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Trade Policy Review Body

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TRADE POLICY REVIEW

REPORT BY

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.

Contents

1 THE UNITED STATES IN THE GLOBAL TRADING SYSTEM

1.1. As the United States Government undergoes its fourteenth Trade Policy Review—more than any other World Trade Organization (WTO) Member—the United States is committed to reforming the global trading system in ways that lead to fairer outcomes for U.S. workers and businesses, and more efficient markets for countries around the world. U.S. trade policy is driven by a pragmatic determination to use the leverage available to the world's largest economy to secure these objectives. Our trade policy is steadfastly focused on the national interest, including retaining and using U.S. sovereign power to act in defense of that interest.

1.2. U.S. trade policy rests on five major pillars: supporting U.S. national security, strengthening the U.S. economy, negotiating better trade deals, aggressive enforcement of U.S. trade laws, and reforming the multilateral trading system.

Supporting U.S. National Security

1.3. In December 2017, the Administration issued a new National Security Strategy for the United States. The document states that, "A strong economy protects the American people, supports our way of life, and sustains American power." It also makes clear that the United States will not turn a blind eye to violations, cheating, or economic aggression. U.S. trade policy will fulfill these goals by using all possible tools to preserve our national sovereignty and strengthen the U.S. economy.

Strengthening the U.S. Economy

1.4. In 2017, the President signed a new tax bill designed to make U.S. companies and workers more competitive with the rest of the world. The Administration also began a determined effort to eliminate wasteful and unnecessary regulations that hamper business. These and other efforts to strengthen the U.S. economy will make it easier for U.S. companies to succeed in global markets.

Negotiating Better Trade Deals

1.5. For too long, the rules of global trade have been tilted against U.S. workers and businesses. The United States has demonstrated that it will alter—or terminate—old trade deals that are not in the U.S. national interest. In 2018, the United States completed a comprehensive renegotiation of the North American Free Trade Agreement (NAFTA) and improved the U.S.–Korea Free Trade Agreement to rebalance trade and address implementation concerns. Furthermore, 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 and is actively pursuing new and better trade deals with potential partners around the world.

Aggressive Enforcement of U.S. Trade Laws

1.6. Free and fair trade benefits both the United States and the rest of the world by providing more affordable goods and services, raising living standards, fuelling economic growth, and supporting good jobs. Reducing barriers to trade offers greater product variety, enhances product quality, increases innovation, and raises productivity. In addition, the United States strongly believes that all countries would benefit from adopting policies that promote true market competition. Unfortunately, history shows that not all countries will do so voluntarily. Non-market policies and practices and unfair trade practices, including dumping, discriminatory non-tariff barriers, forced technology transfers, excess capacity, industrial subsidies, and other forms of support by governments and related entities distort markets and damage U.S. workers and businesses.

1.7. The United States has an aggressive trade enforcement agenda designed to prevent countries from benefitting from unfair trade practices. The United States will use all tools available—including unilateral action where necessary—to support this effort. More broadly, robust trade enforcement across the spectrum of goods and services remains a central pillar of U.S. trade policy. Vigorous work by the Office of the U.S. Trade Representative (USTR) and sister U.S. agencies, including the Departments of Agriculture, Commerce, Labor, State, Treasury, and others, helps ensure that trade agreements yield the maximum benefits in terms of ensuring market access for Americans, 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.

Reforming the Multilateral Trading System

1.8. The United States wants to help build a better multilateral trading system and will remain active in the WTO. At the same time, the United States recognizes that the WTO has not always worked as expected. Instead of serving as a negotiating forum where Members can develop new and better rules, the ability of Members to negotiate has become increasingly frustrated by an overactive dispute settlement system in which activist "judges" impose their own policy preferences and institutional preferences on Members. Instead of constraining market distorting countries, the WTO has in some cases given them an unfair advantage over the United States and other market-based economies. Instead of promoting more efficient markets, the WTO has been used by some Members as a bulwark in defense of market access barriers, dumping, subsidies, and other market distorting practices. The United States has been drawing the attention of WTO Members to instances where the WTO Appellate Body has disregarded the explicit rules agreed by Members in the WTO Dispute Settlement Understanding. The United States will not allow any multilateral organization to prevent us from taking actions that are essential to the economic well-being of the American people.

1.9. At the same time, as the United States demonstrated at the WTO's Eleventh Ministerial Conference, we remain eager to work with like-minded countries to build a global economic system that will lead to higher living standards here and around the world. The United States submitted a proposal in the November 2017 meeting of the General Council to improve compliance with WTO notification requirements and is working with other Members to further develop the proposal. The United States is also interested in working with other Members on improving the functioning of the regular committees of the WTO. In an effort to improve the negotiating arm of the WTO, the United States is encouraging a discussion on development status in the WTO to ensure that a larger proportion of WTO Members will undertake substantive obligations under future WTO agreements.

2 THE UNITED STATES ECONOMIC AND TRADE ENVIRONMENT

2.1 Introduction

2.1. The United States maintains one of the world's most open trade regimes, with the U.S. simple average MFN tariff at 3.4% in 2017 on a bound basis under the WTO. When GSP and other tariff preferences are taken into account, the U.S. trade-weighted average tariff is 1.4% on an applied basis. By comparison, simple average applied tariffs in our top five trading partners range from 4.0% to 9.8% and trade-weighted average tariffs range from 2.5% to 5.2%. In 2017, nearly 70% of all U.S. imports (including under preference programs) entered the United States duty free. The United States also has among the lowest non-tariff barriers of any country in the world. U.S. service markets are open to foreign providers with limited exceptions, and U.S. regulatory processes are transparent, accessible, and open to public input.

2.2 Economic Growth

2.2. During the period under review, the United States' economy continued to grow. This marked the 9th consecutive year of GDP growth – this expansion will be the longest on record if it continues into the second half of 2019. U.S. real gross domestic product (GDP) increased by 1.6% in 2016 and 2.2% in 2017. For the first half of 2018, real GDP is up 2.7%, on an annual basis, and up 4.2% in the second quarter of 2018 (highest since 3rd quarter 2014 (up 4.9%)). The increase in growth in the first half of 2018 is based on several factors: higher consumer spending (resulting from robust job gains, rising after-tax incomes, and greater consumer confidence), strong business investment, and strong growth in exports and manufacturing output (due to good economic performance in the rest of the world). The Administration is projecting real GDP growth of 3.1% for 2018, and 3.2% and 3.1% for 2019 and 2020, respectively. Since the end of the recession in the 2nd quarter of 2009 through the 2nd quarter of 2018, U.S. GDP has increased at an annual rate of 2.3%.

2.3. The primary contributor to growth since 2016 has been consumer spending. Personal consumption expenditures, which account for nearly 70% of U.S. GDP (68.4% in 2017), increased 2.7% in 2016, 2.5% in 2017, and 2.5%, on an annual basis, for the first half of 2018 (with a 4.2% growth in the 2nd quarter of 2018). Consumer spending has contributed roughly 72% of the increase in U.S. real GDP since the end of the recession. Business fixed investment increased 0.5% in 2016 and 5.3% in 2017, and increased 6.7%, on an annual basis, for the first half of 2018. U.S. real exports of goods and services decreased 0.1% in 2016, but have grown since, up 3.0% in 2017, and 5.0% for the first half of 2018). Real imports increased by 1.9% in 2016 and 4.6% in 2017, and have increased by 4.7% so far in 2018. U.S. government expenditures increased 1.4% in 2016, but decreased 0.1% in 2017, before increasing 1.0% through the first half of 2018.

2.3 Federal Budget Deficit

2.4. The Federal budget deficit has increased over the period under review in both absolute terms and relative to GDP. The budget deficit increased from US$438.5 billion (2.4% of GDP) in fiscal year 2013 to US$584.7 billion (3.2% of GDP) in fiscal year 2016, and to US$665.4 billion (3.5% of GDP) in fiscal year 2017. The federal deficit in fiscal year 2017, at 3.5% of GDP, was still slightly over one-third of the 9.8% of GDP deficit recorded in 2009 during the depth of the recession. According to the U.S. Office of Management and Budget mid-session review of the FY2019 budget, the federal budget deficit is projected to increase to US$890 billion (4.4% of GDP) in FY2018, and peak at US$1.1 trillion (5.1% of GDP) in FY2019. The deficit is estimated to decline thereafter to US$458 billion (1.4% of GDP) in FY2028. The debt-to-GDP ratio is projected to increase from 78.5% in 2018 to 82.7% in 2022 before declining to 73.8% in 2028.

2.4 Nominal Savings/Investment

2.5. U.S. gross savings as a percentage of gross national income slightly declined from 19.6% (US$3.66 trillion) in 2015 to 18.3% (US$3.48 trillion) in 2016 before increasing to 18.5% (US$3.68 trillion) in 2017 and 18.7% (US$3.88 trillion) in the second quarter of 2018 (on an annual rate). Although there was a slight increase in gross savings of US$17 billion between 2015 and 2017, this was due to an increase in business savings of US$165 billion, being offset by an increase in government dissaving of US$143 billion. Household and institution savings declined slightly by US$5 billion, as the personal savings rate stayed steady at 6.7% in both 2016 and 2017 (down from 7.6% in 2015, but up from a low of 3.2% in 2005). U.S. gross investment increased by US$178 billion between 2015 and 2017 to US$4.0 trillion.

