V. TRADE ENFORCEMENT ACTIVITIES

A. Enforcing U.S. Trade Agreements

1. Overview

USTR coordinates the Administration's active monitoring of foreign government compliance with trade agreements to which the United States is a party and pursues enforcement actions, using dispute settlement procedures and applying the full range of U.S. trade laws when appropriate. Vigorous investigation efforts by relevant agencies, including the Departments of Agriculture, Commerce, and State, help ensure that these agreements yield the maximum benefits in terms of ensuring market access for Americans, advancing the rule of law internationally, and creating a fair, open, and predictable trading environment. Ensuring full implementation of U.S. trade agreements is one of the Administration's strategic priorities. The United States seeks to achieve this goal through a variety of means, including:

- Asserting U.S. rights through the World Trade Organization (WTO), including the stronger dispute settlement mechanism created in the Uruguay Round, and the WTO bodies and committees charged with monitoring implementation and with surveillance of agreements and disciplines;

- Vigorously monitoring and enforcing bilateral agreements;

- Invoking U.S. trade laws in conjunction with bilateral and WTO mechanisms to promote compliance;

- Providing technical assistance to trading partners, especially in developing countries, to ensure that key agreements such as the Agreement on Basic Telecommunications and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) are implemented on schedule; and

- Promoting U.S. interests under free trade agreements (FTAs) through work programs, accelerated tariff reductions, and use or threat of use of dispute settlement mechanisms, including with respect to enforcement of labor laws or basic widely recognized labor rights, and environment.

Through the vigorous application of U.S. trade laws and active use of WTO dispute settlement procedures, the United States has effectively opened foreign markets to U.S. goods and services. The United States has also used the incentive of preferential access to the U.S. market to encourage improvements in worker rights and reform of intellectual property laws and practices in other countries. These enforcement efforts have resulted in major benefits for U.S. firms, farmers, and workers.

To ensure the enforcement of WTO agreements, the United States has been one of the world's most frequent users of WTO dispute settlement procedures. Since the establishment of the WTO in 1994, the United States has filed 99 complaints at the WTO, thus far successfully concluding 65 of them by settling 28 cases favorably and prevailing in 37 others through litigation before WTO panels and the Appellate Body. The United States has obtained favorable settlements and favorable rulings in virtually all sectors, including manufacturing, intellectual property, agriculture, and services. These cases cover a number of WTO agreements—involving rules on trade in goods, trade in services, and intellectual property protection—and affect a wide range of sectors of the U.S. economy.

a. Satisfactory settlements

The goal in filing cases is to secure benefits for U.S. stakeholders rather than to engage in prolonged litigation. Therefore, whenever possible, the United States has sought to reach favorable settlements that eliminate the foreign breach without having to resort to panel proceedings.

The United States has been able to achieve this preferred result in 28 cases concluded so far, involving: Argentina's protection and enforcement of patents; Australia's ban on salmon imports; Belgium's duties on rice imports; Brazil's automotive investment measures; Brazil's patent law; Canada's antidumping and countervailing duty investigation on corn; China's value added tax; China's prohibited subsidies; China's treatment of foreign financial information suppliers; China's government support tied to promotion of Chinese brand names abroad; China's subsidies for so-called Famous Brands; Denmark's civil procedures for intellectual property enforcement; Egypt's apparel tariffs; the EU's market access for grains; an EU import surcharge on corn gluten feed; Greece's protection of copyrighted motion pictures and television programs; Hungary's agricultural export subsidies; Ireland's protection of copyrights; Japan's protection of sound recordings; Korea's shelf-life standards for beef and pork; Mexico's restrictions on hog imports; Pakistan's protection of patents; the Philippines' market access for pork and poultry; the Philippines' automotive regime; Portugal's protection of patents; Romania's customs valuation regime; Sweden's enforcement of intellectual property rights; and Turkey's box office taxes on motion pictures.

