

III. BILATERAL AND REGIONAL NEGOTIATIONS AND AGREEMENTS

A. Free Trade Agreements

1. Australia

U.S.-Australian trade relations continued to grow steadily in 2013. With the United States-Australia Free Trade Agreement (FTA) in force since January 1, 2005, U.S. two-way goods trade (exports plus imports) with Australia was \$87 billion in 2013, up 64 percent since 2004. U.S. goods exports were \$26.0 billion in 2013, up 87 percent from 2004, and U.S. goods imports were \$9.3 billion, up 23 percent from 2004. The United States had a \$16.8 billion goods trade surplus with Australia in 2013.

Agricultural trade between the United States and Australia also continued to grow in 2013, with U.S. agriculture exports to Australia reaching \$1.3 billion. In 2013, the United States and Australia continued to closely monitor FTA implementation, including related agriculture, sanitary and phytosanitary measures, and government procurement. The two sides worked to further deepen the trade and investment relationship in the Trans-Pacific Partnership as well as through WTO, APEC, and other regional initiatives.

2. Bahrain

The United States-Bahrain Free Trade Agreement (FTA), which entered into force on August 1, 2006, generates export opportunities for the United States. Since the first day that the agreement took effect, 100 percent of the two-way trade in industrial and consumer products has flowed without tariffs. In addition, Bahrain opened its services market wider than any previous FTA partner, creating important new opportunities for U.S. financial service providers and U.S. companies that offer telecommunications, audiovisual, express delivery, distribution, healthcare, architecture, and engineering services. The United States-Bahrain Bilateral Investment Treaty (BIT), which took effect in May 2001, covers investment issues between the two countries.

To manage implementation of the FTA, the agreement establishes a central oversight body, the United States-Bahrain Joint Committee (JC), chaired jointly by USTR and Bahrain's Ministry of Industry and Commerce. The second meeting of the JC was held in October 2009. Dates for the third meeting of the JC have not been set.

In April 2011, the American Federation of Labor and Congress of Industrial Organizations filed a submission with the U.S. Department of Labor alleging that the government of Bahrain took certain actions related to the protests of that year which could be inconsistent with Bahrain's commitments under the FTA Labor Chapter. In December 2012, the U.S. Department of Labor issued a public report concluding that despite significant progress by Bahrain, several issues remained regarding freedom of association and employment discrimination. The report recommended that the United States request formal consultations under the FTA Labor Chapter and work with Bahrain to develop an action plan to address outstanding concerns. In May 2013, the United States requested formal consultations under the Labor Chapter, and in July, USTR led a U.S. Government delegation to Bahrain to begin discussions on these issues. USTR and the U.S. Government delegation held extensive consultations with officials from Bahrain's Ministries of Labor, Trade, and Foreign Affairs, as well as labor unions and business representatives. During the remainder of 2013, U.S. Government agencies continued to impress upon the

government of Bahrain the importance of taking concrete actions to ensure workers in Bahrain can fully exercise their fundamental labor rights.

3. Central America and the Dominican Republic

Overview

On August 5, 2004, the United States signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or Agreement) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic. This agreement creates additional economic opportunities by eliminating tariffs, opening markets, reducing barriers to services, and promoting transparency. The Agreement is facilitating trade and investment among the seven countries and furthering regional integration.

Central America and the Dominican Republic represent the third largest U.S. goods export market in Latin America, behind Mexico and Brazil. U.S. goods exports to the CAFTA-DR countries were valued at \$30 billion in 2013. Combined total two-way trade in 2013 between the United States and Central American CAFTA-DR Parties and the Dominican Republic was \$61 billion.

The Agreement has been in force since January 1, 2009 for all seven countries that signed the CAFTA-DR. It entered into force for the United States, El Salvador, Guatemala, Honduras, and Nicaragua during 2006, for the Dominican Republic on March 1, 2007, and for Costa Rica on January 1, 2009.

Elements of the CAFTA-DR

Operation of the Agreement

The central oversight body for the CAFTA-DR is the Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the trade ministers of the other CAFTA-DR Parties, or their designees. On November 18, 2013 the CAFTA-DR Coordinators, who are technical-level staff of the Parties, met to define the agenda and undertake the preparatory work for an upcoming meeting of the FTC. The FTC will review implementation of the CAFTA-DR to take actions to further strengthen the operation of the Agreement.

Under the Agreement, 100 percent of U.S. consumer and industrial goods will enter duty free in all the other CAFTA-DR countries' markets by 2015. Nearly all U.S. textile and apparel goods that meet the Agreement's rules of origin now enter the other CAFTA-DR countries' markets duty free and quota free, promoting new opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies. Under the CAFTA-DR, more than half of U.S. agricultural exports now enter the other CAFTA-DR countries' markets duty free. The majority of remaining tariffs on nearly all U.S. agricultural products will be eliminated by 2020, with a few most sensitive products having slightly longer phase-out periods. For certain products, tariff-rate quotas permit some duty-free access for specified quantities during the tariff phase-out period, with the duty-free amount expanding during that period.

Labor

Ongoing labor capacity building activities are supporting efforts to promote workers' rights and improve the effective enforcement of labor laws in the CAFTA-DR countries, including by supporting efforts to protect the rights of workers in the informal economy and lift barriers to formalization, build the capacity

of workers and their organizations to constructively advocate for workers' rights with public authorities and employers, and ensure that workers and employers develop skills and expertise to resolve disputes. In particular, in 2013, the U.S. Government continued to provide technical assistance focused on the effective enforcement of labor laws and strengthening civil society's role in promoting a culture of compliance with labor laws. For example, in 2013 the U.S. Department of State funded a program to strengthen the capacity of unions to perform core representational functions; expand the inclusion of marginalized worker populations within worker organizations; and bolster unions' skills to effectively engage employers and public authorities.

On April 26, 2013, the United States and Guatemala signed an Enforcement Plan to resolve concerns that were raised in the dispute settlement case brought by the United States against Guatemala under the CAFTA-DR. As a result of reaching agreement on the Enforcement Plan, the work of the arbitration panel handling the dispute was suspended. Under the Enforcement Plan, Guatemala agreed to take significant actions to strengthen labor inspections, expedite and streamline the process of sanctioning employers and ordering remediation of labor violations, increase labor law compliance by exporting companies, improve the monitoring and enforcement of labor court orders, publish labor law enforcement information, and establish mechanisms to ensure that workers are paid what they are owed when factories close. Implementation of the Enforcement Plan was underway in 2013. On October 25, the United States and Guatemala agreed to suspend the work of the arbitration panel for an additional six months in recognition of Guatemala's adoption of a number of reforms consistent with the applicable deadlines under the Enforcement Plan. In doing so, the United States noted that it expects substantially more progress to be made. If at any time during the six month period, the U.S. Government determines that Guatemala is not effectively implementing the Enforcement Plan, it can request the panel to resume its work (for additional information, visit <http://www.ustr.gov/about-us/press-office/press-releases/2013/October/US-Guatemala-enforcement-worker-rights>). To support Guatemala's implementation of the Enforcement Plan and other labor commitments, the U.S. Department of State awarded a grant to the International Labor Organization for a project that seeks to build the capacity of the labor inspectorate; assist the Ministry of Labor to better enforce Guatemalan labor laws, train judges, magistrates, and prosecutors in core labor rights; and support tripartite engagement.

In December 2011, a submission was filed with the U.S. Department of Labor (DOL) alleging that the government of the Dominican Republic failed to ensure the effective enforcement of labor laws in the Dominican sugar sector, which, if substantiated, would be inconsistent with the Dominican Republic's commitments under the CAFTA-DR labor chapter. The DOL accepted the submission for review and issued a public report in September 2013 which highlights concerns about potential and apparent violations of Dominican Republic labor laws in the sugar sector with respect to: (1) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health; (2) a minimum age for the employment of children and the prohibition and elimination of the worst forms of child labor; and (3) a prohibition on the use of any form of forced or compulsory labor. The DOL also noted concerns in the sugar sector with respect to Dominican labor law on freedom of association, the right to organize, and collective bargaining. The Administration will continue to work with the government of the Dominican Republic to address the concerns identified in this report, which will include time-bound steps and measurable milestones by which to monitor and assess progress. The DOL will review implementation of the recommendations six months and again 12 months after the publication of this report and determine what, if any, further action is needed to address the concerns raised in the report.

In March 2012, the AFL-CIO and 26 Honduran worker and civil society groups filed a submission with the DOL alleging that the government of Honduras had failed to enforce its labor laws in the manufacturing, agriculture, and port operations sectors, which, if substantiated, could be inconsistent with Honduras' commitments under the CAFTA-DR labor chapter. In 2013, the U.S. Government continued

to track key issues identified in the submission. The DOL traveled to Honduras in May 2013 to attend a meeting of a commission of civil society representatives formed to track the government of Honduras' efforts to address the problems identified in the submission. In October, the DOL attended a public forum in Honduras at which representatives from unions, employer organizations, and the government discussed issues identified in the submission, including occupational safety and health and freedom of association, as well as the possible implications of labor practices on the competitiveness of Honduran businesses. The U.S. Government will continue to monitor issues identified in the submission and the DOL is expected to issue a public report during 2014.

Environment

Monitoring and implementation of environment commitments of the CAFTA-DR, including enhanced cooperation and capacity building, continued in 2013 and included an increased effort among the CAFTA-DR countries to improve levels of environmental protection. U.S. Government assistance for environment capacity building programs and activities in Central America and the Dominican Republic continued in 2013 and were funded in part through the Pathways to Prosperity in the Americas initiative. Capacity building focused on compliance with specific CAFTA-DR environment chapter obligations, strengthened environmental laws and enforcement, biodiversity conservation, including through market-based approaches, and improved private sector environmental performance. Public outreach and participation efforts also continued in 2013. The Secretariat for Environmental Matters, established in 2006 in accordance with the CAFTA-DR, received five new submissions from the public in 2013 on a range of environmental concerns, and published a third final Factual Record under the public submission process, CAALA/11/004 West Bay Roatán, available at <http://www.saa-sem.org>.

The CAFTA-DR trade and environment points of contact met twice in 2013 to discuss priorities for environmental capacity building programming, implementation of environment chapter obligations, and preparation for the senior-level meeting of the Environmental Affairs Council (EAC). The EAC met in May 2013 in the Dominican Republic, and Council Members highlighted their governments' successes with respect to implementation of obligations under the environment chapter, as well as accomplishments under the parallel Environmental Cooperation Agreement. A joint communiqué on their work was released and an open session was held to engage members of the public in the implementation process of the CAFTA-DR environment chapter and the complementary cooperative capacity building activities. The communiqué is available at: <http://www.ustr.gov/sites/default/files/05092013%20CAFTA-DR%20EAC%20Joint%20Statement.pdf>

Trade Capacity Building

In addition to the labor and environment programs discussed above, trade capacity building programs and planning in other areas continued throughout 2013 with the Office of the U.S. Trade Representative and other agencies. The U.S. Agency for International Development (USAID) and other donors, including U.S. agencies such as the U.S. Departments of Agriculture, State, and Commerce, carried out bilateral and regional projects with the CAFTA-DR partner countries.

In April 2013, USAID began implementation of the Regional Trade and Market Alliances Project that will support the region's trade and institutional capacity to improve trade facilitation and border management. Through this project, USAID will continue providing assistance to governments and businesses in areas related to customs administration, administrative and operating procedures of customs and other border control agencies, and enhancing private sector consultation processes for trade facilitation.

In 2013, USAID began implementing regional programs addressing customs, trade facilitation, and SPS activities. In 2013, the U.S. Department of State's Pathways to Prosperity in the Americas initiative included a broad trade facilitation element, working with other international donors in the region on various customs and border process related issues to foster trade among CAFTA-DR partners. Under Pathways, CAFTA-DR countries are working with the support of the Inter-American Development Bank and participation by the Association of American Chambers of Commerce of Latin America (AACCLA) to create a single window customs network among CAFTA-DR partners and others in Latin America (Mexico, Chile, Ecuador, Panama, and Colombia). The U.S. Department of Commerce continues a series of customs and border modernization workshops in the region, and a concluding conference was held in Chile in 2013 with representation from all of the CAFTA-DR countries. Phase two of this project, which began in 2013, will focus on Guatemala and the Dominican Republic.

USAID, in partnership with USDA, has continued to support the governments of Central America and the Dominican Republic so that their private sector can take advantage of the trade agreement; for example, training on the new U.S. Food Safety Modernization Act to explain to signatory countries the regulations and requirements administered by the U.S. Food and Drug Administration associated with the new law. Exports of agricultural products to the United States must meet these new requirements to access the U.S. market. Also, activities have been undertaken to improve vegetable packing plant inspection procedures to avoid rejections at the port of entry.

USAID, the U.S. Department of State and others, working in cooperation with Secretaría de Integración Económica Centroamericana (Secretariat for Central American Integration; SIECA), continued to expand implementation of the Small Business Development Center (SBDC) model to all of the CAFTA-DR countries, building on a program that began in El Salvador. USTR, the U.S. Department of State, the Small Business Administration, and other agencies are working with various partner organizations, including multilateral institutions and universities, to connect U.S. and regional SBDCs in order to help SMEs take better advantage of trade opportunities through the Small Business Network of the Americas.

Other Implementation Matters

CAFTA-DR partners worked to carry out various FTC decisions adopted to strengthen implementation.

The Parties continued work to update the Agreement's product-specific rules of origin to reflect changes to the International Convention on the Harmonized Commodity Description and Coding System in 2013 (HS Update). Discussions also addressed modifications to reflect the amendments to certain rules of origin for textile and apparel goods, which were agreed by the CAFTA-DR Free Trade Commission, designed to enhance the competitiveness of the region's textiles sector through regional sourcing and integration. The amendments must also be reflected in the updated product-specific rules of origin. The HS Update, expected to be endorsed at the next FTC meeting, will further facilitate traders' tariff claims and customs administrations' application of the Agreement's rules of origin. During 2013, technical-level staff also discussed countries' respective domestic processes and proposed rules of origin modifications under Article 4.14 in order to create additional opportunities for trade under the Agreement.