2.5 Labor Markets

2.6. U.S. employment continued to increase during the period under review, up 6.2 million net jobs between December 2015 and August 2018 (up 2.3 million between December 2015 and December 2016, up 2.2 million between December 2016 and December 2017, and up 1.7 million between December 2017 and August 2018). The pace of net job growth for the first eight months of 2018 (207,000) remains higher than the average monthly pace in both 2016 (195,000) and 2017 (182,000). U.S. employment has increased for 95 consecutive months from February 2010 through August 2018 (19.6 million), and private employment has increased for 102 consecutive months (up 19.7 million). Manufacturing employment has also increased, up 1.3 million since February 2010, and accounted for one in 10.6 U.S. non-farm jobs in 2017 and one in 10.4 jobs thus far in 2018. Service-providing industries (including government) employed 86% of all U.S. non-farm workers in 2017, and services jobs are up nearly 17.0 million since February 2010.

2.7. With the improvement in U.S. employment during the period under review, the unemployment rate has also declined, dropping from a high of 10.0% in October 2009 to 3.9% in August 2018 (3.7% in September). The unemployment rate has been at 5.0% or below for the past 36 months and is well below its pre-recession average of 5.3%. August 2018 marked the fourth time this year that the monthly unemployment rate has been below 4.0%. Prior to this year, unemployment was below 4.0% only five times since 1970. Since December 2015, the unemployment rate has declined by 1.1 percentage points.

2.8. The labor market continues to improve. Labor force participation has remained constant at 62.7%, the same rate as in December 2015, though down from the 67.3% peak rate in April 2000. Labor compensation has been increasing. Nominal hourly earnings for all private sector workers are up 2.9% over the past 12 months ending in August 2018, the largest nominal 12 month increase in average hourly earnings since 2009. Real hourly earnings were up 0.2% over the past year. Real median household income in the United States increased 1.8% in 2016 to US$61,372, the third consecutive annual increase, and surpassed the series high of US$58,655 in 1999.

2.6 Productivity

2.9. Labor productivity, as measured by output per hour worked, has improved in recent years, picking up from the 0.6% average pace from 2011 to 2016. Productivity grew by 1.9% between 4th quarter 2015 and 4th quarter 2017 (up 1.0% in both 2016 and 2017)). Productivity increased sharply in the 2nd quarter 2018 by 2.9% at an annualized rate. With the tight labor market, firms are increasingly turning to capital investment to continue growth, which should support higher productivity growth.

2.7 Exports, Imports, and the Trade Balance

2.10. Nominal U.S. exports of goods and services (on a balance of payments basis) decreased by 2.2% between 2015 and 2016 (the 2nd consecutive annual decline), then increased by 6.1% in 2017. Thus far in 2018 through July, U.S. exports were up 8.6%. Similar to exports, nominal U.S. imports of goods and services declined in 2016 (by 2.2%), and increased in 2017 (up 6.1%) and thus far in 2018 (up 8.3%). The increase in U.S. trade can be attributed, in part, to stronger economic growth at home and abroad. The stronger dollar in 2018 (up 6% this year) provided some tailwinds on imports and headwinds on exports. As a share of nominal GDP, U.S. goods and services exports was roughly 12% during the period under review, while imports were roughly 15%.

2.11. The United States was the recipient of 18.7% of goods and services exports from the rest of the world (excluding intra-European Union (EU) exports) in 2017. The United States supplied 15.1% of goods and services imports to the rest of the world (excluding intra-EU imports).

2.12. During the period of review, the U.S. goods and services trade deficit with other countries (on a national income and product accounts basis) increased by 10.9% from US$521 billion in 2015 (2.9% of U.S. GDP) to US$578 billion in 2017 (nearly 3.0% of U.S. GDP). The U.S. deficit in 2017 was significantly down from its all-time high of US$771 billion, or 5.6% of GDP, in 2006. The deficit was even lower in the second quarter 2018 at US$552 billion (2.7% of GDP) on an annual rate.

2.8 Challenges to the U.S. and Global Economy

2.13. The U.S. economy has been strong during the period under review, with accelerating growth, low unemployment, and inflation at a sustainable rate. However, growth outside the United States has generally disappointed in 2018: other major advanced economies have seen output growth step down from its 2017 level, while several emerging market economies have come under pressure as rebounding commodity prices, rising U.S. interest rates, and shifts in investor sentiment have interacted with pre-existing weaknesses and led to episodes of financial volatility. Though there are not yet signs that these financial pressures in key emerging markets are leading to broader contagion, a sharp tightening of financial conditions across emerging markets could be a significant drag on global activity and weigh on U.S. growth.

2.14. The global economy also remains marked by very large trade and current account imbalances, in part due to persistent trade and investment barriers across many economies. These barriers inhibit the efficient allocation of capital across the global economy and prevent trade from expanding in a way that is fair and reciprocal. Growth across the global economy and in the United States could be stronger and more balanced if these trade and investment barriers were dismantled, and if domestic demand became the sustained engine of expansion for key economies that have maintained large trade surpluses.

3 OPENNESS AND ACCOUNTABILITY: BUILDING SUPPORT FOR TRADE

3.1. Support for the United States' active trade agenda – including for actions under domestic trade law, legislation, 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, as well as advocates for labor rights, environmental protection, and public health, among others. The United States views consultation with those interested in and affected by trade and investment 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. Reflecting Congressional direction, and to draw advice from the widest array of stakeholders, including business, labor, agriculture, civil society, and the general public, USTR has broadened opportunities for public input and worked to ensure transparency of trade policy through various initiatives. USTR works to ensure that timely trade information is available to the public and disseminated widely to stakeholders, and to offer opportunities for public comment on trade issues and for interaction with negotiators during trade negotiations. In addition to public outreach, USTR is responsible for administering the statutory Advisory Committee system, created by the U.S. Congress under the Trade Act of 1974, as amended, as well as facilitating formal consultations with State and local Governments regarding the President's trade priorities and the status of current trade negotiations which may impact them or touch upon state and local government policies.

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, the U.S. 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), both 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. During the reporting period, the TPSC held public hearings regarding the China 301 Investigation (October 2017; May 2018), Special 301 Review (February 2017; February 2018), the EU Beef 301 Investigation (February 2017), the Generalized System of Preferences (GSP) product, country and out-of-cycle reviews (October 2016; January 2017; February 2017; July 2017; September 2017; June 2018), the African Growth and Opportunity Act (AGOA) country and out-of-cycle reviews (August 2016; July 2017; August 2017), two Section 201 investigations (December 2017; January 2018), the negotiation of the United States-Mexico-Canada Agreement (June 2017), China's compliance with its WTO Commitments (September 2016; October 2017), and Russia's implementation of its WTO Commitments (October 2016; October 2017).

3.5. Through the interagency process, USTR requests input and analysis from members of the appropriate TPSC subcommittee or task force. This group then presents its conclusions and recommendations to the full TPSC and serves as the basis for reaching interagency consensus. On average, the TPSC considers over 250 policy papers and negotiating documents, and holds over 50 TPSC meetings annually. In cases where the TPSC does not reach agreement on a topic, or if the issue under consideration involves particularly significant policy questions, the TPSC refers the issue to the TPRG (whose membership is at the Deputy USTR/Under Secretary level) or to Cabinet Principals.

3.6. The member agencies of the TPSC and the TPRG are the U.S. Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, Energy, Health and Human Services, and 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 discussed.

3.2 Public Engagement and Transparency

3.7. USTR works to provide extensive opportunities for public input and works to ensure the transparency of trade policy.

3.8. USTR's Office of Intergovernmental Affairs and Public Engagement (IAPE) works with USTR's Offices of Public and Media Affairs and Congressional Affairs, coordinating with the agency's 13 regional and functional offices, the Office of WTO and Multilateral Affairs, Office of General Counsel, and the Office of Trade Policy and Economics to ensure that timely trade information is available to the public and disseminated widely to stakeholders. IAPE uses various tools to accomplish this including USTR's interactive website; online postings of Federal Register Notices soliciting public comment and input and publicizing public hearings held by the Trade Policy Staff Committee (TPSC); offering opportunities for interaction with negotiators during trade negotiations; managing the agency's outreach and engagement to a diverse set of all stakeholders; providing regular data updates to help the public understand and evaluate the role of trade and trade policy in the economy; and participating in discussions of trade policy at major domestic trade events and academic conferences.

3.9. USTR officials, including the U.S. Trade Representative, and professional staff from regional, functional, and multilateral offices as well as IAPE, conduct outreach with a broad array of stakeholders, including agricultural commodity groups and farm associations, labor unions, environmental organizations, consumer groups, large and small businesses, trade associations, consumer advocacy groups, faith groups, development and poverty relief organizations, and other public interest groups. USTR also engages with State and local Governments, non-governmental organizations, think tanks, and academics to discuss specific trade policy issues, subject to negotiator availability and scheduling.