b. Litigation successes

When U.S. trading partners have not been willing to negotiate settlements, the United States has pursued its cases to conclusion, prevailing in 37 cases to date. In 2011, the United States prevailed in a case involving the EU's subsidies to Airbus for large civil aircraft and the Philippines' discriminatory taxation of imported distilled spirits. Also, in 2011, following dispute settlement consultations, China ended its wind power equipment subsidies. In prior years, the United States prevailed in cases involving: Argentina's tax and duties on textiles, apparel, and footwear; Australia's export subsidies on automotive leather; Canada's barriers to the sale and distribution of magazines; Canada's export subsidies and an import barrier on dairy products; Canada's law protecting patents; China's charges on imported automobile parts; China's measures restricting trading rights and distribution services for certain publications and audiovisual entertainment products; China's enforcement and protection of intellectual property rights; the EU's import barriers on bananas (including a subsequent compliance proceeding); the EU's ban on imports of beef; the EU's regime for protecting geographical indications; the EU's moratorium on biotechnology products; the EU's non-uniform classification of LCD monitors; the EU's tariff treatment of certain information technology products; India's import bans and other restrictions on 2,700 items; India's protection of patents on pharmaceuticals and agricultural chemicals; India's and Indonesia's discriminatory measures on imports of U.S. automobiles; Japan's import restrictions for different varietals of fruit purportedly to protect against the codling moth pest; Japan's barriers to apple imports allegedly to guard against the fire blight disease; Japan's and South Korea's discriminatory taxes on distilled spirits; South Korea's restrictions on beef imports; Mexico's antidumping duties on high fructose corn syrup; Mexico's telecommunications barriers; Mexico's antidumping duties on rice; Mexico's discriminatory soft drink tax; and Turkey's measures affecting the importation of rice.

USTR also works in consultation with other U.S. Government agencies to ensure the most effective use of U.S. trade laws to complement its litigation strategy and to address problems that are outside the scope of the WTO and U.S. free trade agreements. USTR has effectively applied Section 301 of the Trade Act of 1974 to address unfair foreign government measures, "Special 301" for intellectual property rights protection and enforcement, and Section 1377 of the Omnibus Trade and Competitiveness Act of 1988 for telecommunications trade problems. The application of these trade law tools is described further below.

2. WTO Dispute Settlement

U.S. enforcement successes in 2011 include Appellate Body rulings against more than $18 billion in subsidies conferred on Airbus by the EU, France, Germany, Spain, and the UK—the largest case heard by the WTO to date—as well as against the Philippines' discriminatory tax regime for distilled spirits. In addition, the United States obtained from the Appellate Body an important victory in a dispute brought by China against additional duties imposed by the United States on imports of Chinese tires under the transitional safeguard mechanism included in China's Protocol of Accession to the WTO. Also in 2011, China ended certain wind power equipment subsidies following the initiation of a dispute by the United States.

The United States launched one new WTO dispute in 2011, requesting WTO consultations with China regarding China's imposition of antidumping duties and countervailing duties on imports of chicken broiler products from the United States. Other ongoing enforcement actions include disputes involving the EU's ban on the importation and marketing of U.S. poultry; China's procedures and final determinations in its antidumping and countervailing duty investigations of grain oriented flat-rolled electrical steel from the United States; Chinese measures affecting electronic payment services (EPS); China's subsidies on wind power equipment; and China's export quotas and export tariffs on various raw materials.

The cases described in Chapter II of this report further demonstrate the importance of the WTO dispute settlement process in opening foreign markets and securing other countries' compliance with their WTO obligations. Further information on WTO disputes to which the United States is a party is available on the USTR website: http://www.ustr.gov/trade-topics/enforcement/overview-dispute-settlement-matters.

3. Other Monitoring and Enforcement Activities

a. Subsidies Enforcement

The WTO Agreement on Subsidies and Countervailing Measures (Subsidies Agreement) establishes multilateral disciplines on subsidies. Among its various disciplines, the Subsidies Agreement provides remedies for subsidies that have adverse effects not only in the importing country's market, but also in the subsidizing government's market and in third-country markets. Prior to the Subsidies Agreement coming into effect in 1995, the U.S. countervailing duty law was the only practical mechanism for U.S. companies to address subsidized foreign competition. However, the countervailing duty law focuses exclusively on the effects of foreign subsidized competition in the United States. Although the procedures and remedies are different, the multilateral remedies of the Subsidies Agreement provide an alternative tool to address foreign subsidies that affect U.S. businesses in an increasingly global marketplace.

Section 281 of the Uruguay Round Agreements Act of 1994 (URAA) sets out the responsibilities of USTR and the Department of Commerce (Commerce) in enforcing U.S. rights in the WTO under the Subsidies Agreement. USTR coordinates the development and implementation of overall U.S. trade policy with respect to subsidy matters; represents the United States in the WTO, including the WTO Committee on Subsidies and Countervailing Measures; and leads the interagency team on matters of policy. The role of Commerce's Import Administration (IA) is to enforce the countervailing duty (CVD) law, and in accordance with responsibilities assigned by the Congress in the URAA, to spearhead the subsidies enforcement activities of the United States with respect to the disciplines embodied in the

Subsidies Agreement. The IA's Subsidies Enforcement Office (SEO) is the specific office charged with carrying out these duties.