USTR and the Commerce Department's Trade Agreement Secretariat provided technical support to assist Guatemala to establish its responsible office to carry out administrative functions according to the FTC Decisions on the remuneration of panelists, assistants, and experts, as well as payment of their expenses for CAFTA-DR dispute settlement proceedings, recognizing the importance of an effective dispute settlement mechanism to the integrity of the Agreement.

The United States also continued to work closely with its CAFTA-DR partners on bilateral matters related to the Agreement, with a particular focus on ensuring that its partners properly implement the Agreement.

For example, the U.S. Government continued to work with several CAFTA-DR partners on implementation of agricultural trade matters such as the administration of tariff-rate quotas and SPS issues as well as government procurement issues. The U.S. Government also worked with several CAFTA-DR countries to promote effective protection of intellectual property rights, including a focus on the balance between trademark and geographical indication protection, as reflected in the CAFTA-DR. The U.S. Government also worked with the government of Costa Rica to review and support the opening of its market for wireless mobile and satellite Internet services, as well as access for U.S. suppliers.

4. Chile

Overview

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004.

The FTA eliminates tariffs and opens markets, reduces barriers for 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. In 2013, U.S. goods exports to Chile decreased by 6.3 percent to \$17.6 billion, while U.S. goods imports from Chile increased by 10.6 percent to \$10.4 billion.

Elements of the United States-Chile FTA

Operation of the Agreement

The central oversight body for the FTA is the United States-Chile Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Chilean Director General of International Economic Affairs or their designees. The FTC last met in July 2012. In 2013, the United States and Chile engaged frequently on bilateral and regional issues and began preparatory work for an FTC meeting in 2014. The FTC will review implementation of the FTA and will suggest actions to further strengthen the operation of the Agreement.

Labor

In June 2013, the U.S. Department of Labor, together with Chile's Ministry of Labor and the U.S. Embassy in Santiago, participated in a Trafficking in Persons detection training for labor inspectors. Experts from the U.S. Department of Labor's Wage and Hour Division shared best practices on protection in the United States. The U.S. Department of Labor also submitted responses to inquiries from Chile's Ministry of Labor about the U.S. FOIA program in January 2013 at Chile's request.

Intellectual Property Rights

Chile remained on the Priority Watch List in 2013. The United States continues to have serious concerns regarding outstanding IPR issues under the United States-Chile Free Trade Agreement. Although Chile took some steps in 2013 to propose legislation, the United States continues to urge Chile to implement an effective system for addressing patent issues expeditiously in connection with applications to market pharmaceutical products. The United States also continues to urge Chile to implement both protections against the unlawful circumvention of technological protection measures, and protections for encrypted program-carrying satellite signals. It is also important for Chile to ensure that effective administrative and judicial procedures, as well as deterrent remedies are made available to rights holders and satellite

and cable service providers. In addition, the United States urges Chile to provide adequate protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical products, and to amend its Internet service provider liability regime to permit effective action against piracy over the Internet. The United States looks forward to continuing to work with Chile to resolve these and other issues, including through the TPP negotiations.

Environment

At the January 9, 2013 Environment Affairs Council (EAC) meeting held in Santiago, Chile, senior U.S. and Chilean officials reviewed implementation of the Environment Chapter of the FTA. Chilean officials highlighted progress in establishing new environmental institutions such as environmental tribunals, measures taken to strengthen public participation, and advances in corporate social responsibility. The EAC meeting included a public session demonstrating the EAC's commitment to a transparent and participatory process.

The U.S.-Chile Joint Commission for Environmental Cooperation, established pursuant to the Environmental Cooperation Agreement, develops work programs that establish priorities for cooperative environmental activities. The current priorities of the 2012-2014 Work Program include strengthening enforcement of environmental laws, encouraging adoption of sound environmental practices and technologies, promoting sustainable management of environmental resources, and supporting public participation in environmental decision-making.

5. Colombia

Overview

The CTPA builds on a strong commercial relationship with a dynamic regional trading partner. Two-way goods trade totaled \$40.2 billion in 2013. Upon the Agreement's entry into force, Colombia eliminated duties on over 80 percent of U.S. exports of consumer and industrial products, with remaining tariffs phased out over 10 years. Average Colombian tariffs on U.S. industrial exports had averaged over 9 percent prior to entry into force of the CTPA. More than half of U.S. agricultural exports to Colombia became duty free immediately, with virtually all remaining tariffs to be eliminated within 15 years. With limited exceptions, U.S. services suppliers gained access to Colombia's estimated \$200 billion annual services market in 2012. Colombia also agreed to important new disciplines in investment, government procurement, intellectual property rights, labor, and environmental protection, and joined the WTO Information Technology Agreement per its commitment under the CTPA.

Implementation of the Agreement

Intellectual Property Rights

The United States-Colombia Trade Promotion Agreement (CTPA) entered into force on May 15, 2012. The two Governments had signed an exchange of letters on April 15, 2012, in which the Colombian government outlined its need for more time to fulfill its CTPA obligations to join three treaties on intellectual property. This would allow Colombia's Constitutional Court to complete its review of the treaties' compatibility with Colombia's Constitution. The two Governments agreed that the United States may remove CTPA benefits if Colombia fails to join the treaties by specified dates. In December 2012 and early in 2013, the Constitutional Court issued rulings invalidating the legal provisions implementing Colombia's intellectual property commitments (including its ratification of one of the three treaties) on

procedural grounds. During 2013 Colombia worked to address the procedural concerns identified but they have not yet been remedied. The Administration will continue to press for action as early as possible.

Labor

The entry into force of the CTPA was also accompanied by further progress by Colombia under the Action Plan Related to Labor Rights. During 2013, the Obama Administration continued intensive engagement with the Colombian government to support its efforts to improve the protection of worker rights, prevent violence against trade unionists, and ensure the prosecution of the perpetrators of such violence. The Colombian government took several important steps during the year to strengthen labor rights, including issuing a new law to increase fines for labor violations, and hiring 134 additional labor inspectors for a total of 294 new inspectors since the launch of the Action Plan. The Colombian government also assessed over \$100 million in fines since the Action Plan's launch for practices that violated labor rights (and has collected approximately five percent of these fines to date), and in 2013 issued a new administrative resolution and began to develop procedures to improve the process for collecting fines. In June, Government officials from the United States and Colombia convened the inaugural meeting of the Labor Affairs Council (LAC) under the CTPA in Washington, D.C. Colombian Labor Minister Rafael Pardo and officials from USTR and the U.S. Department of Labor (DOL) discussed the labor obligations of the agreement as well as progress under the Action Plan. The LAC meeting concluded with a public session, consistent with the LAC's commitment to a participatory process, where stakeholders and interested members of the public from the United States and Colombia asked questions and provided information directly to Minister Pardo and U.S. officials.

Also in 2013, President Obama met with Colombian President Juan Manuel Santos in December and discussed implementation of the Action Plan, and Deputy U.S. Trade Representative Miriam Sapiro and U.S. Secretary of Labor Thomas Perez met with Labor Minister Pardo to review key initiatives under the plan. Additionally, USTR and DOL officials traveled to Colombia on multiple occasions to engage with the Colombian Labor Ministry, the Colombian Prosecutor General's office, the National Protection Unit, and labor and business stakeholders. However, important work remains to address areas of mutual concern. In 2013 the United States and Colombia agreed to continue formal meetings on issues covered by the Action Plan through at least 2014 to ensure ongoing progress on labor rights in Colombia. In addition, DOL continued to fund its \$7.8 million five-year project with the International Labor Organization to: (1) strengthen the capacity of the Colombian Labor Ministry, especially the labor inspectorate, to effectively enforce Colombian labor laws and guarantee fundamental rights at work; (2) strengthen existing social dialogue institutions; and (3) strengthen the capacity of the Colombian government to protect trade union leaders and activists, and to combat impunity for perpetrators of violence against them.

Environment

On December 18, 2013, the United States and Colombia held the first meeting of the Environmental Affairs Council (Council) under the CTPA and the first meeting of the Environmental Cooperation Commission (Commission) under the United States-Colombia Environmental Cooperation Agreement (ECA), which entered into force on June 28, 2013. The Council and Commission also held a public session on December 19, 2013, pursuant to the CTPA Environment Chapter and the ECA. At the December 18 meeting, the Council reviewed implementation of the Environment Chapter of the CTPA including actions taken by the United States and Colombia to increase levels of environmental protection, ensure effective enforcement of environmental laws, and provide opportunities for public participation in environmental governance and the trade policy-setting processes. The Council also discussed the

designation of a secretariat to receive and consider submissions on matters regarding enforcement of environmental laws under Article 18.8 of the CTPA.

The Commission reviewed ongoing environmental cooperation activities and approved and signed the first United States-Colombia Work Program for Environmental Cooperation under the ECA, which provides a robust framework for advancing environmental cooperation in the coming years. In particular, the Work Program identifies priorities for cooperative activities that the two countries intend to pursue, including strengthening implementation and enforcement of their respective environmental laws and regulations; promoting sustainable management of environmental resources, including biodiversity, protected wild areas, and other important ecosystems; encouraging low emissions development and the adoption of sound environmental practices and technologies; and promoting environmental education, transparency, and public participation in environmental decision-making and enforcement.

Operation of the Agreement

On November 19, 2012, Deputy U.S. Trade Representative Miriam Sapiro hosted the inaugural meeting of the United States-Colombia Free Trade Commission (FTC), the body responsible for supervising the implementation of the CTPA and resolving any further issues. The Colombian delegation was led by then Vice Minister of Trade Gabriel Duque Mildenberg. At the meeting, the two sides concluded that the Agreement was functioning smoothly and was already benefiting both countries. In 2013 both Governments worked together to carry out initiatives launched at the November 2012 FTC, such as consideration of accelerating tariff elimination, establishment of certain dispute settlement mechanisms and updating the rules of origin. USTR expects to hold the second FTC meeting to review implementation of the CTPA in 2014.

6. Israel

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 2013, U.S. goods exports to Israel declined by 3.7 percent, to \$13.7 billion.

The United States-Israel Joint Committee (JC) is the central oversight body for the FTA. In 2012, the JC met to explore ways to engage in collaborative efforts to increase bilateral trade and investment. During the meeting, the United States and Israel noted progress made in addressing a number of specific standards-related impediments to trade and opened a dialogue to address additional standards-related issues. The United States and Israel spent the balance of 2012 and 2013 working to expand cooperation in standards and customs. In October 2013, Israel enacted revisions to its standards regime, which seek to significantly expand recognition standards of other internationally respected standards bodies, including those of the United States. If the new standards law is broadly implemented, it would have a substantial positive effect on easing the importation of a broad range of U.S. products. The United States and Israel are also working to facilitate claims of duty-free status for individual products.

The Parties also made progress during the JC meeting on negotiating a new agreement on trade in agricultural products and resolving several outstanding sanitary and phytosanitary (SPS) issues. 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 tariff treatment of a number of agricultural products. The 1996 agreement was extended through 2003 and a new agreement was concluded in 2004. While this Agreement originally was scheduled to expire at

the end of 2008, it has been extended annually since then to allow negotiations on a new ATAP agreement to continue.

In November 2012, the United States proposed revised modalities for a new ATAP agreement, seeking to capitalize on progress to date and to streamline the negotiations while liberalizing trade to the maximum degree possible. Each side is reviewing the proposals put forward by the other in preparation for the next round of negotiations, tentatively planned for 2014. In November 2013, the two sides agreed to extend the ATAP agreement through December 31, 2014, while the aforementioned negotiations continue.

In November 2013, the United States and Israel brought a telecommunications mutual recognition agreement into force. This agreement streamlines conformity assessment processes. It facilitates trade by permitting recognized U.S. laboratories to test U.S. telecommunications equipment for conformity with Israeli technical regulations. The agreement also provides that in the future, the United States and Israel can agree to the mutual acceptance of equipment certifications issued by recognized conformity assessment bodies in the United States and Israel.

7. Jordan

In 2013, the United States and Jordan continued to benefit from their economic partnership. A key element of this relationship is the United States-Jordan Free Trade Agreement (FTA), which entered into force on December 17, 2001, and was implemented fully on January 1, 2010. In addition, the Qualifying Industrial Zones (QIZs) program, established by the U.S. Congress in 1996, allows products to enter the United States duty-free if manufactured in Jordan, Egypt, or the West Bank and Gaza, with a specified amount of Israeli content. The program has succeeded in stimulating significant business cooperation between Jordan and Israel.

Together these measures have played a significant role in boosting overall U.S.-Jordanian economic ties. U.S. goods exports to Jordan were an estimated \$2.1 billion in 2013, up 18 percent from 2012. QIZ products account for about 5 percent of Jordanian exports to the United States, but the QIZ share of these exports is declining relative to the share of exports shipped to the United States under provisions of the FTA. This shift toward exporting products manufactured outside of the QIZs demonstrates the important role the FTA plays in helping Jordan diversify its economy.

The United States-Jordan FTA has expanded the trade relationship between the two countries by reducing barriers for services, providing cutting edge protection for intellectual property, ensuring regulatory transparency, and requiring effective labor and environmental enforcement. At the October 2012 meeting of the Joint Committee (JC) established under the FTA, the United States and Jordan crafted an action plan outlining concrete steps to boost trade and investment bilaterally, and between Jordan and other countries in the Middle East region. Among its first steps under the action plan during 2013, Jordan endorsed Joint Principles on International Investment and Joint Principles for Information and Communication Technology (ICT) Services. Additionally, the United States worked with Jordan on the Implementation Plan Related to Working and Living Conditions of Workers which was concluded in January 2013, supported by the USAID-funded ILO Better Work Jordan program. In December 2013, the Jordanian Ministry of Labor signed a Memorandum of Understanding with the U.S. Department Labor to strengthen institutional capacity to fulfill the common goals of labor cooperation under the agreement, designating an office within each respective Ministries of Labor to serve as points of contact for this purpose.