3.10. USTR goes to great lengths to ensure that the public is actively involved during negotiations and investigations. During the negotiation of the United States-Mexico-Canada Agreement, USTR officials at all levels spent well over 1,500 hours consulting with U.S. stakeholders. Likewise, during the KORUS amendment process, USTR met with over 120 U.S. industry groups and cleared trade advisors. During the review period, USTR has published 33 Federal Register notices to solicit public comment on and provide notice of public hearings concerning negotiations, investigations, and a wide range of issues including the negotiation of the United States-Mexico-Canada Agreement, the China 301 Investigation, and KORUS amendments.

3.11. Public comments received in response to Federal Register Notices and transcripts of the public hearings are available for review online.[1]

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 26 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 20 technical advisory committees in the areas of industry and agriculture.

3.3.1 Tier I: President's Advisory Committee on Trade Policy and Negotiations

3.13. The President's Advisory Committee on Trade Policy and Negotiations (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.

[1] See: http://www.regulations.gov.

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 20 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 the Intergovernmental Policy Advisory Committee on Trade

3.17. For day-to-day communications, USTR operates 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. Through the SPOC network, state governments are promptly informed of Administration trade initiatives so that they can provide companies and workers with information in order to 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. Additionally, USTR works closely with the Intergovernmental Policy Advisory Committee on Trade (IGPAC) made up of various state and local officials. 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 was briefed and consulted on trade priorities of interest to states and localities, including the negotiation of the United States–Mexico–Canada Agreement, KORUS modification negotiations, and enforcement actions at the WTO. IGPAC members are also invited to participate in periodic teleconference 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 and with other state and local commissions and organizations. Additionally, USTR officials have addressed gatherings of state and local officials around the country.

3.4.3 Consultations Regarding Specific Trade Issues

3.20. USTR consults 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 include negotiation of the United States–Mexico–Canada Agreement, the Section 301 investigation, enforcement of trade agreements, and consultations with individual states regarding certain trade remedy investigations.

4 TRADE POLICY DEVELOPMENTS SINCE 2016

4.1 WTO Agreements and Initiatives

4.1. The WTO is an important institution, and the United States has a strong track record of building coalitions of like-minded Members to use the WTO committee system, in particular, to pressure noncomplying economies to bring measures into conformity with WTO rules, to advance transparency and predictability in global trade rules, and to avert the need to resort to dispute settlement.

4.2. For the past two decades, the United States has been concerned that the WTO is not operating as the contracting parties envisioned. Multiple administrations have voiced various concerns with the WTO system and the direction in which it has been headed.

4.3. First among those concerns is that the WTO dispute settlement system has appropriated to itself powers that the WTO Members never intended to give it. This includes where panels or the Appellate Body have, through their findings, sought to add to or diminish WTO rights and obligations of Members in a broad range of substantive areas. The United States has grown increasingly concerned with the activist approach of the Appellate Body on procedural issues, interpretative approach, and substantive interpretations. These approaches and findings do not respect WTO rules as written and agreed by the United States and other WTO Members. The United States has been drawing the attention of WTO Members to instances where the WTO Appellate Body has disregarded the explicit rules agreed by Members in the WTO Dispute Settlement Understanding (DSU). For example, in the context of meetings of the Dispute Settlement Body, the United States has expressed concerns with respect to the Appellate Body's consistent exceeding of the 90-day deadline for appeals in contravention of DSU Article 17.5, the Appellate Body's review of fact-finding (including of the meaning of a WTO Member's domestic law) in contravention of DSU Article 17.6, and the Appellate Body's decisions pursuant to its Working Procedures for Appellate Review (Rule 15) that purport to "deem" a person whose term of appointment had expired to continue to be an Appellate Body member, in contravention of DSU Article 17.2.

4.4. Second, there is also longstanding concern in the United States about the WTO's inability to reach agreements that are of critical importance in the modern global economy. After spending close to 15 years attempting to conclude the Doha Development Agenda (DDA) negotiations, Ministers at the WTO's Tenth Ministerial Conference in December 2015 collectively acknowledged that there was no consensus to reaffirm the DDA's mandates. Consequently, the United States will not negotiate off the basis of the DDA mandates or old DDA texts and considers the Doha Round to be a thing of the past.

4.5. For the WTO to be successful going forward, its membership will need to break from the failures of the last two decades, and base future work on lessons learned and, importantly, current data and up-to-date notifications. Members' failure to comply with their notification obligations under the WTO Agreement undermines the negotiating function of the WTO and the credibility of the organization. At the November 2017 meeting of the General Council, the United States put forward a proposal aimed at improving Members' compliance with their notification obligations. In September 2018, the United States, Japan, and the EU agreed to co-sponsor an updated transparency and notification proposal for consideration at the next meeting of the WTO Council on Trade in Goods. The United States stands ready to work with Members to advance this proposal.

4.6. It is also vital to focus on issues that are affecting our stakeholders today and into the future. In this regard, the United States seeks to work with those Members who are ready and able to negotiate free, fair, and reciprocal agreements, with the expectation that participants to these agreements will contribute commensurate with their status in the global economy.

4.7. At the WTO's Eleventh Ministerial Conference in Buenos Aires in December 2017, Members agreed to several important outcomes, including a Ministerial decision on fisheries subsidies and a joint declaration on electronic commerce. Regarding fisheries subsidies, which is an issue that impacts our oceans and our economies, the United States is working with other Members to finalize a meaningful agreement to prohibit harmful fisheries subsidies, such as those that contribute to overfishing and overcapacity or which support illegal, unreported, and unregulated (IUU) fishing. The United States is also advocating for enhanced transparency and reporting of fisheries support programs. The United States is pleased to partner with 70 WTO Members in advancing exploratory work on potential negotiations on electronic commerce issues in the WTO. The digital economy serves as a critical engine of domestic and global economic growth, and all countries would benefit from the development of strong, market-based rules in this area.

4.8. Third, the United States sees an acute need for the WTO to change how it approaches questions of development. While "least-developed countries" (LDCs) are defined in the WTO using the United Nations criteria, there are no WTO criteria for what designates a "developing country." Any country may "self-declare" as a developing country, thus entitling itself to all "special and differential" treatment afforded to developing countries under the WTO agreements, as well as any new flexibilities afforded to developing countries under current or forthcoming negotiations. In practice, this means that more advanced countries receive the same flexibilities as very low-income countries, despite these more advanced countries' very significant role in the global economy. Such disparities, where countries that some institutions categorize as high- or high-middle-income receive the same flexibilities as low- or low-middle-income, make it challenging to find balance in the application of existing obligations or the development of new commitments.

4.9. Finally, there is significant concern that the WTO is unable to manage the rise of countries that pay lip service to the values of free trade but intentionally avoid, circumvent, or violate the commitments accompanying those values.

4.10. The United States will work with other like-minded countries to address these concerns.

4.2 Trade Enforcement Activities

4.11. Trade enforcement encompasses a broad range of activities, including monitoring of trade agreements, direct engagement with trading partners, use of domestic trade laws, and engagement in multilateral fora such as the WTO. USTR coordinates the U.S. Government's trade enforcement activities. Ensuring full implementation of U.S. trade agreements is one of the strategic priorities of the United States.

4.12. The United States has been actively engaged in numerous WTO dispute settlement actions, including important offensive actions related to China's discriminatory regime for technology licensing, agricultural market access in China, India, and Indonesia, China's excessive agricultural domestic support, Indian prohibited export subsidies, and the EU's subsidies benefitting large civil aircraft. The United States has also initiated actions relating to additional duties imposed by certain Members related to the administration's actions under section 232 of the Trade Expansion Act of 1962 to address the threat to national security presented by imports of steel and aluminium, as well as participating in related defensive actions brought by certain Members.

4.13. Where appropriate, the United States applies the full range of its trade laws, including section 301 of the Trade Act of 1974 (Trade Act), as amended. Section 301 of the Trade Act is designed to facilitate USTR's examining and addressing foreign unfair practices affecting U.S. commerce. In February 2017, USTR held a public hearing in connection with the request of representatives of the U.S. beef industry to reinstate action against the EU pursuant to Section 301 of the Trade Act. The United States is engaged in discussions with the EU on possible modifications to the operation of a TRQ to address U.S. industry concerns. In addition, in August 2017, USTR initiated an investigation under Section 301 of the Trade Act to determine whether acts, policies, and practices of the Government of China related to technology transfer, intellectual property (IP), and innovation are actionable under Section 301. USTR held a public hearing on October 10, 2017, and two rounds of public written comments. In March 2018, USTR released the findings of its Section 301 investigation on China, determining that the acts, policies, and practices of the Government of China related to technology transfer, IP, and innovation covered in the investigation are unreasonable or discriminatory and burden or restrict U.S. commerce.

4.14. Addressing foreign subsidies that affect U.S. businesses is another critical trade enforcement activity. USTR and U.S. Department of Commerce Enforcement and Compliance staff researched foreign subsidies and met with representatives of U.S. industries concerned with the subsidization of foreign competitors.