The primary mandate of the SEO is to examine subsidy complaints and concerns raised by U.S. exporting companies and to monitor foreign subsidy practices to determine whether there is reason to believe they are impeding U.S. exports to foreign markets and are inconsistent with the Subsidies Agreement. Once sufficient information about a subsidy practice has been gathered to permit it to be reliably evaluated, USTR and Commerce confer with an interagency team to determine the most effective way to proceed. It is frequently advantageous to pursue resolution of these problems through a combination of informal and formal contacts, including, where warranted, dispute settlement action in the WTO. Remedies for violations of the Subsidies Agreement may, under certain circumstances, involve the withdrawal of a subsidy program or the elimination of the adverse effects of the program.

During 2011, USTR and IA staff have handled numerous inquiries and met with representatives of U.S. industries concerned with the subsidization of foreign competitors. These efforts continue to be importantly enhanced by IA officers stationed overseas (*e.g.*, in China), who help gather, clarify, and check the accuracy of information concerning foreign subsidy practices. For instance, IA officers enhanced efforts with respect to China's subsidies on wind power equipment, which China ended in 2011 following dispute settlement consultation. State Department officials at posts where IA staff are not present have also handled such inquiries.

The SEO's electronic subsidies database continues to fulfill the goal of providing the U.S. trading community with a centralized location to obtain information about the remedies available under the Subsidies Agreement and much of the information that is needed to develop a countervailing duty case or a WTO subsidies complaint. The website (http://esel.trade.gov) includes foreign governments' subsidies notifications made to the WTO, an overview of the SEO, helpful links, and an easily navigable tool that provides information about each subsidy program investigated by Commerce in CVD cases since 1980. This database is frequently updated, making information on subsidy programs quickly available to the public.

b. Monitoring and Challenging Foreign Antidumping, Countervailing Duty and Safeguard Actions

The WTO Agreement on Implementation of Article VI (Antidumping Agreement) and the WTO Agreement on Subsidies and Countervailing Measures permit WTO Members to impose antidumping (AD) or CVDs to offset injurious dumping or subsidization of products exported from one Member to another. The United States actively participates in ongoing AD and CVD cases conducted by foreign countries in order to safeguard the interests of U.S. industry and to ensure that Members abide by their WTO obligations in conducting such proceedings. The United States also closely monitors antidumping and countervailing duty proceedings initiated against U.S. exporters to ensure that foreign antidumping and countervailing duty actions are administered fairly and in full compliance with WTO rules.

To this end, the United States works closely with U.S. companies affected by foreign countries' AD and CVD investigations in an effort to help them better understand Members' AD and CVD systems. The United States also advocates on their behalf in connection with ongoing investigations, with the goal of obtaining fair and objective treatment for them consistent with the WTO Agreements. In addition, with regard to CVD cases, the United States provides extensive information in response to questions from foreign governments regarding the subsidy allegations at issue in a particular case.

Further, IA tracks foreign AD and CVD actions, as well as safeguard actions involving U.S. exporters, enabling U.S. companies and U.S. Government agencies to monitor other Members' administration of such actions. Information about foreign trade remedy actions affecting U.S. exports is accessible to the public via IA's website at http://ia.ita.doc.gov/trcs/index.html. The stationing of IA officers to certain overseas locations and close contacts with U.S. government officers stationed in embassies worldwide has contributed to the Administration's efforts to monitor the application of foreign trade remedy laws with respect to U.S. exports.

During the past year, several trade remedy proceedings involving exports from the United States were closely monitored, or challenged at the WTO, including: Argentina's investigations of coated paper and polyvinyl chloride; Australia's investigation of structural timber; Brazil's investigations of light weight coated paper, n-butanol, and toluene diisocyanate; Canada's expiry review of copper pipe fittings and whole potatoes; China's investigations of automobiles, caprolactam, broiler chicken products, coated bleached folding board, distillers' dried grains, grain-oriented flat-rolled electrical steel, optical fiber, and photographic paper; the European Union's investigations involving vinyl acetate and bioethanol and a circumvention review of the order involving biodiesel; Honduras' investigation of latex paint; India's investigations of certain rubber chemicals, polypropylene, rolled stainless steel and soda ash; Mexico's investigation of chicken; Panama's investigation of latex paint; and, South Africa's expiry review of chicken products. IA personnel have also participated in technical exchanges with the administering authorities of Australia, Brazil, China, the European Union, and Vietnam to obtain a better understanding of these countries' administration of trade remedy laws and compliance with WTO obligations.