8. Republic of Korea

Overview

The United States-Korea Free Trade Agreement (KORUS) entered into force on March 15, 2012. Under the agreement, almost 80 percent of U.S. exports to the Republic of Korea (Korea) of consumer and industrial products became duty free on March 15, 2012, and nearly 95 percent of bilateral trade in consumer and industrial products will become duty-free within five years of that date. Most remaining tariffs will be eliminated within 10 years. As of January 1, 2014, three rounds of tariff cuts have taken place under KORUS. For agricultural products, almost two-thirds (by value) of Korea's agriculture imports from the United States have enjoyed duty-free status since March 15, 2012.

For services, the agreement has provided meaningful market access commitments that extend across virtually all major service sectors, including greater and more secure access for international delivery services and the opening up of the Korean market for foreign legal consulting services. In the area of financial services, the agreement has increased access to the Korean market and ensured greater transparency and fair treatment for U.S. suppliers of financial services. The agreement has addressed nontariff barriers in a wide range of sectors and includes strong provisions on intellectual property rights, competition policy, labor and environment, and transparency and regulatory due process. The agreement also has provided U.S. suppliers with greater access to the Korean government procurement market.

Operation of the Agreement

The agreement's central oversight body is the Joint Committee, chaired by the U.S. Trade Representative and the Korean Trade, Industry and Energy Minister. The second Joint Committee meeting was convened on October 5, 2013, and substantial issues of interest to both parties – including origin verification, financial services, and automotive issues – were discussed. A Senior Officials Meeting (SOM) was held on November 17, 2013, to follow up on the above-mentioned issues and to coordinate and report on the activities of the committees and working groups established under the agreement.

In addition to the Joint Committee and the SOM, 12 of the 19 committees and working groups established under the KORUS met in 2013 and served as the primary venues for monitoring Korea's implementation of its FTA commitments. USTR has consulted and will continue to consult closely with stakeholders regarding the work of the FTA committees, including with respect to potential agenda items.

The Environmental Affairs Council (EAC) met on February 14, 2013. The EAC reviewed implementation of the Environment Chapter of the FTA. The United States and Korea outlined actions they have taken to increase levels of environmental protection, ensure effective enforcement of environmental laws, and provide opportunities for public participation in environmental governance and the trade policy-setting processes. They also discussed ways to further strengthen their cooperation in multilateral and regional fora, including APEC. They held a public session of the EAC, which included participation from civil society, business, and members of the press.

On February 19, the Committee on Sanitary and Phytosanitary Matters met and discussed a number of substantive issues of interest to both countries, including the regulations concerning minimum residue levels of certain pesticides, food classifications, exchange of information regarding pesticide control and detection, and biotechnology.

On February 20, the Fisheries Committee met and discussed policies on fishing access in the exclusive economic zones of the United States and Korea, cooperation under bilateral and regional fisheries management arrangements, and transparency of fisheries subsidies programs.

On March 18 and 19, the Labor Affairs Council met and discussed labor rights issues, including Korea's regulations concerning "non-regular workers" and obstruction of business (*e.g.*, strikes), and held a public session to hear comments from labor organizations and other interested stakeholders.

On June 10, the Professional Services Working Group exchanged information on various services sectors including engineering, architectural, veterinary, and accounting services, and discussed possible work by relevant professional bodies on mutual recognition agreements and temporary licensing.

The Committee on Technical Barriers to Trade met on June 11. In this meeting, the United States urged Korea to address concerns regarding new requirements for the registration and evaluation of chemicals, testing and certification of solar panels, Korean regulations on electrical safety assessment for information technology equipment, and Korean certification of organic processed food products. The Committee also reviewed implementation of KORUS' transparency provisions, such as publishing responses to comments received during regulatory notice and comment periods.

The Automotive Working Group also met on June 11 and discussed a wide range of issues related to trade in the automotive sector. The United States used the meeting to receive early updates on Korea's regulatory plans related to safety and environment and to raise concerns with possibly contradictory methodologies and redundancies between ministries as Korea revises its system for checking compliance with automobile emissions requirements. The United States also addressed systemic issues in the meeting, urging Korea to fully implement the automotive-specific transparency provisions and systematically improve the regulatory and business environment for U.S. automakers by significantly lengthening the amount of adaptation time provided between the adoption of new regulations or amendments and their effective date.

On June 27, the Committee on Trade Remedies discussed various issues related to trade remedies regulations and activities in both countries, including information related to antidumping and countervailing duty investigation and review procedures in the United States and updates on privatization plans of the Korea Development Bank and Woori Bank.

The Working Group on Small and Medium Sized Enterprises (SMEs) has met three times since KORUS entered into force, reflecting the priority both countries place on ensuring that SMEs in both countries can take full advantage of the KORUS' opportunities. The SME Working Group convened on June 27 for its third meeting. The Group has discussed cooperation on joint education and outreach efforts to inform SMEs in both countries, the administration of the *de minimis* provision for express shipments, customs cooperation, and the operations of electronic payment systems on SME online vendors. Both parties also commissioned respective short-term analyses and evaluations of the impact of the implementation of the KORUS on SMEs.

On November 4, the Committee on Outward Processing Zones (OPZ) met. The OPZ Committee meeting was introductory in nature, and the Korean government provided an overview of the Gaesong Industrial Complex (GIC), responding to questions regarding the current status of its operations.

On November 5, the Committee on Trade in Goods met and discussed issues under Chapters 2 (market access), 6 (rules of origin), and 7 (customs) of the KORUS. The United States urged Korea to resolve serious concerns related to inappropriate and excessive procedures and methodologies used to verify whether U.S. goods met KORUS' rules of origin. The United States also discussed the potential effects

of Korea's proposed low carbon program on automobile sales of U.S. vehicles, as well as Korea's administration of the *de minimis* provision for express shipments.

The Medicines and Medical Devices Committee also met on November 5 and reviewed Korea's implementation of Articles 5.2 (innovation) and 5.3 (transparency) – in particular, the Committee discussed Korea's recent changes to drug and medical device reimbursement and pricing policies and their potentially adverse effects on fostering greater innovation and development of life-saving drugs and technologies. The United States also provided updates on the U.S. healthcare system.

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

9. Morocco

The United States-Morocco Free Trade Agreement (FTA) entered into force on January 1, 2006. The FTA is a comprehensive agreement that supports the significant economic and political reforms that are underway in Morocco and provides improved commercial opportunities for U.S. exports to Morocco by reducing and eliminating trade barriers.

Since the entry into force of the FTA, two-way U.S.-Morocco trade has risen to \$3.3 billion in 2013, up from \$927 million in 2005 (the year prior to entry into force). U.S. goods exports to Morocco in 2013 were \$2.3 billion, up 6 percent from the previous year. Corresponding U.S. imports from Morocco in 2013 were \$977 million, up 4.8 percent from 2012.

The United States and Morocco signed a Trade Facilitation Agreement in November 2013 that builds on the FTA and includes provisions facilitating the movement of goods across borders, including transit, transparency with respect to penalties, Internet publication of rules and regulations governing trade, and other issues that will improve Morocco's efficiency in its goods trade. This accord follows Morocco's endorsement of Joint Principles on International Investment and Joint Principles for Information and Communication Technology (ICT) Services in December 2012.

During the past year, the United States and Morocco took steps to enhance their trade and investment relationship. Morocco hosted four regional programs funded by the U.S. Department of State and organized by the U.S. Department of Commerce (DOC) including a March 2013 seminar to aid customs officials in identifying counterfeit products; a May 2013 workshop on best practices in government procurement; a May 2013 conference on standards development; and an October 2013 commercial mediation program. In June 2013, DOC officials provided technical assistance to the Moroccan Department of Foreign Trade in implementing commercial defense measures and, in December 2013, the U.S. Patent and Trademark Office, in partnership with the Moroccan Industrial and Commercial Property Office, organized a conference for the Moroccan judiciary on IPR enforcement.

In 2013, the United States and Morocco continued their cooperation in support of the FTA labor chapter. In December 2013, the U.S. Department of Labor funded a \$1 million project to promote gender equality in the workplace, and a \$5 million project to reduce child labor in the Marrakesh-Tensift-Al-Haouz region by promoting children's participation in educational and vocational training programs. The U.S. Department of State, through a grant to the International Labor Organization, provided technical support and training to the Moroccan Ministry of Labor to enforce labor laws and to promote social dialogue. The U.S. Department of State, through a grant to the American Center for International Labor

Solidarity, also continued its assistance to Moroccan worker organizations to support internal capacity building and to organize vulnerable workers employed in call centers and Export Processing Zones.

In 2013, Morocco and the United States continued their cooperation on environmental issues. The U.S. Department of the Interior (DOI) helped Moroccan government authorities strengthen tools customs officers use to seize contraband wildlife products at ports of entry, and Morocco's CITES Management Authority to oversee legal trade in wildlife products. The DOI also partnered with Morocco's High Commission for Water, Forests and the Fight Against Desertification to: (1) develop park-use and zoning plans to sustainably manage increased tourism in Toubkal National Park, home to the second highest mountain peak in Africa, and (2) improve the management of 38,000 hectares of protected areas. The U.S. Forest Service provided rangeland management training to Moroccan officials and supported the establishment of a Rangeland Management School to help protect Morocco's primary water source. The World Environment Center, in collaboration with the Moroccan Cleaner Production Center, is helping 18 SMEs to increase energy efficiency and establish cleaner production methods in the food canning sector. In 2013, with U.S. government support, the High Atlas Foundation launched a Green Jobs in Morocco program with the goal of increasing household incomes of family farmers in nut-growing regions by 400 percent over the next 5 years.

10. North American Free Trade Agreement

Overview

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada, and Mexico (NAFTA) entered into force. All remaining duties and quantitative restrictions were eliminated, as scheduled, on January 1, 2008. The NAFTA created the world's largest free trade area, which now links 470 million people producing roughly \$19.5 trillion worth of goods and services.

Trade between the United States and its NAFTA partners has soared since the agreement entered into force. U.S. two-way goods trade with Canada and Mexico exceeds U.S. goods trade with the European Union and Japan combined. U.S. goods exports to the NAFTA partners have increased by 271 percent between 1993 and 2013, from \$142 billion to \$527 billion. By dismantling barriers, the NAFTA has led to increased trade and investment, growth in employment, and enhanced competitiveness.

The NAFTA was also the first U.S. FTA to link free trade with obligations to protect labor rights and the environment. In connection with the NAFTA, the United States and Mexico also agreed to fund a development bank to address environmental infrastructure needs along the U.S.-Mexico border.

Elements of NAFTA

Operation of the Agreement

The NAFTA's central oversight body is the NAFTA Free Trade Commission (FTC), comprised of the U.S. Trade Representative, the Canadian Minister for International Trade, and the Mexican Secretary of Economy or their designees. The FTC is responsible for overseeing implementation and elaboration of the NAFTA and for dispute settlement.

The FTC held its most recent annual meeting in Washington on April 3, 2012. At the meeting, the FTC agreed to continue to contribute to ongoing bilateral and trilateral regulatory cooperation initiatives, with a view to facilitating trade and reducing unnecessary administrative costs. These regulatory cooperation initiatives take place through the U.S.-Canada Regulatory Cooperation Council and the U.S.-Mexico

High Level Regulatory Cooperation Council. The Parties also furthered their work to liberalize the NAFTA rules of origin.

NAFTA and Labor

The North American Agreement on Labor Cooperation (NAALC), a supplemental agreement to the NAFTA, promotes effective enforcement of domestic labor laws and fosters transparency in their administration. The NAALC established a tri-national Commission for Labor Cooperation, comprised of a Ministerial Council and an administrative Secretariat. In addition, each NAFTA Party has established a National Administrative Office (NAO) within its Labor Ministry to serve as a contact point with the other Parties and the Secretariat, to provide publicly available information to the Secretariat and the other NAOs, and to provide for the submission and review of public communications on labor law matters. The NAOs, together with the Secretariat, can also carry out cooperative activities promoted by the Council.

In 2013, representatives from the three Parties' NAOs met to discuss ways to strengthen coordination and communication between the NAOs. In addition, the U.S. National Advisory Committee (NAC) for Labor Provisions in U.S. Free Trade Agreements, which is made up of four representatives from the public, four from the labor community, and four from the business community, provided recommendations to the U.S. NAO on how to improve the functioning of the NAALC. In January 2012, the U.S. Department of Labor (DOL) accepted for review a public submission from the Mexican Union of Electrical Workers (Sindicato Mexicano de Electricistas) and over 90 other organizations concerning Mexico's obligations under the NAALC regarding worker rights. Officials from the DOL met with the NAC in March 2013 and provided an update on the submission regarding Mexico, as well as other issues. DOL reported that the Mexican submitters asked to provide additional information regarding the review, which DOL extended in order to consider this new information.

NAFTA and the Environment

The Parties continued their efforts to ensure that trade liberalization and efforts to protect the environment are mutually supportive. In 2012, the FTC approved a work plan to strengthen cooperation between the FTC and the North American Commission for Environmental Cooperation (CEC). Trade officials from the Parties participated in the development of the CEC's 2013-2014 work plan, which was formally adopted in July 2013. The work plan focuses on collaborative actions in three areas: greening transportation, tackling climate change while improving air quality, and addressing waste in trade.

Articles 14 and 15 of the North American Agreement on Environmental Cooperation (NAAEC) provide for a process allowing members of the North American public to make an assertion that a Party is failing to effectively enforce its environmental law. In 2013, the CEC Secretariat received three submissions that asserted that one of the Parties is failing to effectively enforce its environmental law. For more information regarding these submissions, please visit the CEC website at <http://www.cec.org>.

In November 1993, Mexico and the United States agreed on arrangements to help border communities with environmental infrastructure projects in furtherance of the goals of the NAFTA and the NAAEC. The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB) are working with communities throughout the United States-Mexico border region to address their environmental infrastructure needs. As of September 30, 2013, NADB had contracted a total of \$2.2 billion in loans and/or grant resources to partially finance 189 infrastructure projects certified by the BECC with an estimated cost of \$6.5 billion.