4.15. The United States also actively monitors, evaluates, and where appropriate, participates in ongoing anti-dumping (AD) and countervailing duty (CVD) cases conducted by foreign countries to safeguard the interests of U.S. industry and to ensure that Members abide by their WTO obligations in conducting such proceedings. To this end, the United States works closely with U.S. companies affected by foreign countries' AD and CVD investigations and provides extensive responses to inquiries in foreign CVD investigations. The United States also advocates on behalf of U.S. industry in connection with ongoing investigations, with the goal of obtaining unbiased and objective treatment as is consistent with the WTO Agreements.

4.16. USTR is committed to holding foreign countries accountable and exposing the laws, practices, and other measures that fail to provide adequate and effective IP protection and enforcement for U.S. inventors, creators, brands, manufacturers, and service providers. The identification of IP-related market access barriers and steps necessary to address those barriers are a critical component of the administration's aggressive efforts to defend Americans from harmful IP-related trade barriers.

4.17. Finally, the United States commits significant resources to identify and confront unjustified barriers stemming from sanitary and phytosanitary (SPS) measures as well as from technical regulations, standards, and conformity assessment procedures (standards-related measures). USTR uses tools, including its Annual Report and the National Trade Estimate Report, to bring greater attention and focus to addressing SPS and standards-related measures that may be inconsistent with international trade agreements to which the United States is a party. USTR's activities in the WTO SPS Committee and the WTO Technical Barriers to Trade (TBT) Committee are at the forefront of these efforts. USTR also engages on these issues with U.S. trading partners through mechanisms established in free trade agreements and through regional and multilateral organizations, such as the Asia-Pacific Economic Cooperation (APEC) forum and the Organization for Economic Cooperation Development (OECD).

4.3 Free Trade Agreements and Initiatives

4.3.1 Central America and the Dominican Republic Free Trade Agreement

4.18. 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 created new economic opportunities by eliminating tariffs, opening markets, reducing barriers to services, and promoting transparency. It helped facilitate trade and investment among the seven countries, furthering regional integration.

4.19. CAFTA-DR countries represent the third largest U.S. export market in Latin America, behind Mexico and Brazil. U.S. goods exported to the CAFTA-DR countries were valued at US$31 billion in 2017. Combined total two-way trade in 2017 between the United States and Central America and the Dominican Republic was US$54 billion.

4.20. 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.

4.3.2 North American Free Trade Agreement

4.21. 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 tariffs eliminated on all goods (except for dairy, poultry, and eggs products for Canada, and dairy, sugar and egg products for the United States). NAFTA created the world's largest free trade area, linking 494 million people producing roughly US$22.2 trillion worth of goods and services.

U.S. goods exports to NAFTA partners increased by 270% between 1993 and 2017, from US$142 billion to an estimated US$526 billion.

4.22. In August 2017, the United States began negotiations with Canada and Mexico to address remaining market access barriers, and to modernize and rebalance the obligations between the Parties, including by bringing the labor and environment obligations that had been included in supplemental agreements into the core body of the agreement. On September 30, 2018, the three Parties announced they had reached agreement on the United States–Mexico–Canada Agreement (USMCA).[2]

4.3.3 United States–Australia Free Trade Agreement

4.23. The United States-Australia FTA entered into force on 1 January 2005. U.S. two-way goods trade with Australia totalled US$34.6 billion in 2017, up 61% since 2004, the year before the FTA entered into force. U.S. two-way services trade with Australia totalled US$29.8 billion in 2017 (latest data available), an increase of 186% since 2004. The stock of U.S. foreign direct investment in Australia reached US$169 billion in 2017 (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.

4.24. The United States and Australia continue to closely monitor FTA implementation. The sixth Joint Committee Meeting to review implementation of the FTA and other bilateral issues was held in December 2017, and covered topics including intellectual property, services, autos, and investment. The two countries work closely to further promote trade and investment through WTO, APEC, and other regional initiatives.

4.3.4 United States–Bahrain Free Trade Agreement

4.25. 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 2016, two-way trade in goods was US$1.9 billion. U.S. exports of goods were US$898 million, and U.S. imports of goods from Bahrain were US$996 million.

4.26. The U.S.-Bahrain FTA 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.

4.3.5 United States–Chile Free Trade Agreement

4.27. 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$27.8 billion in 2016, with U.S. goods exports to Chile totalling US$17.2 billion. As of 1 January 2015, all products became duty free under the Agreement.

4.3.6 United States–Colombia Trade Promotion Agreement

4.28. The United States-Colombia Trade Promotion Agreement (CTPA) entered into force on 15 May 2012. Two-way goods trade totalled US$26.9 billion in 2017, with U.S. goods exports to Colombia totalling US$13.3 billion. "Year 7" tariff cuts occurred on 1 January 2018.

4.29. During 2016 and 2017, the United States continued regular engagement with the Colombian government to support its efforts to improve the protection of worker rights and address cases of violence and threats against trade unionists. The United States will continue its engagement with the Government of Colombia to ensure progress on workers' rights, including through cooperative

[2] For the text of the USMCA, see: https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/united-states-mexico.

efforts and dialogue regarding the collection of fines for labor law violations, and to increase the number of resolved cases of violence and threats against unionists.

4.30. The Agreement established an Environmental Affairs Council (EAC) under the environment chapter. The related U.S.-Colombia Environmental Cooperation Agreement (ECA) established an Environmental Cooperation Commission (ECC). In 2017 and 2018, the United States and Colombia worked on an agreement establishing a secretariat to receive and consider submissions from the public on matters regarding enforcement of environmental laws pursuant to Article 18.8 of the CTPA, which was finalized in July 2018. The secretariat is housed in Colombia and is intended to promote public participation in the identification and resolution of issues regarding each party's enforcement of its environmental laws.

4.3.7 United States–Israel Free Trade Agreement

4.31. 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 2017, U.S. goods exports to Israel were US$15.1 billion.

4.32. In February 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 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. In 2017, the United States and Israel agreed to adopt new procedures making it easier for exporters to gain approvals when claiming duty-free status under the FTA for individual products.

4.33. 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 February 2016, the United States proposed to Israel that they negotiate a permanent U.S.-Israel ATAP. Each side is reviewing the proposals put forward by the other in preparation for negotiations, tentatively planned for late 2018.

4.3.8 United States–Jordan Free Trade Agreement

4.34. The United States-Jordan Free Trade Agreement entered into force on 17 December 2001, and all tariffs were eliminated as of 1 January 2010. U.S. goods exports were an estimated US$2.0 billion in 2017, up 34.5% from 2016.

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

4.36. Additionally, the United States continues 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.

4.3.9 United States–Korea Free Trade Agreement

4.37. The United States-Korea Free Trade Agreement (KORUS) entered into force on 15 March 2012. Since the Agreement entered into force, the U.S.-Korea goods and services trade increased from US$126.5 billion in 2011 to US$154.8 billion in 2017. However, the U.S. goods deficit with Korea also quickly increased, topping US$23 billion in 2017, with the overall goods and services deficit also reaching nearly US$10 billion.

4.38. On July 12, 2017, the United States requested a special session of the KORUS Joint Committee to review the implementation of the agreement and to discuss additional steps to address the significant bilateral trade imbalance, including through possible amendments and modifications. Negotiations to improve the agreement were launched in early 2018, with outcomes announced in March 2018. Following the completion of domestic procedures in the United States, the final texts reflecting the outcomes from these negotiations were signed by the two countries on September 24, 2018. The modernized provisions will then enter into force after completion of applicable procedures by both countries. These outcomes focus on improving automobile trade, in addition to other provisions including on investment. Progress on implementation-related issues also was announced, including in the areas of pharmaceuticals and customs.

4.39. There are 21 KORUS committees and working groups, which meet regularly and may also be convened on an ad hoc basis to address issues of concern.

4.3.10 United States–Morocco Free Trade Agreement

4.40. 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$3.5 billion in 2016. U.S. goods exports to Morocco in 2017 were US$2.2 billion, up 14.8% from the previous year. U.S. imports from Morocco in 2017 were US$1.2 billion, up nearly 20.7% from 2016.

4.41. The United States and Morocco held the fifth meeting of the FTA Joint Committee (JC) on October 18, 2017 in Washington, DC. U.S. and Moroccan officials noted productive bilateral environmental and labor-related cooperation under the Labor and Environment FTA Subcommittees, reviewed recent improvements to Morocco's legislative regime for the protection of intellectual property rights, and decided to further discuss the concerns of some U.S. pharmaceutical companies. In the area of agriculture, the JC reviewed discussions held just prior to the JC's session in combined meetings of the Agriculture and SPS FTA Subcommittees.

4.3.11 United States–Oman Free Trade Agreement

4.42. The United States-Oman Free Trade Agreement, which entered into force on 1 January 2009, complements other U.S. FTAs to promote economic reform and openness in the region. In 2017, two-way trade in goods was US$3.1 billion. U.S. exports of goods were US$2.0 billion, and U.S. imports of goods from Oman were US$1.1 billion. As of 1 January 2018, all products became duty free under the Agreement.