Members must notify, on an ongoing basis and without delay, their preliminary and final determinations to the WTO. Twice a year, WTO Members must also notify the WTO of all AD and CVD actions they have taken during the preceding six-month period. The actions are identified in semiannual reports submitted for discussion in meetings of the relevant WTO committees. Finally, Members are required to notify the WTO of changes in their AD and CVD laws and regulations. These notifications are accessible through the USTR and IA website links to the WTO's website.

4. Initiatives to Address Foreign Standards and SPS Barriers

In July 2009, Ambassador Ron Kirk announced on behalf of the Obama Administration its intention to make enforcement of trade agreements a centerpiece of U.S. trade policy. Specifically, the Administration will deploy resources more effectively to identify and confront unnecessary or unjustified barriers stemming from sanitary and phytosanitary (SPS) measures as well as technical regulations, standards, and conformity assessment procedures (standards-related measures) that restrict U.S. exports of safe, high quality products. SPS measures, technical regulations, and standards serve a vital role in safeguarding countries and their people, including protecting lives, health, safety, and the environment. Conformity assessment procedures are normal, legitimate day-to-day activities that contribute, *inter alia,* to increasing confidence between trading partners by ensuring that products traded internationally comply with underlying standards and technical requirements. However, it is important that SPS and standards-related measures do not act as discriminatory or otherwise unwarranted restrictions on market access for U.S. exports. For this reason, U.S. trade agreements provide that, although countries may adopt SPS and standards-related measures to meet legitimate objectives such as the protection of health and safety as well as the environment, the measures they adopt in pursuit of such objectives must not act as unnecessary obstacles to trade. Stepped up monitoring of trading partners' practices and increased engagement with them can help ensure that U.S. trading partners are complying with their obligations and can help facilitate trade in safe, high quality U.S. products.

As part of this intensified effort to identify and eliminate or alleviate such barriers, in March 2010 USTR published two new reports, the Report on Technical Barriers to Trade (TBT) and the Report on Sanitary and Phytosanitary Measures. Both of these reports serve as tools to bring greater attention and focus to addressing SPS and standards-related measures that may be inconsistent with international trade agreements to which the United States is a party or that otherwise act as significant barriers to U.S. exports and thereby support efforts to gain market access for American farmers, ranchers, and businesses. The second annual report on TBT and SPS was published in March 2011. These annual reports are based on assessments from other government agencies, including from commercial, agricultural, and foreign service officers stationed abroad, and submissions from industry and other interested stakeholders.

These reports also describe the actions that the United States has taken to address the specific trade concerns identified through these efforts, as well as ongoing processes for monitoring SPS and standards-related actions that affect trade. USTR's activities in the WTO SPS Committee and the WTO TBT Committee are at the forefront of these efforts. (*For additional information, see Chapter II.E.3 and Chapter II.E.8.*) USTR also engages on these issues through, *inter alia*, mechanisms established by free trade agreements, such as NAFTA, and through other regional and multilateral organizations, such as APEC and the OECD.

USTR will issue new, up-to-date TBT and SPS Reports in 2012 to continue to highlight the increasingly critical nature of these issues to U.S. trade policy, to identify and call attention to problems resolved during 2011, in part as models for resolving ongoing issues, and to signal new or existing areas in which more progress needs to be made. These updates, and the actions highlighted therein will be based in part on the input USTR receives from stakeholders. In October 2011, USTR issued a *Federal Register* Notice requesting producers, growers, industry, and other members of the public to submit views on SPS and standards-related measures that act as significant barriers to U.S. exports.