11. Oman

The United States-Oman Free Trade Agreement (FTA), which entered into force on January 1, 2009, complements other U.S. FTAs in the Middle East and North Africa (MENA) to promote economic reform and openness throughout the MENA region. Implementation of the obligations in the FTA generate export opportunities for U.S. goods and services providers, solidify Oman's trade and investment liberalization efforts, and strengthen intellectual property rights protection and enforcement.

The central oversight body for the FTA is the United States-Oman Joint Committee (JC), chaired jointly by USTR and Oman's Ministry of Commerce and Industry. The second meeting of the JC was held on September 9, 2012. During this meeting, officials discussed a broad range of trade issues, including efforts to increase bilateral trade and investment levels, efforts to ensure effective implementation of the FTA's customs, investment and services chapters, possible cooperation in the broader MENA region, and additional cooperative efforts related to labor rights and environmental protection. Dates for the third meeting of the JC have not yet been set.

During the first meeting of the Subcommittee on Labor Affairs in April 2012, officials discussed the complaint mechanism of the labor chapter and potential areas of future labor cooperation.

12. Panama

Overview

The United States-Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012. The United States' two-way goods trade with Panama was \$11.2 billion in 2013, with U.S. goods exports to Panama totaling \$10.8 billion. On October 31, 2012, the TPA immediately eliminated tariffs on 86 percent of U.S. consumer and industrial goods exports to Panama (based on 2011 trade flows), with any remaining tariffs phased out within 10 years. Additionally, nearly half of U.S. agricultural exports became duty-free, with most remaining tariffs to be phased out within 15 years. Tariffs on a few most sensitive agricultural products will be phased out in 18 years to 20 years. The first tariff reduction under the TPA took place on October 31, 2012, and the second annual tariff reduction took effect on January 1, 2013. The TPA also provides significant new access to Panama's nearly \$28 billion services market and contains disciplines related to customs administration and trade facilitation, technical barriers to trade, government procurement, telecommunications, electronic commerce, intellectual property rights, and labor and environmental protection.

Elements of the United States-Panama TPA

Operation of the Agreement

The TPA's central oversight body is the United States-Panama Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Panamanian Minister of Trade and Industry or their designees. The FTC is responsible for overseeing implementation and operation of the TPA. The United States and Panama worked intensively during 2013 to implement the provisions of the TPA and address issues of concern that arose during the first year. The FTC's first decision was to establish the Agricultural and the Sanitary and Phytosanitary (SPS) Committees under the TPA, which held their first meetings on August 2, 2013. The United States and Panama also signed a side letter regarding a 2007 side letter regarding how the United States would treat products from other U.S. free trade agreement partners if those products passed through Free Trade Zones in Panama, and a side letter amending a 2006 side letter to change the certification requirements for U.S. beef and beef products to be exported to Panama. It is

expected that the FTC will review progress thus far in implementing the TPA and to consider launching additional initiatives.

Labor

The TPA 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.

Panama undertook a series of major legislative and administrative actions beginning in 2009 to further strengthen its labor laws and labor enforcement. Panama reformed its laws to protect the right to strike, eliminate restrictions on collective bargaining, and protect the rights of temporary workers. Panama also took administrative actions to address concerns in the areas of subcontracting, temporary workers, employer interference with unions, bargaining with non-union workers, strikes in essential services, and labor rights in the maritime sector. In 2012, Panama began conducting a series of targeted inspections to monitor compliance with laws on subcontracting and temporary workers, and publically issued findings citing specific companies for violations and these targeted inspections continued through 2013.

The TPA also established a Labor Affairs Council comprised of cabinet-level officials to oversee implementation and progress under the labor chapter. The inaugural meeting of the Council was held in Panama City on January 27-28, 2014. USTR and the U.S. Departments of Labor and State attended the meeting to engage with Panama's Ministry of Labor and Ministry of Commerce and Industry to review progress on the implementation of the TPA labor obligations and discuss areas for cooperation on labor rights issues. The labor obligations under the TPA are subject to the same dispute settlement provisions as the other obligations in the TPA and therefore are subject to the same remedies.

Environment

The environmental obligations under the TPA are subject to the same dispute settlement provisions as the other obligations in the TPA and therefore are subject to the same remedies.

The TPA environmental commitments require both countries to maintain existing levels of environmental protection and to strive for higher environmental standards. Both the United States and Panama are committed not to weaken existing environmental laws or to reduce environmental protections in any way that will give domestic producers an advantage over the other country's exporters – and both Governments commit to effective enforcement of environmental laws.

On October 22, 2013, the Panamanian National Assembly passed the U.S.-Panama Environmental Cooperation Agreement (ECA), and it entered into force on December 7, 2013. In May 2012, the United States and Panama had signed the ECA, which had been negotiated by the U.S. Department of State in parallel with the environment chapter of the TPA. USTR continues to work closely with the U.S. Department of State and government officials in Panama in development of the ECA work program, which will outline the priorities and cooperative activities anticipated to fulfill ECA commitments, build on trade and environment successes in the region, and support capacity building to protect the environment in concert with the strengthening of bilateral trade and investment relations. The inaugural meeting of the Environmental Affairs Council and the Environmental Cooperation Commission, established under the TPA Environment Chapter and ECA, respectively, was held in Panama City on January 29, 2014. During this meeting, the Council and Commission discussed progress to implement the Environment Chapter, continued discussions regarding the establishment of a secretariat for environmental enforcement matters, and advanced progress on the ECA work program. A public session was held in connection with these meetings.

13. Peru

Overview

The United States-Peru Trade Promotion Agreement (PTPA) entered into force on February 1, 2009.

The United States' two-way goods trade in goods with Peru was \$18.2 billion in 2013, with U.S. goods exports to Peru totaling \$10.1 billion.

The PTPA eliminates tariffs, removes barriers to U.S. services, provides a secure and predictable legal framework for investors, and strengthens protections for intellectual property, workers' rights, and the environment.

Elements of the PTPA

Operation of the Agreement

The PTPA establishes a Free Trade Commission (FTC) to supervise the implementation of and oversee the further elaboration of the PTPA. The FTC is comprised of the U.S. Trade Representative and the Peruvian Minister of Foreign Trade and Tourism or their designees. In June 2013, the FTC met for the third time to review the progress made under the PTPA since entry into force. The FTC heard reports from several committees established under the PTPA to enhance cooperation and consultation between the Parties and address ongoing bilateral issues. Namely, the Standing Committee on Sanitary and Phytosanitary Measures, the Committee on Technical Barriers to Trade, the Environmental Affairs Council, the Environmental Cooperation Commission, and the Sub-Committee on Forest Sector Governance all met during 2013 and provided updates to the FTC. The FTC also issued a decision to add the State of Delaware to the Government Procurement Chapter of the Agreement. The FTC also discussed a number of ongoing bilateral issues and cooperation efforts in other trade fora.

Labor

USTR continues to engage with the government of Peru to review progress on the implementation of the PTPA's labor provisions, including most recently at the June 2013 FTC meeting.

With trade capacity building funds, USAID implemented programs to improve the enforcement capacity of the Peruvian Ministry of Labor and to strengthen worker organizations and educate workers on their labor rights. The U.S. Department of Labor is supporting the Solidarity Center to build the capacity of worker organizations in the textile/apparel, agroindustry, and mining sectors in Peru.

Environment

The Parties continued their work to strengthen environmental protection and enforcement through the PTPA Environment Chapter and its Annex on Forest Sector Governance (Forest Annex).

In January 2013, the Parties agreed to a five point Action Plan to strengthen implementation of the Forest Annex and promote Peru's forestry sector reform efforts. The Action Plan identifies a targeted set of actions for Peru to undertake to address specific challenges in its forestry sector, including implementing anti-corruption measures, improving systems to track and verify the chain of custody of timber exports, ensuring timely criminal and administrative proceedings for forestry-related crimes and infractions, and strengthening development of accurate annual operating plans for timber producers. The United States is

supporting Peru's actions to implement the Action Plan through a number of ongoing environmental cooperation projects as well as planned activities that will further enhance implementation, such as trainings for prosecutors on environmental issues.

In October 2013, Peru achieved another important milestone by publishing draft regulations to implement its new Forestry and Wildlife Law. USTR and other agencies are reviewing the draft regulations and continuing to engage with Peru regarding the establishment of key oversight institutions in Peru's forestry sector, with a view to further strengthen Peru's implementation of the Forest Annex. USTR, together with the U.S. Department of State, also concluded negotiations with Peru on the terms of several documents necessary to establish an independent secretariat to consider citizen submissions that assert that a Party is failing to effectively enforce its environmental laws.

On April 3-4, 2013, the United States and Peru convened the sixth meeting of the Forest Sector Subcommittee (Sub-Committee) and the third meeting of the Environmental Cooperation Commission (ECC) in Lima, Peru. The Sub-Committee reviewed progress under the Forest Sector Annex, including the development of a prototype for an information system that will track and verify the chain of custody for wood harvested in Peru's forests. The ECC reviewed ongoing and future environmental cooperation programs that support activities under the Forest Sector Annex and the bilateral Action Plan. On June 4-5, the United States and Peru convened the fourth meetings of the Environmental Affairs Council (EAC) and ECC in Washington, D.C. The EAC reviewed the progress the United States and Peru have made in ensuring effective implementation of the obligations under the Environment Chapter of the TPA. Public sessions were held following the meetings in April and June to provide stakeholders with an opportunity to discuss matters related to the Environment Chapter and Forest Annex with Government officials from the United States and Peru.

In December 2013, USTR published a fact sheet outlining progress made to date to implement the PTPA Environment Chapter and Forest Annex, key developments, and priority areas for USTR engagement in the coming year. The press release is available at the following link: <http://www.ustr.gov/sites/default/files/2013-Progress-under-the-Forest-Annex.pdf>.

Trade Capacity Building

Since 2009, the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) with financial support from USAID in Lima have provided targeted capacity building in the areas of sanitary and phytosanitary regulatory and surveillance systems, agricultural research, and agricultural education to support the implementation of the PTPA. Their trade capacity program (excluding environment matters) was completed in September 2013 and closed-out in October.

14. Singapore

The United States-Singapore Free Trade Agreement (FTA) has been in force for a decade and trade relations between the two countries continue to grow steadily. Two-way goods trade with Singapore totaled \$48.6 billion in 2013, up 53 percent from 2003 (the year before the FTA's entry into force). U.S. goods exports were \$30.7 billion, up 86 percent from 2003, and U.S. goods imports were \$17.8 billion, up 18 percent from 2003. In 2013, the United States had an estimated \$17.8 billion trade surplus in goods with Singapore.

The United States continued to monitor implementation of the FTA throughout 2013, consulting regularly with Singapore. The two sides also continued to discuss trade in textiles and apparel, measures related to Singapore's imports of U.S. beef and pork, protection of intellectual property rights, concerns related to

the geographical indications regime in the EU-Singapore FTA, cloud computing deployments in the financial services industry, requirements for pay television companies to cross-carry content from competing providers, and continued environmental and labor cooperation efforts. In April 2013, the United States and Singapore held a review meeting for Environmental Cooperation under the FTA and adopted a new Plan of Action for Environmental Cooperation for 2013-2014. The United States and Singapore also coordinated on ASEAN, APEC, and WTO issues.

B. Other Bilateral and Regional Initiatives

1. The Americas

Free Trade Agreements

The United States' free trade agreements with Colombia and Panama entered into force in 2012, on May 15 and October 31, respectively. In addition, the United States continued to implement, enforce, and benefit from its four other FTAs covering the following countries in the Americas: Canada and Mexico under NAFTA; Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua under CAFTA-DR; Chile; and Peru. The United States began its domestic consultative process with respect to Mexico and Canada joining the Trans-Pacific Partnership (TPP) negotiations in November 2011, and this process concluded in October 2012, with Mexico and Canada joining the negotiations. Expanding the negotiations to include additional countries throughout the Asia-Pacific region has been a longstanding U.S. objective. The participation of Mexico and Canada advances this goal and further increases the economic significance of the TPP Agreement (*a description of USTR's FTA focused activity in this region during 2013 can be found in Chapter III.A.*).

Trade and Investment Framework Agreements and other Bilateral Trade Mechanisms

USTR chairs bilateral meetings with non-FTA partners in the Americas to discuss market opening opportunities, including improving access for small and medium sized businesses and resolving trade issues with those governments. In May of 2013, the United States signed a Trade and Investment Framework Agreement (TIFA) with the Caribbean Community (CARICOM). The Trade and Investment Council established by the TIFA met for the first time on November 15, 2013, in Washington D.C. It addressed an increased focus on intellectual property protection, the development of e-commerce infrastructure, the removal of barriers to bilateral trade, and the need for continued regulatory collaboration.

Other Priority Work

The United States continued its engagement with other countries in the region, aimed at fostering bilateral trade relations and resolving trade problems during 2013. Highlights of USTR's other priority activities in the region include:

Brazil

In September 2013, Brazil hosted the second meeting of the United States-Brazil Commission on Economic and Trade Relations, which was established under the United States-Brazil Agreement on Trade and Economic Cooperation (ATEC). The ATEC was signed during President Obama's March 2011 trip to Brazil to deepen U.S. engagement with Brazil and expand U.S. trade and investment relationship on a broad range of issues including trade facilitation, intellectual property rights and innovation, and technical barriers to trade. During the September 2013 Commission meeting, the United

States and Brazil agreed to move forward to hold the first meeting of the Working Group on Intellectual Property Rights and Innovation, which was established during the first Commission meeting in 2012.

Canada

President Barack Obama and Prime Minister Stephen Harper created the U.S.-Canada Regulatory Cooperation Council (RCC) on February 4, 2011. After private sector consultations and bilateral negotiations, the RCC released the Joint Action Plan on Regulatory Cooperation on December 7, 2011. The RCC met in Washington, D.C., on June 19, 2013, to discuss work under the 2011 Joint Action Plan, the next steps in furthering Canada-U.S. regulatory alignment, and the role of the Council moving forward. On June 20, 2013, in Washington, D.C., the RCC held its second stakeholder outreach event on February 4, 2013, the first having taken place in January 2012.