4.3.12 United States–Panama Trade Promotion Agreement

4.43. 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$6.7 billion in 2017, with U.S. goods exports to Panama totalling US$6.3 billion. "Year 7" tariff cuts occurred on 1 January 2018. The TPA's central oversight body is the United States-Panama Free Trade Commission (FTC), which held its last FTC meeting in November 2016, to review implementation of the Agreement.

4.44. 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.

4.45. The Agreement established an Environmental Affairs Council (EAC) under the environment chapter. The related U.S.-Panama Environmental Cooperation Agreement (ECA) established an Environmental Cooperation Commission (ECC). In August 2016, the agreement establishing the secretariat for environmental enforcement matters pursuant to Article 18.8 of the Panama TPA entered into force. The secretariat mechanism is housed in Panama and is intended to promote public participation in the identification and resolution of issues regarding each party's enforcement of its environmental laws. The United States and Panama continued to make progress to fully stand up the secretariat throughout 2017 and 2018, including by hiring an Executive Director in 2017.

4.3.13 United States–Peru Trade Promotion Agreement

4.46. 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$18.5 billion in 2016, with U.S. goods exports to Peru totalling US$8.7 billion.

4.47. The PTPA also established the United States-Peru Forest Sector Subcommittee, the Environmental Affairs Council (EAC), and the Environmental Cooperation Commission. 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). 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. For additional information concerning U.S. engagement with Peru on these issues, please refer to the section on Trade and the Environment.

4.3.14 United States–Singapore Free Trade Agreement

4.48. The United States-Singapore FTA, the United States' first in Asia, has been in effect since 2004. Since 2003, the year before the FTA entered into force, two-way goods trade has increased 55%. Singapore is the 18th largest goods trading partner of the United States and reached US$49.2 billion in total goods trade and US$25.9 billion in total services trade in 2017 (latest data available). The stock of U.S. foreign direct investment in Singapore reached US$274 billion in 2017 (latest data available). Singapore is the second-largest source of foreign investment from the Asia-Pacific in the United States, while the Singapore is the top destination for outbound U.S. foreign direct investment in Asia. The United States consults regularly with Singapore to monitor implementation of the FTA, address bilateral issues, and further build and expand the bilateral relationship.

4.4 Other Negotiating Initiatives

4.4.1 Asia-Pacific Economic Cooperation Forum

4.49. Since it was founded in 1989, the Asia-Pacific Economic Cooperation (APEC) forum has been instrumental in promoting regional and global trade and investment. It 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.

4.50. The United States is a significant trader with APEC economies. U.S. goods and services trade with APEC economies totalled US$2.8 trillion in 2016. Exports totalled US$1.2 trillion, with goods exports to APEC economies in 2017 totalling US$972.5 billion, accounting for 62.9% of overall U.S. exports in 2017. The United States had a US$2.6 trillion in total (two-ways) goods trade with APEC economies during 2017.

4.51. In 2017, during Vietnam's 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 at-the-border procedures, including steps that reduce the time, cost, and uncertainty of shipments. These projects match closely with the provisions of the WTO Agreement on Trade Facilitation. APEC's work in this area will make it significantly cheaper, easier, and faster for businesses to trade in the Asia-Pacific region. APEC is working closely with public and private sector experts in the region to advance these goals.

4.52. APEC also advanced work on promoting services trade through the implementation of elements of the APEC Services Competitiveness Roadmap, adopted in 2016. APEC is developing a region-wide index on trade restrictiveness in services based on existing indices. APEC continued to focus attention in 2017 and 2018 on the growing importance of digital trade to economic growth and innovation. The United States is leading the effort to adopt building blocks to facilitate digital trade, including principles related to enabling cross-border data flows and preventing forced localization of data. APEC also showed leadership by continuing efforts to strengthen the implementation of good regulatory practices.

4.4.2 Japan

4.53. In 2017, total U.S.-Japan trade was US$283 billion, and Japan was the 4^{th}-largest goods trading partner of the United States (latest data available). The U.S. goods trade deficit with Japan was about US$69 billion in 2017, virtually unchanged from the previous year.

4.54. From April 2017, engagement with Japan on bilateral trade issues took place under the U.S.-Japan Economic Dialogue, through which progress with Japan was made across issues such as automotive standards and the removal of restrictions on agricultural products. In April 2018, new bilateral trade and investment consultations were announced, led by U.S. Trade Representative Lighthizer and Japan Economic Revitalization Minister Motegi, in order to intensify engagement on trade to strengthen the U.S.-Japan economic relationship. Meetings took place in August 2018 and September 2018, culminating in the announcement in September 2018 that the United States and Japan would enter into negotiations for a U.S.-Japan Trade Agreement to cover trade in goods as well as other key issues including services, to be followed by further negotiations on additional trade and investment issues.

4.55. The trade ministers of the United States, Japan, and the EU announced new trilateral cooperation in December 2017 to undertake measures to combat the non-market-oriented policies of third countries. Following Ministerial meetings in March and May 2018, the ministers confirmed their shared objective to address non-market-oriented policies and practices, their shared view that no country should require or pressure technology transfer from foreign companies to domestic companies, and the need to deepen and accelerate discussions regarding possible new rules on industrial subsidies and state-owned entities. The Ministers further agreed to deepen cooperation and exchange of information, including with other like-minded partners, to find effective means to address trade-distorting policies of third countries.

4.4.3 The U.S.-ASEAN Trade and Investment Framework Arrangement

4.56. 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 both the United States' fourth largest goods export market and 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. In 2017-2018, the United States supported the launch of the ASEAN Single Window under the U.S. Agency for International Development's US-ASEAN Connectivity through Trade and Investment (US-ACTI) program. For 2018-2019, the United States and ASEAN have decided to work together on agriculture biotechnology regulatory cooperation and continue discussions on proposals regarding electronic payment services and automotive standards.

4.4.4 Engagement with the Middle East and North Africa

4.57. The revolutions and other changes that swept through the Middle East and North Africa (MENA) beginning in 2011 prompted a comprehensive revaluation 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 date, the United States has focused on a number of areas, including trade facilitation, investment promotion, the information and communications technology (ICT) sector, and agricultural trade, as key priorities in developing longer-term trade and investment ties to trading partners in the region.

4.58. 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. During the 2017-18 period, 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 with Algeria, Saudi Arabia, Tunisia, and Egypt. In these discussions, the United States and partner governments have explored possible new ways to address trade and investment issues seen as important to fostering bilateral trade and investment, including with respect to customs, intellectual property, control procedures for food imports, standards development, legal harmonization, and WTO initiatives.

4.4.5 U.S.–EU Trade

4.59. The U.S. trade and investment relationship with the EU is the largest and most complex economic relationship in the world, with transatlantic trade flows (goods and services trade plus earnings and payments on investment) averaging over US$5.3 billion each day during 2017. The total stock of transatlantic direct investment was worth US$5.6 trillion in 2016. 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.

4.60. 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 long-standing, systemic non-tariff barriers in the EU that impede U.S. exports of industrial and agricultural products, the protection of intellectual property rights, and joint efforts on shared concerns in third country markets.

4.61. On July 25, 2018, President Trump and European Commission President Juncker issued a joint statement in Washington announcing the formation of a bilateral Executive Working Group that would seek to reduce barriers to transatlantic trade. Ambassador Lighthizer and Commissioner Malmstrom and their teams have discussed the scope and content of the initiative several times since the end of July, and the two sides are developing priorities both for short-term and longer-term outcomes.

4.62. As noted above, the United States has been working closely with the EU and Japan at the ministerial level to address shared concerns on several issues.

4.63. Following the United Kingdom's decision in 2016 to leave the EU, the UK and the United States established the U.S.-UK Trade and Investment Working Group in July 2017 and have convened five meetings since then. The Working Group is focusing on providing commercial continuity for UK and U.S. businesses, workers, and consumers as the UK leaves the EU and exploring ways to strengthen trade and investment ties. The Working Group is also laying the groundwork for a potential, future free trade agreement once the UK has left the EU in March 2019, and exploring areas in which the two countries can collaborate to promote open markets and free and fair trade around the world.

4.4.6 China

4.64. Since China's accession to the WTO, the United States has repeatedly attempted to work with China in a cooperative and constructive manner. Using intensive, high-level bilateral dialogues, the United States has sought to resolve significant trade irritants and also to encourage China to pursue market-oriented policies and become a more responsible Member of the WTO. These bilateral efforts have been largely unsuccessful – not because of failures by U.S. policymakers, but because Chinese policymakers were not interested in moving toward a true market economy.

4.65. The United States established its first high-level trade dialogue with China in 2003, with the elevation of the existing U.S.-China Joint Commission on Commerce and Trade (JCCT), as the U.S. Trade Representative joined the Secretary of Commerce as a U.S. chair and a Vice Premier began leading the Chinese side. Another high-level dialogue, the U.S.-China Strategic Economic Dialogue (SED), was added in 2006 with a broad focus on economic matters, including some trade and investment issues. The SED was expanded and replaced by the U.S.-China Strategic and Economic Dialogue (S&ED) in 2009. Finally, in 2017, the United States and China created the U.S.-China Comprehensive Economic Dialogue (CED), which supplanted the JCCT and the S&ED. Nevertheless, despite this constant high-level engagement over the years, these dialogues failed to generate needed shifts in the direction of Chinese policies and practices. China has shown a willingness to take modest steps to address isolated issues, and will sometimes make broad commitments when pressed at very high levels, but it has not been prepared to follow through on significant commitments or to make fundamental changes to its trade and investment regime. Instead, China has displayed a determination to maintain the state's leading role in the economy and to continue to pursue industrial policies that promote, guide and support domestic industries while simultaneously and actively seeking to impede, disadvantage and harm their foreign counterparts, even though this approach is incompatible with the market-based approach expressly envisioned by WTO members and contrary to the fundamental principles running throughout the many WTO agreements.