B. U.S. Trade Laws

1. Section 301

Section 301 of the Trade Act of 1974 (Trade Act) is designed to address foreign unfair practices affecting U.S. exports of goods or services. Section 301 may be used to enforce U.S. rights under bilateral and multilateral trade agreements and also may be used to respond to unreasonable, unjustifiable, or discriminatory foreign government practices, that burden or restrict U.S. commerce. For example, Section 301 may be used to obtain increased market access for U.S. goods and services, to provide more equitable conditions for U.S. investment abroad, and to obtain more effective protection worldwide for U.S. intellectual property.

a. Operation of the Statute

The Section 301 provisions of the Trade Act provide a domestic procedure whereby interested persons may petition the USTR to investigate a foreign government act, policy, or practice that may be burdening or restricting U.S. commerce and take appropriate action. USTR also may self-initiate an investigation.

In each investigation, USTR must seek consultations with the foreign government, whose acts, policies, or practices are under investigation. If the consultations do not result in a settlement and the investigation involves a trade agreement, Section 303 of the Trade Act requires USTR to use the dispute settlement procedures that are available under that agreement. Section 304 of the Trade Act requires USTR to determine whether the acts, policies, or practices in question deny U.S. rights under a trade agreement or whether they are unjustifiable, unreasonable, or discriminatory and burden or restrict U.S. commerce. If the acts, policies, or practices are determined to violate a trade agreement or to be unjustifiable, USTR must take action. If they are determined to be unreasonable or discriminatory and to burden or restrict U.S. commerce, USTR must determine whether action is appropriate and if so, what action to take.

Actions that USTR may take under Section 301 include to: (1) suspend trade agreement concessions; (2) impose duties or other import restrictions; (3) impose fees or restrictions on services; (4) enter into agreements with the subject country to eliminate the offending practice or to provide compensatory benefits for the United States; and/or (5) restrict service sector authorizations.

After a Section 301 investigation is concluded, USTR is required to monitor a foreign country's implementation of any agreements entered into, or measures undertaken, to resolve a matter that was the subject of the investigation. If the foreign country fails to comply with an agreement or USTR considers that the country fails to implement a WTO dispute panel recommendation, USTR must determine what further action to take under Section 301.

b. Developments during 2011

During 2011, USTR received three petitions requesting the initiation of investigations. In addition, there were developments relating to the Section 301 investigations described in parts c and d below.

The first petition, filed in March 2011, alleged that acts, policies, and practices of the government of Germany regarding requirements for access to the German bar aptitude examination: (1) breach the national treatment obligations of the Treaty of Friendship, Commerce, and Navigation Between the United States and the Federal Republic of Germany (FCN Treaty); (2) breach the most favored nation obligations of the FCN Treaty; and (3) constitute unreasonable and discriminatory treatment of U.S. citizens. USTR decided not to initiate an investigation in response to the petition on several grounds, including that the petition failed to include sufficient information on burdens or restrictions on U.S. commerce arising from the alleged requirements for access to the German bar aptitude examination.

The second petition, filed in May 2011, alleged that the government of the Dominican Republic expropriated property without adequate compensation, resulting in: (1) an alleged breach of the Dominican Republic's obligations under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA–DR) and (2) otherwise unreasonable and discriminatory treatment. USTR decided not to initiate an investigation in response to the petition on several grounds, including that the petition addressed the alleged expropriation of property not owned by a U.S. investor.

The third petition, also filed in May 2011, addressed alleged conduct of the government of Israel during the negotiation in the 1980s of the United States-Israel Free Trade Agreement, and alleged that this conduct resulted in economic harm to a range of U.S. industries. USTR decided not to initiate an investigation in response to the petition on the grounds: (1) that the petitioner lacked standing; and (2) that the petition failed to allege the existence of any act, policy, or practice of the government of Israel that might be actionable under Section 301.

c. China – Acts, Policies and Practices Affecting Trade and Investment in Green Technology

On September 9, 2010, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO CLC ("USW") filed a petition under Section 302 of the Trade Act of 1974 addressed to China's acts, policies, and practices affecting trade and investment in green technologies. The petition covered: export restraints on rare earth minerals, tungsten, and antimony; allegedly prohibited subsidies contingent on export performance, or on the use of domestic over imported goods, affecting a variety of products, including wind turbines; discrimination against foreign companies and goods, including with respect to wind and solar power projects; technology transfer as a requirement for approval of foreign investments in China; and domestic subsidy programs that are allegedly causing serious prejudice to U.S. interests, including subsidies supporting renewable energy industries. The petition alleged that China's acts, policies, and practices violate China's WTO commitments under the GATT 1994, under the Subsidies and Countervailing Measures Agreement (SCM Agreement), and under China's Protocol of Accession to the WTO.