Protection and enforcement of intellectual property rights is a continuing priority in bilateral trade relations with Canada. Canada re-introduced the Combating Counterfeit Products Act in the House of Commons in October 2013. The United States continues to urge the government of Canada to amend this legislation to also address the problem of transshipment of counterfeit trademark and pirated copyright goods through Canada to the United States. With respect to pharmaceuticals, the United States continues to have serious concerns about the impact of the heightened utility requirements for patents that Canadian courts have been adopting recently and other developments.

On September 30, 2013, the United States and Canada agreed to jointly initiate arbitration under the Softwood Lumber Agreement (SLA) to resolve a disagreement over the implementation of a prior SLA arbitration award (LCIA No. 81010). The award requires Canada to apply additional export charges on shipments of softwood lumber from Quebec and Ontario to remedy breaches of the SLA concerning certain forestry programs in those provinces. The additional export charges were designed to collect \$58.85 million over the term of the SLA, which was set to expire on October 12, 2013, when the award was issued. In January 2012, the United States and Canada extended the SLA until October 12, 2015. Canada has applied the additional export charges since March 2011, but did not collect \$58.85 million as of October 12, 2013. The United States and Canada have reconvened the original tribunal to determine whether the award requires Canada to continue to apply the additional export charges until \$58.85 million is collected while the SLA remains in effect.

As a result of the 1998 United States-Canada Record of Understanding on Agricultural Matters, the United States-Canada Consultative Committee on Agriculture (CCA) and the Province/State Advisory Group were formed in 1999 to strengthen bilateral agricultural trade relations and to facilitate discussion and cooperation on matters related to agriculture. The CCA met in June 2013 to reinforce the close working relationship between the two Governments and their respective agricultural sectors.

Mexico

In May 2013, President Obama and Mexican President Peña Nieto established the High Level Economic Dialogue (HLED) to further elevate and strengthen the dynamic bilateral commercial and economic relationship. The HLED, which is led at the cabinet level, is a flexible platform intended to advance strategic economic and commercial priorities central to promoting mutual economic growth, job creation, and global competitiveness. In September 2013, Ambassador Froman joined Vice President Biden at the first meeting of the HLED. The United States and Mexico developed an initial work plan laying out potential areas for cooperation under three broad pillars: Promoting Competitiveness and Connectivity; Fostering Economic Growth, Productivity, Entrepreneurship, and Innovation; and Partnering for Regional and Global Leadership.

Mexico remains one of the most important markets for U.S. agricultural products. In 2013, the United States worked with Mexico to remove Mexican barriers to exports of U.S. beef and beef products. In addition, the United States continues to monitor Mexico's use of sanitary and phytosanitary measures to ensure that they are not applied in a way that would improperly impede U.S. exports.

2. Europe and the Middle East

USTR's Office of Europe and the Middle East is responsible for bilateral trade relations with the European Union (EU) and its 28 Member States, non-EU European countries, Russia, certain countries of western Eurasia, the Middle East, and North Africa. Priority activities in 2013 included: initiating negotiations on a comprehensive Transatlantic Trade and Investment Partnership agreement; monitoring Russia's implementation of its WTO commitments; building initiatives in the Middle East/North Africa (MENA) region to support ongoing political and economic reforms as well as trade and investment integration, including through the implementation of FTAs, BITs, and TIFAs; and working with countries wherever possible, through TIFAs and other arrangements, to resolve trade concerns, expand trade and investment opportunities, and foster commercial and trade policies grounded in the rule of law.

Deepening U.S.-EU Trade and Investment Relations

The U.S. trade and investment relationship with the EU is the largest and most complex economic relationship in the world. Transatlantic trade flows (goods and services trade plus earnings and payments on investment) averaged an estimated \$4.3 billion each day of 2013. The total stock of transatlantic investment was \$3.8 trillion in 2012. These enormous trade and investment flows constitute a key pillar of prosperity for the United States and Europe, and countries around the world benefit from access to the markets, capital, and innovations of the transatlantic economy.

To further strengthen this critical trade and investment relationship, President Obama announced on February 13, 2013 his intention to pursue comprehensive trade and investment negotiations with the EU. On June 17, 2013, President Obama and EU Leaders announced the launch of negotiations on a Transatlantic Trade and Investment Partnership (T-TIP) agreement. These negotiations build upon the work and recommendations of the United States-EU High Level Working Group for Jobs and Growth, which was co-chaired by the U.S. Trade Representative and the European Commission Trade Directorate, and which issued a final recommendation for a comprehensive trade and investment agreement in February 2013.

In establishing U.S. negotiating objectives for the T-TIP agreement, the Administration consulted closely with the U.S. Congress and a wide range of public and private sector stakeholders. The United States is seeking in T-TIP to:

- Further open EU markets to increase the \$465 billion in goods and private services the United States exported in 2012 to the EU, our largest export market;
- Strengthen rules-based investment to grow the world's largest investment relationship. The United States and the EU already maintain a total of nearly \$3.8 trillion in investment in each other's economies (as of 2012);
- Eliminate all tariffs on trade;
- Tackle costly "behind the border" non-tariff barriers that impede the flow of goods, including agricultural goods;
- Obtain improved market access for trade in services;

- Significantly reduce the cost of unnecessary differences in technical regulations, standards, and conformity assessment procedures by promoting greater compatibility, transparency, and cooperation, while maintaining our high levels of health, safety, and environmental protection;
- Develop rules, principles, and new modes of cooperation on issues of global concern, including intellectual property and market-based disciplines addressing state-owned enterprises and discriminatory localization barriers to trade; and,
- Promote the global competitiveness of small- and medium-sized enterprises.

Three negotiating rounds took place in 2013, and both sides have agreed to pursue an ambitious schedule of negotiations in 2014.

Ensuring that U.S. Companies and Workers Can Reap the Benefits of Russia’s WTO Membership

In 2013, Russia passed its one-year anniversary as a Member of the WTO. The United States negotiated a strong commercial deal for Russia’s accession to the WTO. As described in USTR’s first annual report “Russia WTO’s Implementation of the WTO Agreement” issued in December, 2013, (Implementation Report), Russia adopted, amended, or modified many of its international treaties, laws, regulations, decrees, resolutions, and other measures in an effort to bring its legal regime governing international trade into conformity with WTO rules, but more work needs to be done (for further information see the Implementation Report available at <http://www.ustr.gov/about-us/press-office/reports-and-publications/2013/Report-on-Russia-Implementation-of-WTO-Agreement>).

Having laws on the books and rules in place, however, does not guarantee WTO compliance or ensure that U.S. workers and businesses will realize the full benefits of Russia’s WTO membership. As reflected in USTR’s Implementation Report and the “Report on WTO Enforcement Actions: Russia” issued in June 2013, the United States has spent the past year urging Russia to implement fully its WTO commitments and using various WTO mechanisms to obtain compliance where Russia appears to fall short (for further information see the Enforcement Report available at <http://www.ustr.gov/about-us/press-office/reports-and-publications/2013/wto-enforcement-russia>). For example, in September, 2013, at the insistence of the United States and other WTO Members, Russia completed the steps to become the 78th participant in the Information Technology Agreement Committee, as a result of which Russia will eliminate tariffs on all covered products by 2016. USTR, in conjunction with USDA, continued to work to bring Russia’s SPS regime into conformity with WTO rules, in particular opposing Russia’s imposition of SPS measures that appear to be inconsistent with international standards and not based on science. The United States has also pressed Russia to revise its import licensing regime with regard to imports of products with cryptographic capabilities. In addition, USTR has raised concerns about Russia’s imposition of safeguard measures against combine harvesters and against other products. In response to objections from the United States and other WTO Members, Russia amended its “recycling fee” to address concerns about its discriminatory application only to imported vehicles. The United States also pressed Russia to meet its WTO transparency obligations to ensure that U.S. businesses are aware of, and could comment on, changes to Russia’s legal and regulatory regime. The United States will continue to monitor Russia’s implementation of its WTO obligations and use all available tools of the WTO, as appropriate, to enforce those obligations.

The Obama Administration has also responded to U.S. industry concerns about Russia’s protectionist measures and practices. For example, USTR has opposed local content requirements imposed or introduced by Russia in such areas as automobiles, medical devices, pharmaceutical products, and movies. The United States will continue its efforts to open Russia’s market to exports of U.S. goods and services.

Protecting intellectual property rights has always been a key component of U.S. trade policy and an important tool to support U.S. exports. Under the auspices of the United States-Russia IPR Bilateral Working Group, the United States has advocated for stronger enforcement of Russia's IPR laws and improvement of current law and practice, as required by the IPR Action Plan that the United States and Russia signed in 2012, and worked with Russia to implement the steps set forth in the plan. USTR continues to engage with Russia on topics identified in the WTO Working Party Report, including the improved administration of Russia's royalty collecting societies, greater clarity in its pharmaceutical regulations, and more effective IPR enforcement practices.

The United States has also continued to engage with the Eurasian Economic Commission (EEC), the administrative arm of the Russia-Kazakhstan-Belarus Customs Union (CU), on issues that fall within the EEC's competence (*e.g.*, TBT, SPS, and tariffs). As the EEC assumes more responsibility over the external trade policy of the Customs Union Parties, USTR will work with the EEC as well as with Russia to ensure compliance with the WTO rules and to open the CU's markets to exports of U.S. goods.

Ongoing Engagement with the Middle East and North Africa

The revolutions and other changes that have swept through the MENA region beginning in 2011 have prompted a comprehensive reevaluation of U.S. trade and investment policies toward this critical part of the world. The dramatic developments in certain countries, most notably Egypt, Tunisia, and Libya, have provided new opportunities for engagement, as well as new challenges, with respect to trade and investment issues. In response to these events, and pursuant to the President's call in his May 2011 speech to establish a new trade and investment partnership initiative with the MENA region, USTR coordinated with other Federal agencies, outside experts, and stakeholders in both the United States and MENA partner countries to identify prospective areas for cooperation that could yield the quickest results in terms of increased trade and investment. The Obama Administration's initial focus has centered on developing initiatives with respect to trade facilitation, investment, and the information and communications technology (ICT) sector, in addition to developing longer-term trade and investment objectives with trading partners in the region. In 2013, the United States continued to monitor, implement, and enforce U.S. FTAs in the region; signed a TIFA with Libya; pursued TIFA consultations with Tunisia, Algeria and others; and sought new opportunities to cooperate more closely with Egypt.

Also in 2013, the United States enhanced its engagement with the Gulf Cooperation Council (GCC) countries by negotiating the United States-GCC "Framework Agreement for Trade, Economic, Investment and Technical Cooperation." Delegations from the United States, the GCC Secretariat, and the six Member States (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) held a meeting under the Agreement in June 2013, discussing key trade and investment issues including customs, intellectual property, control procedures for food imports, standards development, legal harmonization, and WTO initiatives. Enhanced U.S. dialogue with the GCC should help ensure that U.S. interests are fully represented as the GCC continues to develop as a regional organization that aims to harmonize standards, import regulations, and conformity assessment systems among its member states.

Other Priority Trade Activities

In addition to the countries referenced above, the United States also engaged with other key countries in the Europe, western Eurasia and Middle East/North Africa regions to promote enhanced trade and investment ties, increase U.S. exports, foster the development of intraregional economic ties, and, where relevant, advance countries' accessions to the WTO (*see Chapter II.J.6. for more information on WTO accessions*).

Notable activities in 2013 included:

- *Turkey*: U.S. bilateral economic ties with Turkey have grown steadily over the last 15 years. Recognizing Turkey's growing importance as a trading partner, USTR and the U.S. Department of Commerce co-chair U.S. participation in a ministerial-level forum for enhancing bilateral engagement on economic and trade issues, known as the Framework for Strategic Economic and Commercial Cooperation (FSECC). Building on longstanding senior-official-level bilateral consultations in the economic area (for example, under the United States-Turkey TIFA), the U.S. Government aims to utilize the FSECC process to reduce or eliminate barriers to bilateral trade and investment, in the process creating opportunities for U.S. workers, farmers, and firms. The first and second formal FSECC meetings occurred in Washington in October 2010 and in Ankara in June 2012; the next is envisioned for early- to mid- 2014. Given Turkey's concerns about the potential for United States-EU T-TIP negotiations to affect its trade relations, President Obama and Turkish Prime Minister Erdogan agreed in May 2013 to form a High Level Committee (HLC), associated with the FSECC, to assess such potential impacts and seek new ways to promote bilateral trade and investment; the United States and Turkey held several working level consultations under the HLC in 2013. USTR Michael Froman and Turkish Minister of the Economy Caglayan convened the first formal meeting of the HLC on September 16, 2013.
- *Ukraine*: The United States condemned Ukraine's attempt in 2012 to revise its WTO tariff bindings on over 350 key agricultural and non-agricultural products, and continues working with other concerned WTO Members to persuade Ukraine to rescind its request to revise its tariff bindings. The United States also continued to work with the government of Ukraine to improve the protection and enforcement of intellectual property rights. USTR is currently investigating Ukraine's intellectual property protection policies and practices following Ukraine's designation as a Priority Foreign Country under Section 301 of the Trade Act of 1974, as amended (*for further information see Chapter V.B.1.*).
- *Southeastern Europe*: The United States continued to engage the countries of this region on a variety of trade issues, including the WTO accessions of Bosnia and Herzegovina and of Serbia, participation in U.S. preference programs, and IPR protection.

3. Japan, Republic of Korea, and the Asia-Pacific Economic Cooperation Forum

Japan

United States-Japan Trade Relations

In 2013, the United States continued to engage Japan on a broad array of trade and trade-related issues, with the goal of eliminating barriers to trade and expanding access to Japan's market.

In late January 2013, the United States and Japan agreed on new terms and conditions for the export of U.S. beef and beef products to Japan that led to significantly increased U.S. exports to Japan. Under these terms, which entered into effect on February 1, Japan permits the import of beef from cattle less than 30 months of age, compared to the previous limit of 20 months, among other improvements. Both Governments also agreed to regular and *ad hoc* consultations to review progress under the agreement and address any issues that may arise.