4.66. In November 2017, when President Trump met with President Xi in Beijing, the U.S. side explained that it had no interest in engaging in the types of bilateral discussions pursued in the CED and in past dialogues like the JCCT, the SED and the S&ED. Instead, the United States made clear that it is seeking fundamental changes to China's trade regime, including to the problematic industrial policies that have continued to dominate China's state-led economy. Through several subsequent high-level meetings in 2018, the United States reiterated its concerns, but to date China has not taken action to address those concerns.

4.67. Going forward, the United States will continue to hold China strictly accountable for adherence to its WTO obligations. Like other WTO Members, the United States will continue to use the WTO dispute settlement mechanism as an enforcement tool and also raise concerns during meetings of WTO committees and councils in order to highlight problematic Chinese policies and practices. In addition, the United States will continue to participate in other multilateral fora, such as the Global Forum on Steel Excess Capacity. At the same time, the United States will continue to rigorously enforce U.S. trade remedy laws, in accordance with WTO rules, when U.S. interests are being harmed by unfairly traded or surging imports from China. The United States also will take all other steps necessary to rein in harmful state-led, non-market policies and practices pursued by China, even when they do not fall squarely within WTO disciplines, as evidenced by USTR's investigation of Chinese technology transfer policies and practices pursuant to Section 301 of the Trade Act of 1974, as amended.

4.4.7 African Growth and Opportunity Act

4.68. 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 approximately 6,500 tariff lines of 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 2017, U.S. total two-way (exports plus imports) goods trade with sub-Saharan Africa was US$39 billion. U.S. total imports under AGOA, including its Generalized System of Preferences provisions, was US$13.8 billion and U.S. imports of non-oil goods under AGOA totalled US$4.3 billion, a more than threefold increase since AGOA entered into force.

4.69. 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 2018, 40 countries were eligible for AGOA benefits.

4.70. 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 July 2018, the U.S. Trade Representative led the USG delegation to the AGOA Forum held in Washington, DC. 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. 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.

4.71. In 2018, USTR published the "2018 Biennial Report on the Implementation of the African Growth and Opportunity Act."[3] The report provides a description of the status of trade and investment between the United States and sub-Saharan Africa, changes in country eligibility for AGOA benefits, an analysis of country compliance with the AGOA eligibility criteria, an overview of regional integration efforts in sub-Saharan Africa, and a summary of U.S. trade capacity-building efforts.

4.4.8 East African Community Trade and Investment Partnership

4.72. The United States and East Africa Community (EAC) established a Trade and Investment Partnership in 2012 to support economic integration of the EAC and enhance the U.S.-EAC trade and investment relationship. In 2013, the United States established Trade Africa as a partnership between the United States and sub-Saharan Africa to increase intra-Africa trade and investment and to expand trade and economic ties between Africa, the United States, and other global markets. From the outset, Trade Africa focused on the member states of the EAC – Burundi, Kenya, Rwanda, Tanzania, and Uganda. Subsequently, South Sudan became a member of the EAC in 2016. Trade Africa activities included helping EAC countries implement their WTO obligations under the Agreement on Trade Facilitation, the Agreement on the Application of SPS Measures, and the Agreement on TBT. Projects also included supporting these governments' development of export and AGOA strategies; strengthening the institutional capacity of trade support institutions, such as local export-import banks, investment promotion agencies, and standards bureaus; and working with port authorities and customs agencies to reduce fees, streamline customs procedures, and improve port and border management. In 2015, the United States and EAC signed the U.S.-EAC Cooperation Agreement on Trade Facilitation, SPS, and TBT to help support implementation of these WTO agreements. In 2017, the United States had a US$1.6 billion in total (two ways) goods trade with EAC countries. U.S. goods exports to the EAC totalled US$795 million while goods imports from the EAC totalled US$828 million.

4.4.9 Nepal Trade Preference Program

4.73. The Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) entered into force on February 24, 2016 and directed the President to establish a country-specific preference program to grant Nepal duty-free treatment for a set of textile, apparel, and headgear products covered by 66 8-digit tariff lines in the Harmonized Tariff Schedule (HTS) with a view to assisting Nepal recover from the April 2015 earthquake and subsequent aftershocks. Due to changes in the U.S. Harmonized Tariff Schedule, the number of tariff lines for which Nepal is exempt from customs duties increased in July 2016 to 77 8-digit tariff lines. Following the determination that Nepal met certain eligibility requirements, the NTPP program was implemented by Presidential Proclamation on December 15, 2016. It is effective through December 31, 2025. In addition to the tariff preferences, the TFTEA directs the President to provide trade-related technical assistance to help Nepal implement the WTO Agreement on Trade Facilitation.

4.74. In 2017, U.S.-Nepal two-way trade totalled US$167.8 million. U.S. imports from Nepal under the NTPP were US$2.4 million in 2017 and accounted for 3% of total U.S. imports from Nepal. The U.S. government has made efforts to promote the utilization of the NTPP, including through the U.S.–Nepal Trade and Investment Framework Agreement (TIFA) Council meetings in April 2017 and during outreach events on the margins of the TIFA to explain and promote the NTPP to Nepali industry and government officials.

4.4.10 The Caribbean Basin Initiative

4.75. The programs known collectively as the Caribbean Basin Initiative (CBI) are a vital element in U.S. economic relations with its neighbours in the Caribbean. Initially launched in 1983 by the

[3] See: https://ustr.gov/sites/default/files/2018%20AGOA%20Implementation.pdf.

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.

4.76. 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 2017, USTR submitted its twelfth biannual report to Congress on the operation of the CBERA. The report can be found on the USTR website.[4] A list of current beneficiary countries can be found in the December 2017 report. On an annual basis, USTR is required to submit a report to Congress regarding the implementation of HOPE II. The latest HOPE II Report can also be found on the USTR website.[5]

4.5 Other Trade Activities

4.5.1 Protecting Intellectual Property

4.77. Given the importance of innovation to U.S. economic growth, employment and exports, the United States places a high value on the protection and enforcement of intellectual property (IP), in both domestic and foreign markets. Domestically, Congress continues to update and improve the U.S. IP legal regime, while the Administration stresses the importance of American leadership in the innovative and creative sectors. In foreign markets, a top trade priority for the Administration is to use all possible sources of leverage to encourage other countries to open their markets to U.S. exports of goods and services, and provide adequate and effective protection and enforcement of U.S. IP rights. Toward this end, a key objective of the Administration's trade policy is ensuring that U.S. owners of IP have a full and fair opportunity to use and profit from their IP around the globe. Through engagement with trading partners, the Administration advocates for strong IP protection and enforcement in other countries for, among other things, works, phonograms, performances, brands, designs, trade secrets and inventions by U.S. creators, inventors, artists, and businesses.

4.78. Top challenges for U.S. right holders abroad include copyright piracy, which threatens U.S. exports in media and other creative content. U.S. innovators, including pharmaceutical manufacturers, also face unbalanced patent systems and other unfair market access barriers. Another leading concern is counterfeit products, which undermine U.S. trademark rights and can also pose serious threats to consumer health and safety. Additionally, inappropriate protection of geographical indications, including the lack of transparency and due process in some systems, limit the scope of trademarks and other IP rights held by U.S. producers and imposes barriers on market access for U.S.-made goods and services that rely on the use of common names, such as "feta" cheese. Another longstanding concern is the theft of trade secrets, which are often among a company's core business assets and key to a company's competitiveness. Such theft hurts American businesses, including SMEs. In addition, the reach of trade secret theft into critical commercial and defense technologies poses threats to U.S. national security interests.

4.79. The United States seeks to address these concerns through multiple avenues. One major effort is negotiating binding commitments with trading partners for the strong protection and enforcement for IP rights, including through trade agreements, as well as through WTO and OECD accession negotiations. In addition, the United States engages in other ways, by pursuing commitments and implementation of commitments through Trade and Investment Framework Agreements, Memoranda of Understanding, and Intellectual Property Protection and Enforcement work plans.

4.80. The United States actively monitors and enforces trade commitments, work that is critical to the success of negotiated outcomes. In one example, the United States requested consultations with China in March of 2018 under the WTO Dispute Resolution Understanding in DS542: *China – Certain*

[4] See: https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2017/report-congress-operation.
[5] See: https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2017/hope-ii-2017-annual-report.

