United States and the EU, as well as address in the Agreement trade barriers that may disproportionately burden SMEs and prevent them from reaching new markets. In 2015, USTR convened the 6<sup>th</sup> U.S.-EU Small and Medium Enterprise Workshop in Washington, D.C. in coordination with the Department of Commerce, the Small Business Administration, and the European Commission, to hear directly from SME stakeholders on both sides of the Atlantic regarding the trade policy priorities of SMEs in T-TIP. APEC adopted the Boracay Action Agenda to Globalize Micro, Small, and Medium Enterprises (MSMEs), as well as the APEC Iloilo Initiative: Growing Global SMEs for Inclusive Development. APEC also welcomed the U.S.-led initiative on the Digital Economy Action plan for MSMEs to further assist SMEs' access to international markets.

9.5. In the Western Hemisphere, the United States is working to support the Small Business Network of the Americas (SBNA), an initiative to spur growth in small and medium-sized businesses in the Hemisphere, and to expand trade between them by connecting small business development centers on a regional basis.

9.6. The United States also continues to develop the FTA Tariff Tool, a free online tool launched in 2011, which helps small businesses take better advantage of tariff reduction and elimination under U.S. trade agreements. The FTA Tariff Tool was expanded to include tariff information on textiles and apparel products as well as rules of origin under U.S. FTAs, and to include new regional free trade agreements such as TPP. USTR and other agencies also created an SME Exporter's Toolkit guide to U.S. Government exporting resources.

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