Following extensive consultations with Japan on its readiness to meet the Trans-Pacific Partnership's (TPP) high standards for liberalizing trade and investment, as well as Prime Minister Abe's March 15 statement seeking Japan's participation in the TPP negotiations, the United States announced on April 12 the successful completion of these bilateral consultations and support for Japan's participation in the TPP negotiations. Accompanying this announcement were a series of actions by and agreements with Japan that included: (1) agreement to launch bilateral negotiations conducted in parallel to Japan's participation in the TPP negotiations to address issues of concern in the automotive and insurance sectors, as well as other non-tariff measures in areas such as express delivery, transparency, and government procurement; (2) a unilateral step by Japan to more than double by type the number of motor vehicles eligible for import under its Preferential Handling Procedure certification method; and (3) agreement that U.S. tariffs on motor vehicles would be phased out in accordance with the longest staging period in the TPP negotiations, with maximum back loading.

Following extensive domestic U.S. stakeholder and congressional consultations, including a public hearing and the solicitation of comments through the *Federal Register*, and the completion of additional U.S. domestic procedures, the United States joined other TPP countries in welcoming Japan into the TPP negotiations on July 23 as the group's 12th member country. Bilateral parallel negotiations with Japan on motor vehicles, insurance, and other non-tariff measures were launched soon after, beginning on August 7, with three additional rounds held during the remainder of 2013.

In addition, the United States worked closely with Japan to address trade issues of common interest, including those in third-country markets, bilaterally and multilaterally. This included closely coordinating on World Trade Organization (WTO) dispute settlement matters, working toward the successful conclusion of negotiations to expand the WTO Information Technology Agreement, and working closely together in the Asia-Pacific Economic Cooperation (APEC) forum on addressing local content requirements, promoting effective, market-driven, and non-discriminatory innovation and trade policies, and improving supply chain performance in the Asia-Pacific.

Republic of Korea (Korea)

(See Chapter III.A.8 for discussion of the United States-Korea Free Trade Agreement.)

In addition to close engagement with counterparts in the Korean government in FTA committee meetings and working groups under the U.S.-Korea Free Trade Agreement (KORUS FTA), USTR continues to hold bilateral consultations with Korea in a variety of formats to address bilateral trade issues in a timely fashion, as well as to discuss emerging issues that may fall outside the scope of the FTA. These meetings, which USTR leads, and in which other U.S. international economic agencies participate, are augmented by a broad range of senior level policy discussions. In 2013, the United States and Korea held a number of bilateral trade consultations, in which the United States raised a number of issues, including the importance of Korea not imposing regulations in the automotive sector that could restrict trade and urging Korea to address concerns about unlicensed or infringing uses of copyrighted or patented products. Korea has provided important market access for U.S. beef and beef products from animals less than 30 months of age since reopening its market to imports of U.S. beef in June 2008. In 2013, U.S. exports of beef and beef products to Korea topped \$609 million, making Korea the fifth largest U.S. beef export market.

The United States and Korea cooperated extensively in a range of multilateral and regional fora to advance opening markets. In APEC, the two economies worked together closely to achieve significant and concrete outcomes on a variety of initiatives to strengthen regional economic integration in the Asia-Pacific, in particular by improving supply chain performance in the region and addressing trade-distorting local content requirements. Korea joined with the United States and others to launch negotiations in 2013

to conclude a Trade in Services Agreement (TiSA). TiSA now includes 23 economies and almost two-thirds of world services exports.

APEC

Overview

Since it was founded in 1989, the Asia-Pacific Economic Cooperation (APEC) forum has been instrumental in promoting regional and global trade and investment. In 2011, the United States hosted APEC for the first time since 1993, which provided a unique opportunity to reduce barriers to U.S. exports and to more closely link our economy with the dynamic Asia-Pacific region. In 2012 and 2013, with Russia and Indonesia as APEC hosts, respectively, the United States was able to build on the momentum created in its host year.

At the October 2013 meeting in Bali, APEC Leaders committed to a series of significant and meaningful outcomes that will advance trade and investment in the region. As a means of accelerating APEC's work to achieve their 2010 commitment to improving supply chain performance by 10 percent by 2015 in terms of reduction of time, cost, and uncertainty of moving goods and services through the region, APEC Leaders established a new APEC fund for assisting economies with overcoming obstacles they face in improving supply chain performance. The resources in this fund will be dedicated towards implementing a comprehensive plan for targeted, focused capacity building activities in individual economies. This capacity building platform will provide significant opportunities for APEC to continue its global supply chain leadership, address supply chain chokepoints, and reduce the time, cost, and uncertainty of moving goods and services through the region.

In 2013 APEC Leaders also endorsed a capacity building effort to assist economies with implementing their groundbreaking 2011 commitment to reduce their tariffs on an agreed list of environmental goods to 5 percent or less. Implementing this historic outcome will make a significant contribution to the Obama Administration's goals to increase exports and jobs, as well as its strong commitment to promoting green growth and sustainable development. APEC Leaders also established a new Public-Private Partnership on Environmental Goods and Services (PPEGS), which will be a forum for APEC governments and industry representatives collectively to address critical issues impacting this sector, including addressing non-tariff barriers impacting trade in environmental goods and services.

As a part of United States efforts to address harmful localization barriers to trade appearing around the world, the United States led an APEC initiative on improving understanding of how local content requirements distort trade and investment and impair economic growth. This work led to APEC Leaders' welcoming in Bali on October 5, 2013, *APEC Best Practices to Create Jobs and Increase Competitiveness*, which APEC members can use to address their domestic economic objectives rather than using local content requirements.

APEC Leaders also agreed to advance actions to address next generation trade and investment issues, including finalizing work to implement effective, non-discriminatory, and market-driven innovation and trade policy, as soon as possible; and continue efforts to strengthen the implementation of good regulatory practices. In a separate statement, APEC Leaders expressed their support for the multilateral trading system, resisting protectionism, and achieving successful outcomes at the 9th WTO Ministerial Conference (MC9) in Bali during December 2013. They also encouraged the swift conclusion of a balanced and commercially significant outcome of the negotiations to expand product coverage of the WTO Information Technology Agreement, and sought expanded membership of the ITA.

According to the APEC Secretariat, the 21 member economies collectively account for about 40 percent of the world's population, half of global trade, and 60 percent of total GDP. In 2013, United States-APEC total trade in goods was \$2.4 trillion. Total trade in services was \$376 billion in 2012 (latest data available). The significant volume of U.S. trade in the Asia-Pacific region underscores the importance of the region as a market for U.S. exports.

2013 Activities

Supply Chain Connectivity and Performance: APEC Leaders in 2013 established a new Supply Chain Connectivity Sub-Fund; instructed officials to develop a capacity building plan to assist economies, particularly developing economies, in overcoming specific obstacles they face in enhancing supply chain performance; and encouraged economies to contribute necessary resources to the Sub-Fund to execute the capacity building plan. This new capacity building platform will provide significant opportunities for economies to improve their supply chain regimes; address supply chain chokepoints; reduce the time, cost, and uncertainty of moving goods and services through the region; and implement their commitments under the WTO Trade Facilitation Agreement. APEC Ministers also endorsed a broad set of policy recommendations that, if adopted by economies, would contribute significantly to improving supply chain performance and reaching the 2015 ten percent performance improvement objective. APEC's supply chain work will make it significantly cheaper, easier, and faster for businesses to trade in the region. Examples of the types of chokepoints include burdensome customs procedures and documentation requirements, inefficient clearance of goods at the border, and inadequate transportation infrastructure, among other issues important to the logistics sector.

Promoting Environmental Goods and Services: APEC Leaders agreed to advance the implementation their historic commitments in 2011 and 2012 to reduce tariffs on a list of 54 credible environmental goods²⁷ to 5 percent or less by 2015. In this regard, Ministers endorsed a capacity building proposal sponsored by the U.S., China, and Indonesia to assist economies with the implementation of their commitments. As a means to address non-tariff measures impacting trade in environmental goods and services, APEC Leaders also on October 5, 2013, established the APEC Public-Private Partnership on Environmental Goods and Services (PPEGS), which will have its first meeting in 2014 on renewable and clean energy. The PPEGS will be a forum for the private sector and APEC economies to discuss industry trends, avenues for cooperation, and non-tariff measures impacting trade and investment in environmental goods and services. These activities will help APEC businesses and citizens access important environmental technologies at lower costs, which in turn will produce a cleaner environment and other environmental benefits, improving the quality of life and living standards of people across the Asia-Pacific region. They will also contribute significantly to APEC's core mission to promote free and open trade and investment. In their separate statement on the WTO, APEC Leaders committed to explore opportunities in the WTO to build on the APEC commitment.

Addressing Local Content Requirements: When governments require that businesses must source parts and components from domestic suppliers, they limit export opportunities and disrupt global supply chains. Local content requirements are even more challenging for small and medium-sized businesses that do not have the capital and other resources to comply with such requirements by producing abroad. In 2013, APEC discussed how economies can promote job creation and competitiveness that enhance, rather than distort, trade. This work resulted in Ministers' endorsement of *APEC Best Practices to Create Jobs and Increase Competitiveness*, which presents economies with a model to promote their domestic economic objectives instead of using trade-distorting local content requirements. APEC Leaders

²⁷ The APEC List of Environmental Goods includes such core products as renewable and clean energy technologies, wastewater treatment technologies, air pollution control technologies, solid and hazardous waste treatment technologies, and environmental monitoring and assessment equipment.

welcomed these Best Practices and acknowledged the work on local content requirements. Adoption of these Best Practices by APEC economies will help stem the growing proliferation of these measures around the world, mitigating negative effects of local content requirements on the global trade regime.

Strengthening the Implementation of Good Regulatory Practices: To improve the quality of regulations of APEC economies and prevent non-tariff barriers to trade and regulatory divergences from occurring in the region, APEC Leaders agreed to take specific actions to develop, use, or strengthen the implementation of the three Good Regulatory Practices (GRPs) identified in 2011 in the U.S. APEC host year. These GRPs are (1) ensuring internal coordination of regulatory work; (2) assessing the impact of regulations; and (3) conducting public consultations. APEC Leaders also noted three optional tools used by some economies to help achieve this goal, including: (1) single online locations for regulatory information; (2) prospective regulatory planning; and (3) periodic reviews of existing regulation. APEC Ministers instructed officials to continue carrying out related capacity building and information sharing activities to create a high-quality regulatory environment and advance regulatory coherence and cooperation.

Addressing Next Generation Trade and Investment Issues: In 2013, APEC Leaders agreed to advance actions to address the next generation trade and investment issues as agreed to in 2011 and 2012, including by finalizing the *APEC Innovation and Trade Implementation Practices* as soon as possible. These Practices will help economies meet their 2011 commitment to implement in their domestic policy frameworks effective, non-discriminatory and market-driven innovation policies.

Advancing Regulatory Cooperation through Industry Dialogues: In 2013, the Automotive Dialogue promoted policies that support green car development and enhance the participation of SMEs in the automotive supply chain. The Chemicals Dialogue Regulators Forum updated its Regulation Cooperation Action Plan through 2015 to further advance its objectives of facilitating risk reduction/management and the sound management of chemicals. The Chemical Dialogue also undertook activities to enhance the understanding of the chemical industry's role as an innovative solutions industry; and to encourage chemical product stewardship, safe use, and sustainability. The Life Sciences Innovation Forum (LSIF) made progress in implementing its 2011 multi-year strategic framework for achieving regulatory convergence for medical products (both devices and medicines) by 2020. In particular, in 2013 the LSIF advanced its work to ensure medical product quality and the integrity of the medical products supply chain, developed principles for the development of the innovative health and life sciences sectors, and worked to establish a regional training center for the commercialization of medical life sciences innovations in the region.

Supporting the Multilateral Trading System and the 9th Ministerial Conference of the World Trade Organization (MC9): APEC Leaders at Bali in October reaffirmed their commitment to a successful outcome at MC9. The support of APEC Leaders was a key driver in the WTO reaching agreements at MC9 on trade facilitation, some elements of agriculture, and development, including issues of interest to least developed countries. APEC Leaders also reaffirmed their commitment to roll back protectionist and trade-distorting measures and extended their standstill commitment to refrain from protectionist measures, including raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO consistent measures, through 2016.

WTO Information Technology Agreement: As a part of their separate statement, APEC Leaders encouraged the swift conclusion of a balanced and commercially significant outcome of the negotiations to expand product coverage of the WTO Information Technology Agreement, and also sought expanded membership of the ITA.

4. China, Hong Kong, and Taiwan

China

See 2013 USTR Report to Congress on China's WTO Compliance:

<http://www.ustr.gov/sites/default/files/2013-Report-to-Congress-China-WTO-Compliance.pdf>.

U.S.-Hong Kong Trade Relations

The United States continued its efforts to expand trade with Hong Kong, a Special Administrative Region of the People's Republic of China. The notable issue in 2013 related to market access for U.S. beef products. The United States and Hong Kong reached agreement to expand U.S. beef product access to the Hong Kong market, including deboned beef from animals of any age, and many bone-in products less than 30 months of age, under an approved USDA-AMS export verification program. In May 2013, the World Organization for Animal Health (OIE) upgraded the United States' risk classification for bovine spongiform encephalopathy (BSE) to negligible risk. Following the decision, the United States actively engaged Hong Kong authorities to conduct the necessary verification assessments for further market openings. The United States continues to work with Hong Kong to expand access to its market for imports of all U.S. beef and beef products in 2014.

U.S.-Taiwan Trade Relations

During 2013, the United States worked on range of issues affecting bilateral trade and investment in order to expand opportunities for U.S. exports to Taiwan. For the first time since 2007, a high-level meeting of the U.S.-Taiwan Trade and Investment Framework Agreement (TIFA) Council took place in March 2013. The meeting outcomes included establishment of two working groups to discuss investment and technical barriers to trade (TBT) issues and joint statements on investment and information and communication technology services principles. The TIFA Working Group on Investment held its first meeting in September, and the Working Group on TBT met in December. Outside of the TIFA, a working group on Sanitary and Phytosanitary and Agricultural Standards, led by the Animal and Plant Health Inspection Service and the Environmental Protection Agency, met on a broad range of agricultural trade issues in December.