Measures *Concerning the Protection of Intellectual Property Rights*. The United States also actively uses relevant enforcement provisions in its domestic law, including section 301 of the Trade Act of 1974, border enforcement measures (including in cooperation with foreign customs authorities), and criminal statutes as they may apply, including as to the misappropriation of trade secrets. The United States promotes the protection and enforcement of IP rights through multilateral vehicles including the WTO Council on Trade-Related Intellectual Property Rights, the Asia Pacific Economic Cooperation, G7, G20, and other fora. (Section 4.2 above provides additional information on U.S. enforcement efforts, including the investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974.)

4.81. An important additional avenue for bilateral engagement is USTR's annual Special 301 Report and the related Out-of-Cycle Review of Notorious Markets. Pursuant to statute, USTR must identify those countries that deny adequate and effective protection for IP rights or deny fair and equitable market access for persons that rely on IP protection, which may lead to designation as a "Priority Foreign Country." In addition, USTR has created a Special 301 "Priority Watch List" (PWL) and "Watch List" (WL), placement on which indicates that particular problems exist in the listed country with respect to IP protection, enforcement, or market access for persons relying on IP. Countries placed on the PWL receive increased attention in bilateral discussions with the United States concerning the identified problem areas. USTR develops an action plan for each foreign country identified on the PWL for at least one year. USTR also conducts an annual Out-of-Cycle Review of Notorious Markets focused on online and physical marketplaces that are reportedly engaged in piracy and counterfeiting and have been the subject of enforcement action or that may merit further investigation for possible IP infringements.

4.82. Also critical to U.S. trade policy in the arena of IP protection and enforcement is technical assistance and capacity building. The U.S. Government collaborates with various trading partners on IP-related training and capacity building around the world. Domestically and abroad, bilaterally, and in regional groupings, the U.S. Government remains engaged in building stronger and more effective systems for the protection and enforcement of IP. Various U.S. government agencies provide sustained and valuable contributions, including but not limited to the Department of Commerce's Commercial Law Development Program; the U.S. Patent and Trademark Office, through its Office of Policy and International Affairs, which includes the Global Intellectual Property Academy; the U.S. Department of State's International Visitors Leadership Program and its Global Intellectual Property Law Enforcement Coordinator program; as well as trainings provided by the Department of Justice's Intellectual Property Law Enforcement Coordinator, U.S. Immigration and Customs Enforcement Homeland Security Investigations and the United States Copyright Office. Through these combined efforts, the United States is committed to ensuring that U.S. owners of IP have a full and fair opportunity to use and profit from their IP around the world.

4.5.2 Promoting Digital Trade

4.83. The United States places great importance on electronic commerce (or "digital trade"), which plays a crucial role in strengthening and supporting firms in every sector of the economy. Since the last U.S. Trade Policy Review, the United States has advanced engagement on digital trade issues across a range of fora, and worked to combat a rising tide of barriers to digital trade around the world.

4.84. At the WTO's 11th Ministerial Conference in December 2017, the United States joined 70 other Members in announcing a commitment to initiate exploratory work on negotiations on electronic commerce. Since then, the United States has been actively engaged in this initiative, and worked to ensure that it is a productive forum to advance a liberal global environment for digital trade. The United States also joined a consensus among WTO Members to maintain a moratorium on duties on electronic transmissions and to continue the longstanding Work Program on Electronic Commerce.

4.85. On 30 September 2018, the United States, Mexico, and Canada completed a comprehensive renegotiation of the NAFTA. The new United States-Mexico-Canada Agreement (USMCA) contains the most advanced digital trade rules that will make this agreement a model moving forward. The United States regularly raises digital trade issues bilaterally, including in consultations with FTA partners, in Trade and Investment Framework Agreement meetings, and other engagements. The United States also engages in conversation on digital trade issues in international fora such as the

G20, APEC, and the OECD, using these platforms to bring attention to harmful barriers to digital trade.

5 TRADE-RELATED CAPACITY BUILDING INITIATIVES

5.1. 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 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 to compete in the 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 trade rules 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.

5.2. 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. These 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.

5.3. The efforts of the United States, both through bilateral assistance and through multilateral institutions, build on a longstanding commitment to help partner countries benefit from the opportunities provided by the global trading system. 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. 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.

5.1 WTO-Related U.S. Trade-Related Assistance

5.4. 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 TCB assistance, the United States has remained an active partner in the WTO's Aid for Trade discussion.

5.5. The United States supports the trade-related assistance activities of the WTO Secretariat through voluntary contributions to the Doha Development Agenda Global Trust Fund. In September 2017, 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.

5.6. The United States provides technical support to countries that are in the process of acceding to the WTO and for post-accession implementation. Among current accession applicants, Algeria, Azerbaijan, Belarus, Bosnia and Herzegovina, Ethiopia, Iraq, Lebanon, Serbia, and Uzbekistan received U.S. technical assistance in their accession processes. In addition, Afghanistan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Ukraine continue to receive assistance with implementing their membership commitments.

5.2 The Enhanced Integrated Framework

5.7. 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 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.

5.3 Trade Capacity-Building Initiatives for Africa

5.8. As discussed earlier, in July 2013, the United States launched "Trade Africa" with the five members of the East African Community (EAC). The United States 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 Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures, the Agreement on Technical Barriers to Trade (TBT), and the Agreement on Trade Facilitation, foster an improved business climate, and address capacity issues that constrain trade.

5.9. The United States has boosted TCB 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.

5.10. 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. 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.

5.11. 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 to fulfil the agency's core mission: to reduce poverty through 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$7 billion in trade-related assistance to developing countries, and more than half of that has gone to 14 sub-Saharan African countries through 16 MCC compact grant programs. This assistance 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, electricity sector investments in Benin, Ghana, Liberia, Malawi, and Tanzania, and roads for commerce in Burkina Faso, Cote d'Ivoire, Ghana, Liberia, Mozambique, Senegal, and Tanzania. Congress recently passed legislation giving MCC the authority to make regional investments through concurrent compact grant programs designed to address cross-border constraints to trade and economic growth.

5.12. 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.

5.13. 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.

5.4 Standards Alliance

5.14. 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 TBT. The Standards Alliance provides resources and expertise to enable developing countries to effectively implement the Agreement on TBT. 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.

5.15. 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. During the period under review, the first phase of the Standards Alliance, which included activities in up to 10 markets representing a variety of geographical regions and levels of economic development, ended. A second phase, which covers five countries in sub-Saharan Africa (Cote d'Ivoire, Ghana, Mozambique, Senegal, and Zambia) began. 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.

5.16. Between 2016 and 2018, the Standards Alliance completed over 20 TBT-related trainings, workshops, and delegation visits for participants from 50 countries. These capacity-building activities have bolstered Standards Alliance countries' understanding and application of TBT-related mechanisms. Highlights from the last two-year period of Standards Alliance implementation include a series of programs on conformity assessment for the African Organisation for Standardization (ARSO), several conferences and workshops on good regulatory practices, as well as work on regulatory impact assessment.

6 TRADE AND THE ENVIRONMENT

6.1. Since the last U.S. Trade Policy Review, the United States made significant progress on a range of trade and environment matters in multiple fora, including through multilateral, regional and bilateral trade initiatives.

6.2. In August 2017, the United States, Mexico, and Canada formally launched the renegotiation of the NAFTA. On 30 September 2018, the United States, Mexico, and Canada completed a comprehensive renegotiation of the NAFTA, including the most comprehensive set of enforceable environmental obligations of any previous U.S. trade agreement. These include commitments relating to harmful fisheries subsidies; wildlife trafficking; illegal, unreported, and unregulated (IUU) fishing; the protection of marine species; marine litter; sustainable forest management; air quality; and public participation and environmental cooperation.

6.3. The United States has also continued to prioritize implementation of the FTAs currently in force. For example, the United States used a unique monitoring tool under our bilateral trade agreement with Peru in 2016 to verify that a particular timber shipment exported from Peru to the United States complied with all Peruvian laws and regulations. Following issuance of this verification report, which revealed significant levels of illegally harvested timber in that shipment, Peru agreed to undertake various reforms to address ongoing challenges of illegal logging. In 2017, the United States determined that Peru had made insufficient progress in implementing these agreed upon and necessary reforms, and on October 10, 2017, USTR took unprecedented action by instructing the U.S. Customs and Border Protection (CBP) to deny entry of future timber shipments from the Peruvian exporter subject to the 2016 verification request. In February 2018, the United States requested that Peru conduct a second timber verification, this time of three separate timber shipments exported from Peru to the United States. Peru's investigation could not establish that one of the shipments was compliant with Peru's laws, regulations, and other measures on the harvest and trade of timber products. The United States will continue to engage with Peru to address remaining challenges to combating illegal logging highlighted by the verification.

6.4. Since the last TPR, the United States kept up substantial engagement with other FTA partners. In particular, the United States had senior-level meetings with officials from Bahrain, Central America and the Dominican Republic, Chile, Colombia, Oman, Panama, and Singapore to discuss implementation of and monitor progress under the environment chapters of our FTAs with those partners. These engagements were also opportunities to review, and in some cases, update, the environmental cooperation work programs that help to support implementation of the environment chapters of U.S. FTAs. The United States also engaged with Trade and Investment Framework Agreement partners, notably Indonesia, Malaysia, the Philippines, and Vietnam, and consulted on a wide range of issues related to trade and investment, including trade-related environmental issues such as wildlife trafficking and IUU fishing.

6.5. In APEC, the United States worked with other Asia-Pacific economies through the Experts Group on Illegal Logging and Associated Trade to improve the capacity of APEC customs officials to combat illegal logging and associated trade, including by hosting a customs officials workshop held in Ho Chi Minh City, Vietnam on August 18-19, 2017. The United States also led the development of a Customs Best Practices Resource Tool designed to assist APEC customs officials in identifying illegal timber shipments and taking appropriate action. As part of this work, the United States strengthened partnerships with international and nongovernmental organizations, such as Interpol and The Nature Conservancy, who play an important role in combating illegal logging and associated trade globally. The United States also concluded an initiative to facilitate trade and investment in sustainable materials management solutions under APEC's Regulatory Cooperation Advancement Mechanism in 2017.

6.6. The United States is also committed to combating wildlife trafficking and IUU fishing through a variety of means, including by using existing and future U.S. FTAs, environmental cooperation mechanisms, and other trade-related initiatives. For example, the United States has consistently raised these areas for discussion and collaboration in meetings under the Environment Chapters of our FTAs and included them in recent environmental programs. In October 2016, the Eliminate, Neutralize, and Disrupt (END) Wildlife Trafficking Act of 2016 became law, with the objectives of supporting anti-poaching efforts on a global scale, strengthening the capacity of partner countries to combat wildlife trafficking, and designating major wildlife trafficking countries for further strategic collaboration with the United States.[6] The President issued an Executive Order on February 9, 2017 that called for strengthened enforcement, including with respect to the "the illegal smuggling and trafficking of humans, drugs or other substances, wildlife, and weapons…."[7] Multiple U.S. government agencies participate in implementing the President's Executive Order and the END Wildlife Trafficking Act.

6.7. In regards to IUU fishing, the National Oceanic and Atmospheric Administration (NOAA) published a final rule in December 2016 establishing a Seafood Import Monitoring Program (SIMP) to combat IUU fishing and seafood fraud.[8] The SIMP establishes reporting and recordkeeping requirements for imports of 13 at-risk species needed to prevent IUU-caught or misrepresented seafood from entering U.S. commerce. The U.S. importer of record is required to report and retain key data from the point of harvest to the point of entry into U.S. commerce. The rule's requirements took effect for 11 of the species on January 1, 2018: tunas (Albacore, Bigeye, Skipjack, Yellowfin, and Bluefin), swordfish, sharks, Atlantic and Pacific cod, grouper, red snapper, and sea cucumber. The requirements for the remaining two species, shrimp and abalone, will take effect on December 31, 2018. U.S. government agencies are actively engaged in outreach to trading partners to assist with implementation efforts.

7 TRADE AND LABOR

7.1. Ensuring respect for workers' rights is a core value, and the trade policy agenda of the United States includes a strong commitment to ensuring that American workers and their families as well as workers around the world benefit from trade. On 30 September 2018, the United States, Mexico, and Canada completed a comprehensive renegotiation of the NAFTA, including the strongest labor provisions of any U.S. trade agreement. The new United States-Mexico-Canada Agreement includes a Labor Chapter with enforceable rules that protect the rights of freedom of association and collective bargaining; prohibit trade in goods produced by forced labor, including forced child labor; address violence against workers exercising their rights; ensure that migrant workers are protected under labor laws; and establish mechanisms to monitor and address labor concerns.

7.2. The United States has continued its efforts to enhance U.S. Government engagement with trade partners through formal trade agreement mechanisms to improve respect for internationally recognized labor rights and to increase monitoring and enforcement of trade agreement labor provisions. Since the last TPR, the United States held senior-level meetings with officials from Bahrain, Central America and the Dominican Republic, Colombia, Mexico, Peru, and the Republic of Korea to discuss implementation of and monitor progress under the labor chapters of our FTAs with those partners. These meetings also provided opportunities to discuss labor cooperation initiatives that support implementation of the labor chapters of U.S. FTAs. The United States also continues to enhance its engagement with trade partners on labor rights through trade preference programs, and other means. In 2017 and 2018, the United States discussed labor rights issues with several countries as part of meetings held under Trade and Investment Framework Agreements, including with Algeria, Indonesia, Vietnam, Malaysia, Cambodia, and the Philippines.

7.3. As an important component of the Administration's trade agenda, the Trade Adjustment Assistance (TAA) programs assist U.S. workers adversely affected by global competition. The TAA Program was renewed by the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA), and ensures that workers harmed by foreign trade have the best opportunity to acquire skills and credentials for sustainable reemployment. 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 FY2017, US$716,364,000 was available to carry out the program.

[6] Eliminate, Neutralize, and Disrupt (END) Wildlife Trafficking Act of 2016, https://www.congress.gov/bill/114th-congress/house-bill/2494/text (signed into law on October 9, 2016).

[7] Presidential Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking, https://www.whitehouse.gov/presidential-actions/presidential-executive-order-enforcing-federal-law-respect-transnational-criminal-organizations-preventing-international-trafficking/ (February 9, 2017).

[8] Magnuson Stevens Fishery Conservation and Management Act: Seafood Import Monitoring Program, 81 FR 88975 (December 9, 2016).

8 SMALL AND MEDIUM-SIZED BUSINESS TRADE

8.1. USTR has implemented a Small Business Initiative to increase export opportunities for U.S. small and medium-sized enterprises (SMEs) and expand efforts to address the specific export challenges and priorities of SMEs and their workers in our trade policy and enforcement activities. In 2017, USTR continued to engage with U.S. government interagency partners and foreign trading partners to develop and implement new and continuing initiatives that support small business exports.

8.2. U.S. small businesses are key engines for U.S. economic growth, jobs, and innovation. USTR is focused on making trade work to the benefit of SMEs by helping them increase their sales to customers abroad, access and participate in global supply chains, and support jobs in local communities. USTR is working to better integrate specific SME issues and priorities into trade policy development, increase outreach to SMEs around the country, and expand collaboration and coordination on an interagency basis. USTR works closely with the U.S. Department of Commerce, U.S. Small Business Administration (SBA), U.S. Department of Agriculture, and other agencies to help provide U.S. SMEs information, assistance, and counselling on specific export opportunities. In 2017, USTR undertook significant actions in support of our SME objectives.

8.3. Tariff barriers, burdensome customs procedures, discriminatory or arbitrary standards, lack of transparency relating to relevant regulations, and insufficient IPR protection in foreign markets present particular challenges for U.S. SMEs in selling abroad. Under the SME Initiative, USTR's small business office, regional offices, and functional offices are pursuing initiatives and advancing efforts to address these issues. U.S. trade agreements, as well as other trade dialogues and fora, provide a critical opportunity to address specific concerns of U.S. SMEs and facilitate their participation in export markets.

8.4. Since the last TPR, the United States has worked to increase opportunities for SME exports. For example, for the negotiations of the United States–Mexico–Canada Agreement, one of the U.S. objectives included priorities identified by SME stakeholders, such as increased de minimis shipment value and the elimination of burdensome non-tariff barriers. The Agreement includes a small and medium enterprise chapter, to help ensure that the Agreement benefits SMEs.

8.5. The United States and the United Kingdom launched the United States-UK Trade and Investment Working Group in 2017 to explore ways to strengthen trade and investment ties between the U.S. and U.K. and to provide commercial continuity for both countries' businesses, workers, and consumers. Given the significance of small businesses to both economies, the U.S. and UK launched an ongoing U.S.-UK Small and Medium-sized Enterprise Dialogue in 2018 to promote closer collaboration and the sharing of best practices on policies and programs that support SME businesses and export opportunities in each country.

8.6. The United States and EU continue to collaborate on small business issues in the Transatlantic Economic Council (TEC). In October 2017, the United States hosted the eighth United States-EU Small and Medium Enterprise Workshop in Wichita, Kansas - the first time the United States has hosted the US-EU SME workshop outside of Washington, DC. The SME Workshop was convened by USTR, the U.S. Department of Commerce, the SBA and the EU's Directorate General for Trade and Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG-GROW) and was hosted with the Chair of the Industry Trade Advisory Committee for Small and Minority Business (ITAC-9). Over 100 SME stakeholders on both sides of the Atlantic attended, with discussions focusing on manufacturing SMEs in transatlantic trade; SME startups, innovation and competitiveness; best practices in apprenticeships and vocational training; and SME export promotion resources.

8.7. In 2017, USTR participated with ASEAN SME ministry and trade officials in the United States-ASEAN Third Country Training Program to discuss potential barriers to digital trade that can burden SMEs. Such trade barriers are out of step with established best practices and impede the ability of SMEs to participate in digital trade and e-commerce. Best practices include tariff-free digital trade; promoting the free flow of information; preventing costly computer infrastructure requirements; electronic signatures and online payment methods; electronic customs forms and faster customs procedures; high customs *de minimis* to facilitate SME trade; and protection of intellectual property rights.

8.8. In the WTO context, USTR is exploring the development of further work with other WTO Members on issues of interest to SME stakeholders, such as electronic commerce, transparency of regulatory processes, and implementation of trade facilitation measures.