The United States continues to prioritize the effort to address concerns regarding Taiwan's shortcomings in meeting its bilateral obligations and ensuring that Taiwan's sanitary and phytosanitary measures are based on science. The establishment of a maximum residue level (MRL) for ractopamine use in beef in September 2012 by Taiwan authorities was an important step in rebuilding confidence in Taiwan as a reliable trading partner. Taiwan, however, has not established an MRL for ractopamine in pork. Ractopamine is a feed additive that improves feed efficiency, increases meat yield, and reduces waste. Its use is approved in the United States and many other countries, but Taiwan had maintained an import ban on beef and pork products containing traces of ractopamine, despite conducting a risk assessment that found no health risk and notifying the WTO of its intention to establish a maximum residue level (MRL) for ractopamine in beef and pork in 2007. Establishing an MRL for pork and continuing to make progress in establishing a food safety regime reliably based on science will be critical to reenergizing the bilateral trade relationship. The United States will continue to engage Taiwan closely in 2014 to seek resolution of these and other high-priority policy concerns.

Taiwan's failure to adopt internationally established pesticide and other agrochemical MRLs, or to develop its own science-based MRLs in a timely manner, has resulted in rejections of various U.S. agricultural exports, including fresh fruits and vegetables, grains, and oilseeds. Taiwan has made

progress in reducing the backlog of MRL applications, but much work remains. U.S. exports of agricultural products into Taiwan remain at risk of rejection for pesticides and other agrochemicals that are approved and widely used internationally and in the United States but have not yet been reviewed and approved in Taiwan. The American Institute in Taiwan (AIT) is working with the Taipei Economic and Cultural Representative Office (TECRO) to develop a new U.S. priority list of pesticide MRLs to focus Taiwan's efforts and reduce barriers to trade. The United States will continue to work closely with Taiwan in 2014 to resolve these systemic concerns.

The United States continued its efforts with Taiwan to provide market access for the full range of U.S. beef and beef products in a manner consistent with OIE guidelines for BSE. These efforts included pressing Taiwan to fully comply with the science-based and OIE-consistent 2009 bilateral (AIT-TECRO) protocol that would have provided full market access for U.S. beef and beef products. Taiwan's own risk assessment, undertaken prior to Taiwan's 2007 notification to the WTO of its intention to establish an MRL for ractopamine in beef and pork, found U.S. beef to be safe.

On January 5, 2010, Taiwan's Legislative Yuan (LY) approved an amendment to Taiwan's Food Sanitation Act that had the effect of banning the import of ground beef and certain offals from the United States. This ban is contrary to Taiwan's obligations under the protocol. Taiwan authorities have also implemented a range of administrative measures that have disrupted trade and created uncertainty in the market. In particular, disruptions have occurred because of Taiwan authorities' failure to adhere to predictable inspection, testing, and labeling practices that are appropriately focused on legitimate food safety and consumer protection concerns. The United States has made some progress in working with Taiwan to eliminate certain of these problematic administrative measures, but serious concerns remain. In January 2014, the LY approved an amendment to the Food Sanitation Act, now renamed the Food Safety and Sanitation Act, that directs the Taiwan Food and Drug Administration (TFDA) to register and label genetically engineered food products, including highly refined products. This requirement is expected to be a trade barrier for a wide variety of U.S. food products, from soybeans to processed food products. The United States will continue to press Taiwan to act in a manner consistent with science, as well as its obligations under the bilateral protocol, and to refrain from taking measures that overly burden trade in all agricultural and food products.

The United States also continued to engage Taiwan on issues related to fulfilling Taiwan's WTO Country Specific Quota (CSQ) and Taiwan's inconsistent grading practices for the importation of U.S. rice for the public portion of Taiwan's rice minimum access commitment. The United States has expressed concerns that Taiwan's ceiling price mechanism for the CQS is non-transparent and causes unnecessary trade disruptions. In 2007 and 2008, public sector rice tenders for U.S. rice repeatedly failed due to Taiwan's ceiling price mechanism. Throughout 2009 and 2010, the United States worked with Taiwan to seek improvements to the rice import system, and to address the shortfalls in Taiwan's procurement of U.S. rice in 2007 and 2008. As a result of these efforts, it appears that Taiwan successfully filled the U.S. country specific tenders in subsequent years, including in 2012 and 2013. However, Taiwan has still not taken steps to address the shortfall in 2007 and 2008, and the United States continues to have concerns about Taiwan's rice procurement system. In addition, the United States has worked to resolve increasing discrepancies between the grades that U.S. rice receive in the United States prior to shipment and those received in Taiwan, which has resulted in U.S. rice failing grade inspections on arrival in Taiwan. The United States worked with Taiwan's Agriculture and Food Agency as well as the Council on Agriculture in a grading seminar during May of 2013 in order to standardize grading mechanisms between the two economies.

Taiwan's investment climate lacks the transparency and predictability necessary to attract and maintain foreign investment across a broad range of sectors, most notably in financial services. Taiwan regulators maintain broad and vague criteria that affect inbound foreign investment, mergers and acquisitions, and

market exit approvals. This has led to rejections of investment deals, excessive delays, and a low level of investment in the private equity sector. The United States will continue to use the Investment Working Group to urge progress by Taiwan authorities to provide a more welcoming and predictable environment for foreign investment.

Intellectual property rights protection and enforcement also continue to be important issues. The United States recognizes Taiwan's efforts to improve enforcement of IPR and has continued to deepen bilateral cooperation activities with Taiwan on these issues. In April 2009, the LY amended the Taiwan Copyright Law to require Internet service providers (ISPs) to undertake specific and effective notice and takedown actions against online infringers, in order to avoid certain forms of liability for the infringing activities of users on their networks. The United States is increasingly concerned about the implementation of the ISP liability legislation, as ISPs and rights holders have not been able to finalize an effective Code of Conduct to implement the notice and takedown provisions. As a result, pirated content over the Internet has proliferated, particularly through the use of peer-to-peer platforms. An additional concern is the growing use of media box hardware that may contain or facilitate the user's access via the Internet to pirated content, given the lack of effective enforcement tools to address this form of infringement. Some music rights holders have expressed concerns about amendments passed in January 2010 to the Copyright Act and the Copyright Collective Management Organization Act. These amendments grant the Taiwan Intellectual Property Office the power to set royalty rates if a commercial arrangement cannot be reached. They also ban rights holders or collective management organizations from using commissioned agents to collect licensing fees, although this is a common and well-accepted industry practice.

Over the past several years there have been a number of high-profile, serious thefts and unauthorized transfers of proprietary technology by private company employees to mainland Chinese competitors. These cases have raised concerns about the effectiveness of Taiwan's industrial espionage laws. In an effort to address these concerns, on January 11, 2013, the LY passed a bill amending the Trade Secrets Act to increase criminal and civil penalties for trade secret theft. The United States has requested that Taiwan consider making additional improvements to its regime to facilitate enhanced investigation and prosecution of alleged trade secret theft and will deepen bilateral engagement in 2014.

Taiwan is a member of the WTO Agreement on Government Procurement (GPA). At the Bali Ministerial, Taiwan, as a GPA member, supported the entry into force of the revised GPA by March 31, 2014.

The United States has also continued to engage Taiwan on concerns raised by the pharmaceutical and medical device industries regarding the failure of Taiwan's procedures for medical product pricing and reimbursement to adequately recognize the value of innovative medical products for patients in Taiwan. The United States encourages Taiwan to continue to engage in collaborative consultations with relevant stakeholders to consider improving such policies in order to better facilitate the development of innovative products and improve patients' access to such products. Taiwan enacted a number of reforms to its public health insurance system in 2011, and in 2012 and 2013, issued related administrative measures. The United States had positive engagement with Taiwan authorities during the implementation of these reforms, and is assessing their potential impact on U.S. pharmaceutical and medical device manufacturers.

5. Southeast Asia and the Pacific

Free Trade Agreements

The United States continued to implement, monitor, and enforce its FTAs with Singapore and Australia, which have led to significant increases in U.S. goods and services exports to both countries (*see Chapter III.A. for additional information*).

Trans-Pacific Partnership

In 2013, the United States made substantial progress toward completing the Trans-Pacific Partnership (TPP), a high-standard, Asia-Pacific trade and investment agreement. The TPP will advance U.S. economic interests with the fastest growing region of the world and expand U.S. exports, which are critical to U.S. economic growth and supporting and retaining high-paying, high-quality jobs in the United States, while creating a platform for economic integration across the Asia-Pacific region.

The United States and its TPP partners – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam – held four rounds of negotiations, four ministerial meetings, and a number of inter-sessional meetings in 2013. They worked toward achievement of their goal of concluding an agreement that will address new and emerging trade issues and 21st-century challenges, including issues related to market access, non-tariff barriers, intellectual property, cross-border services, investment, competition policy, environment, and labor. In addition, the TPP will cover cross-cutting issues not included in previous trade agreements, such as making the regulatory systems of TPP countries more compatible which will enable U.S. companies to operate more seamlessly in TPP markets, facilitating the ability of U.S. companies to participate in the dynamic production and distribution chains in the Asia-Pacific region, and helping SMEs, which are a key source of innovation and job creation, to participate more actively in international trade.

In July, Japan formally joined the negotiations as the TPP's 12th member, adding significantly to the economic benefits of TPP and underscoring its importance as the most promising pathway for free trade in the Asia-Pacific. In October, the Leaders of the TPP countries issued a joint statement reaffirming their commitment to finalizing a comprehensive, next-generation agreement that will enhance the competitiveness of all the TPP countries and serve as a model for future free trade agreements. To that end, TPP ministers met in Singapore in December and made substantial progress toward completing the agreement, including identifying potential landing zones for most of the remaining issues.

Throughout 2013, the Administration continued to consult closely with the U.S. Congress and stakeholders on the outstanding issues in the TPP negotiations. The Administration will continue to work collaboratively with the U.S. Congress and to consult with stakeholders as the negotiations draw closer to completion to ensure that our negotiating objectives best advance U.S. economic priorities, including enhancing economic growth and creating and retaining U.S. jobs.

The United States and the other TPP members also are developing TPP as a potential platform for regional integration that can be expanded to include other economies in the Asia-Pacific that are prepared to adopt the TPP's ambitious commitments. In late 2013, the Republic of Korea (Korea) announced its interest in joining the TPP negotiations and commencing bilateral consultations with existing members. The United States welcomed Korea's interest, noting that potential new entrants must be able to meet the high standards agreed to by all TPP negotiating partners, as well as address a range of U.S. priorities, including full implementation of their obligations under existing agreements. The Administration will

continue to engage Korea and other countries that express interest in joining the TPP, in close consultation with the U.S. Congress and domestic stakeholders.

Managing U.S.-Southeast Asia and Pacific Trade Relations

As in previous years, USTR maintained bilateral and regional engagements with countries in Southeast Asia and the Pacific to develop new initiatives and resolve market access concerns of U.S. traders and investors.

In 2013, the United States held several bilateral meetings under our Trade and Investment Framework Agreements (TIFAs) as well as regional meetings with the Association of Southeast Asian Nations (ASEAN) under the United States-ASEAN Trade and Investment Framework Arrangement (TIFA) and the ASEAN-United States Expanded Economic Engagement (E3) initiative, announced by President Obama and ASEAN Leaders in late 2012. During these meetings, the United States sought to resolve bilateral trade issues in areas such as customs, intellectual property protection and enforcement, market access for industrial and agricultural products, regulatory and other non-tariff barriers facing U.S. manufacturers and services suppliers, and other trade-related issues, including workers' rights and protections. The United States also used these consultations to work with our trading partners in the region to monitor implementation of WTO commitments and to coordinate economic assistance projects to support implementation and reform efforts. In addition, the United States used these meetings to discuss the emerging interest of several countries, including the Philippines and Thailand, in potentially joining the TPP, as well as to coordinate on ASEAN, APEC and other regional and multilateral issues.

The United States bilaterally engaged with Southeast Asian countries on a range of issues over the past year. A number of high-level meetings were held to discuss key trade and investment issues with Vietnam, as well as labor rights. To promote improved labor rights, the United States funded programs that expanded the International Labor Organization programs to monitor labor conditions in certain Vietnamese factories and provided technical assistance developing labor regulations to implement the 2013 amendments to Vietnam's labor laws. In May 2013, the United States signed a Trade and Investment Framework Agreement (TIFA) with Burma, which creates a platform for ongoing cooperation to expand bilateral trade and investment and promote inclusive growth and economic reform in Burma, consistent with U.S. foreign policy objectives. The United States also held initial exploratory discussions with Cambodia regarding a potential bilateral investment treaty and supported the successful conclusion of WTO accession negotiations with Laos, which formally became a WTO member in February 2013.

Expanded Economic Engagement/U.S.-ASEAN Trade and Investment Framework Arrangement

The United States is pursuing several initiatives to expand and deepen economic engagement with the fast-growing ASEAN countries, which collectively represent the fourth largest U.S. trading partner and have a combined GDP of \$2.3 trillion. In April, the United States hosted the ASEAN Economic Ministers Road Show to the United States, which included business promotion activities in Los Angeles, Silicon Valley, and Washington D.C., and opportunities to discuss potential trade and investment initiatives between the United States and ASEAN countries. The Roadshow concluded with a meeting of the U.S.-ASEAN TIFA dialogue. In addition to the Roadshow, the ASEAN chair – Brunei Darussalam – hosted a U.S.-ASEAN business forum during the first U.S.-ASEAN Summit in August. The United States held several high-level meetings with ASEAN in 2013 to advance initiatives under E3 and the U.S.-ASEAN TIFA, including in the areas of investment, information and communications technology, trade facilitation, the development of a code of conduct for small and medium sized enterprises, and the expansion of cooperative work on standards development and practices, including on technical barriers to trade and good regulatory practices.

6. Sub-Saharan Africa

Trade and Investment Relations

The African Growth and Opportunity Act (AGOA) has been the cornerstone of the United States' engagement with sub-Saharan Africa on trade and investment since its enactment in 2000. By providing duty-free entry into the United States for almost all products of beneficiary countries, AGOA helps to expand and diversify two-way trade between the United States and sub-Saharan Africa, fosters an improved business environment in many sub-Saharan African countries, and establishes a high level dialogue on trade and investment in the form of the annual United States-Sub-Saharan Trade and Economic Cooperation Forum (AGOA Forum). As a result of the 2013 annual review of country eligibility, President Obama designated 40 sub-Saharan African countries to be eligible for AGOA benefits in 2014, including the restoration of AGOA eligibility for Mali.

AGOA is scheduled to expire in September 2015. During the annual AGOA Forum held in Ethiopia in August 2013, U.S. Trade Representative Froman launched a comprehensive review of the AGOA program to assess how well the Act has met its stated goals. The review will include views from AGOA's many stakeholders, studies conducted by the U.S. International Trade Commission at the request of the United States Trade Representative, a hearing, as well as roundtable discussions on a range of AGOA issues. The studies, hearing, and input from stakeholders will help inform the Administration's consultations with Congress on the future of the AGOA program.

Trade Africa/U.S.-EAC Trade and Investment Partnership

During his landmark visit to sub-Saharan Africa in the Summer of 2013, President Obama announced a new initiative, Trade Africa, which is a new partnership between the United States and sub-Saharan Africa that seeks to increase internal and regional trade within Africa and expand trade and economic ties between Africa, the United States, and other global markets. Trade Africa will initially focus on the member states of the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda. Trade Africa will help mobilize resources to support increased U.S.-EAC trade and investment, building upon the United States-EAC Trade and Investment Partnership announced in June 2012.

Activities under Trade Africa include: exploration of a United States-EAC Investment Treaty to contribute to a more attractive investment environment; negotiations on a Trade Facilitation Agreement; cooperation on regulatory issues that affect the competitiveness of EAC regional and global trade (including with the United States), particularly the development of product standards, and regulatory systems related to food safety and plant and animal health; a United States-EAC Commercial Dialogue to bring the private sector together with policy makers and increase opportunities for trade and investment; transformation of the East Africa Trade Hub into the U.S. Trade and Investment Center to provide information, advisory services, and risk mitigation and financing to encourage linkages between United States and East African investors and exporters; and a new partnership with TradeMark East Africa, a multidonor project focused on supporting regional economic integration within the EAC.

In August 2013, U.S. Trade Representative Michael Froman and other senior U.S. Government officials held a trade ministerial meeting with the EAC Secretary General and Trade Ministers from each of the five EAC countries to discuss progress in meeting the goals for the U.S.-EAC partnership.

Total two-way goods trade between the United States and the EAC was an estimated \$1.8 billion in 2013, with \$1.2 billion in U.S. goods exports and U.S. goods imports totaling \$597 million. Kenya was by far the United States' top trading partner within the EAC, with two-way goods trade totaling \$1.1 billion,

followed by Tanzania with \$491 million, Uganda with \$172 million, Rwanda with \$50 million, and Burundi with \$21 million. Top U.S. exports to EAC countries were aircraft, machinery, and electrical machinery. Top U.S. imports included apparel, coffee, nuts, and semi-precious stones.

Economic Roundtable with Four African Leaders

In late March 2013, Acting U.S. Trade Representative Demetrios Marantis led an Economic Growth Roundtable on U.S.-Sub-Saharan African trade and investment with President Ernest Bai Koroma of Sierra Leone, President Macky Sall of Senegal, President Joyce Banda of Malawi, and Prime Minister José Maria Pereira Neves of Cape Verde. The leaders were invited to Washington, D.C. to meet with President Obama and other Administration officials because of their extraordinary progress in establishing democratic institutions and to discuss how they and other African countries can build on their democratic progress to generate increased economic opportunities for expanded trade and investment.

At the Economic Growth Roundtable, U.S. economic agency principals and the African leaders discussed the benefits of deeper economic ties between their countries and the United States, enhancing two-way trade and investment with the United States and strengthening the four countries' business and investment environments, to promote broad-based economic growth. U.S. senior officials discussed a number of U.S. initiatives aimed at enhancing the U.S. trade and investment relationship with the four countries.

Progress on Bilateral Investment Treaties

Exploratory talks and negotiations continue with several potential Bilateral Investment Treaty (BIT) partners. In 2013, two rounds of discussions were held with the government of Gabon to explore the terms of a potential United States-Gabon BIT. Those discussions were dedicated to exploring the terms of the 2012 U.S. Model BIT and subsequent video conferences in July and August 2013 focused on clarifying the scope of the dispute resolution mechanism in that model. Since announcing the United States-EAC Trade and Investment Partnership in June 2012, there have been two technical level meetings to explore the terms of a potential United States-EAC Investment Treaty, including technical level meetings held in April 2013. Exploratory BIT talks were also held with Ghana. Finally, USTR continues to work with Mauritius towards the successful conclusion of a BIT.

ECOWAS TIFA Discussions

In 2013, the Economic Community of West African States (ECOWAS) and the United States started talks to determine if a Bilateral Trade and Investment Framework Agreement would be mutually beneficial. There were several staff level exchanges of draft text proposals and at year's end discussions with ECOWAS are ongoing.

7. South and Central Asia

Advancing the United States-India Trade and Investment Relationship

The United States and India continued to work in 2013 towards strengthening the bilateral economic relationship by focusing efforts on policy actions that inhibit trade and investment flows between the two countries. The United States-India Trade Policy Forum (TPF), created in 2005, remains the principal bilateral forum for discussing trade and investment issues. In the first of their several meetings this year, Ambassador Froman and Minister Sharma committed to renewing regular engagement between capital-based experts under the TPF with a view to removing trade and investment barriers. This engagement has

begun with intellectual property issues and will expand to cover manufacturing policies, services, agriculture, trade remedies, and other areas with potential for increasing bilateral trade and investment flows.

Ambassador Froman and Minister Sharma also discussed steps to overcome challenges facing U.S. and Indian exporters of goods and services. India took a significant step toward addressing one of those key challenges – certain discriminatory domestic purchase mandates in its Preferential Market Access (PMA) policy – by suspending the application of those mandates to the private sector. India also opened sectors such as telecommunications to more foreign direct investment and adopted measures to ease foreign investment in other areas, including banking. Following the resumption of negotiations on a bilateral investment treaty (BIT) in 2012, the United States and India furthered work towards concluding a high standard agreement. USTR also continues to use all appropriate WTO mechanisms to address trade and investment issues with India, including initiating a dispute in February to resolve longstanding concerns with local content requirements in India’s national solar policy, and raising concerns in WTO Committees in concert with other WTO Members about India’s growing localization measures.

In addition to work under the TPF, USTR has ensured that trade and investment challenges remain a priority in discussions of the broader bilateral relationship, including Secretary Kerry’s engagement during the U.S.-India Strategic Dialogue in June and Vice President Biden’s meetings with Prime Minister Singh and other senior Indian officials in July. During Prime Minister Singh’s visit to Washington in September, President Obama built upon these discussions in promoting positive outcomes for both Governments by addressing manufacturing and intellectual property policies that restrict trade and discourage innovation.

Contributing to Regional Stability

In support of top U.S. national security objectives in Afghanistan, Pakistan, Iraq, and Central Asia in 2013, USTR strengthened engagement with these countries as part of a broader effort to boost trade, employment, and sustainable development. Working with other U.S. agencies, USTR participated in bilateral and other high-level meetings with officials from Afghanistan, Pakistan, Iraq and Central Asian countries. Key highlights from 2013 include:

- USTR worked with Afghanistan to reform its legal and regulatory regime related to trade and investment to provide a pathway to a more stable and growing economy. Under the United States-Afghanistan Trade and Investment Framework Agreement (TIFA), both sides agreed to focus efforts on improving trade and investment flows, as well as assisting Afghanistan in joining the World Trade Organization (WTO).
- USTR worked intensively with Afghanistan in 2013 to advance its efforts to join the World Trade Organization, including finalizing negotiations on goods and services. Afghanistan completed negotiations on the pillar of its negotiations related to agriculture supports and subsidies. USTR and Afghanistan completed significant work to bring Afghanistan’s Working Party report to an advanced stage. Ongoing U.S. technical assistance was critical to Afghanistan drafting more than 25 key pieces of WTO-related legislation. Afghanistan and the United States are committed to Afghanistan’s accession to the WTO in 2014.
- USTR led two interagency delegations to Iraq to advance the growing, \$21 billion U.S.-Iraq bilateral trade relationship and to tackle barriers to U.S. trade and investment. The two parties also prepared a comprehensive plan for their first TIFA meeting, which is scheduled for March 2014.

- USTR played a central role in the visit of Pakistan’s Prime Minister Nawaz Sharif in October 2013, leading U.S. Government-wide efforts to further ongoing initiatives to increase U.S. trade and investment with Pakistan. During his meeting with Prime Minister Sharif, President Obama directed USTR to lead efforts to develop a plan with Pakistan on how to increase trade and investment flows over the next five years. Among other initiatives, Pakistan and the United States will intensify engagement on trade and investment issues by focusing on addressing intellectual property protection issues as identified in the Special 301 Report, reviewing needed legal and regulatory reforms, addressing investment climate issues and, after reauthorization, conducting outreach to the private sector in Pakistan to promote better understanding of the U.S. GSP program. The United States and Pakistan agreed to continue discussions between capitals through regularly scheduled digital video conferences and will hold the next TIFA Council Meeting in March 2014.

Enforcing Labor Rights in Bangladesh

In June, 2013, the United States suspended Bangladesh’s Generalized System of Preferences (GSP) benefits. This followed a multi-year, interagency U.S. Government review of Bangladesh’s compliance with statutory GSP eligibility criteria related to worker rights. The review began in 2007, based on a petition submitted by the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), and involved intensive U.S. Government engagement with the government of Bangladesh and various stakeholders in Bangladesh and the United States. USTR has also held several public hearings on the GSP review of Bangladesh, most recently on March 28, 2013. USTR also initiated new discussions with the government of Bangladesh regarding steps to improve the worker rights environment in Bangladesh so that GSP benefits could be restored and tragedies, such as the Rana Plaza building collapse and Tazreen Fashion factory fire, can be prevented.

On November 25, 2013, the United States and Bangladesh signed the United States-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA). The TICFA provides a mechanism for both Governments to discuss trade and investment issues and areas of cooperation, and provides a means for the U.S. Government to track and discuss Bangladeshi efforts to improve worker safety and worker rights.

Communicating the Importance of Ensuring Women’s Economic Empowerment through Trade and Investment Agreements in Central and South Asia

In 2013, the United States worked with partner governments in the region, the private sector, think tanks, the press, and U.S. Embassies to effectively explain the importance of empowering women entrepreneurs and business owners to better take advantage of trade and investment opportunities. USTR successfully completed a Memorandum of Understanding (MOU) with the government of Afghanistan on Women’s Economic Empowerment, which was well received and generated significant press coverage for positively addressing an important issue in the bilateral relationship. This MOU set the stage for talks with Central Asia and other South Asian partners, Pakistan, India, Sri Lanka and Bangladesh on how to jointly work toward empowering women, with a focus on women entrepreneurs and business owners. Empowering women and women entrepreneurs in Central and South Asia will be an important goal for USTR in the coming years.

Advancing U.S. Engagement with Central Asia

USTR supported the Administration’s strategy towards Central Asia by assisting Turkmenistan in hosting the United States-Central Asia TIFA Council meeting in Ashgabat, Turkmenistan on November 11-14, 2013. Turkmenistan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Uzbekistan as well as Afghanistan, an observer to the TIFA, attended the TIFA Council meeting. The United States led Working Group

meetings on customs, women's economic empowerment, and energy trade and conducted Bilateral Working Group consultations with each of the TIFA Parties individually. The next TIFA Council Meeting will take place in 2014 in Washington, D.C.

Tajikistan became a full member of the World Trade Organization on March 2, 2013. USTR played a key role in these negotiations and helped to ensure that Tajikistan committed to a comprehensive package of trade liberalizing measures that will advance its economic development. In 2013, the United States continued its technical assistance for this new WTO Member on trade-related issues and WTO implementation.

In 2013, the United States continued its intensive engagement with Kazakhstan, the largest economy currently actively negotiating to enter the WTO. USTR convened numerous bilateral meetings and had numerous bilateral letter exchanges with senior Kazakhstani authorities to advance Kazakhstan's WTO accession process. USTR discussed U.S. concerns about higher duties adopted by Kazakhstan under the common external tariff of the Russia-Kazakhstan-Belarus customs union, which entered into force on January 1, 2010, and Kazakhstan's future WTO market access commitments. Other major issues that remain the subject of negotiations include: Kazakhstan's localization policies in procurement by state-owned and state-controlled enterprises; trade-related investment measures that Kazakhstan enforces in the oil, gas, and mining industries; Kazakhstan's agricultural policies (including domestic support, export subsidies, value-added taxes on imports, and tariff-rate quotas (TRQs); and Kazakhstan's commitments on sanitary and phytosanitary measures. USTR also participated in four Working Party meetings at the WTO aimed at revising Kazakhstan's Working Party report to reflect the changes that have taken place in Kazakhstan's trade regime and legal framework as a result of its entry into the customs union with the Russian Federation and Belarus.

Improving Trade and Investment Relations with Sri Lanka, Nepal, The Maldives and Bhutan

USTR continues its engagement with Sri Lanka, Nepal, and The Maldives through the TIFA process as well as advancing a Trade and Investment Dialogue with Bhutan. Nepal is working to identify areas of cooperation with the United States on improving the trade and investment relationship. After years of interim governments, Nepal is looking to a more stable future where trade and investment can play a major role in its development.