On October 15, 2010, USTR initiated an investigation under Section 302 of the Trade Act with respect to the acts, policies, and practices of China identified in the petition. Pursuant to Section 303(b) of the Trade Act, USTR decided to delay for up to 90 days the request for consultations with the government of China for the purpose of verifying and improving the petition. During the period of delay provided for under Section 303(b), USTR sought information and advice from the petitioner and the appropriate committees established pursuant to Section 135 of the Trade Act. The U.S. Trade Representative took account of this information and advice, as well as public comments submitted in response to the notice of initiation, in improving and verifying the petition during the delay period.

As a result of those efforts, USTR verified and improved claims involving subsidies provided by China on wind power equipment under its Wind Power Equipment Fund. In particular, USTR verified that China's Wind Power Equipment Fund provides grants that appear to be contingent on the use of domestic over imported wind power equipment, and thus appears to be a prohibited subsidy that is inconsistent with China's obligations under Article 3 of the SCM Agreement. In addition, as it appears that China has neither made available a translation of the measure into a WTO official language nor notified it to the WTO, China appears to have failed to comply with its transparency obligations under the WTO Agreement. Accordingly, on December 22, 2010, the United States requested WTO dispute settlement consultations regarding China's Wind Power Equipment Fund.

USTR was not able to verify and improve claims with respect to the remaining acts, policies, and practices covered in the USW petition. Those matters were not included in the request for consultations and were not continued in the investigation under Section 302(b). However, USTR continues to have serious concerns with these acts, policies and practices and their effects on U.S. workers and businesses and will continue to work with the petitioner and other stakeholders to develop additional information and effective means for addressing these matters.

In February 2011, the United States and China held consultations with regard to the issues raised in the December 2010 request. Following the consultations, China issued a notice invalidating the measures that had created Wind Power Equipment Fund. *(For additional information on the WTO dispute involving China's Wind Power Equipment Fund, see Chapter II.H.a.)*

d. European Communities – Measures Concerning Meat and Meat Products (Hormones)

A directive of the European Communities (EC or European Union (EU) as of December 2009) prohibits the import into the EU of animals and meat from animals to which certain hormones have been administered (the "hormone ban"). This measure has the effect of banning most imports of beef and beef products from the United States. A WTO panel and the Appellate Body found that the hormone ban was inconsistent with the EU's WTO obligations because the ban was not based on scientific evidence, a risk assessment, or relevant international standards. Under WTO procedures, the EC was to have come into compliance with its obligations by May 13, 1999, but it failed to do so. Accordingly, in May 1999, the United States requested authorization from the Dispute Settlement Body (DSB) to suspend the application to the EC, and Member States thereof, of tariff concessions and related obligations under the GATT 1994. The EC did not contest that it had failed to comply with its WTO obligations, but it objected to the level of suspension proposed by the United States.

On July 12, 1999, WTO arbitrators determined that the level of nullification or impairment suffered by the United States as a result of the EC's WTO inconsistent hormone ban was $116.8 million per year. Accordingly, on July 26, 1999, the DSB authorized the United States to suspend the application to the EC and its Member States of tariff concessions and related obligations under the GATT 1994 covering trade up to $116.8 million per year. In a notice published in the *Federal Register* in July 1999, USTR announced that the United States was exercising this authorization by using authority under Section 301 to impose 100 percent *ad valorem* duties on a list of certain products (the "retaliation list") of certain EC Member States.

In February 2005, a WTO panel was established to consider the EC's claims that it had brought its hormone ban into compliance with the EC's WTO obligations and that the increased duties imposed by the United States were no longer covered by the DSB authorization. The WTO panel concluded its work in 2008, and the panel report was appealed to the WTO Appellate Body. In October 2008, the Appellate Body confirmed that the July 1999 DSB authorization to the United States to suspend the application of tariff concessions and related obligations remained in effect.

Section 307(c) of the Trade Act provides for USTR to conduct a review of a Section 301 action four years after the action was taken. During 2008, the U.S. Court of International Trade held that USTR must also conduct a Section 307(c) review eight years after the action was taken. Accordingly, in a remand from the U.S. Court of International Trade, USTR proceeded to conduct such a review.

In January 2009, USTR announced the results of the Section 307(c) review and reported the results of the remand proceeding to the U.S. Court of International Trade. USTR decided to modify the action taken in July 1999 by: (1) removing some products from the list of products subject to 100 percent *ad valorem* duties since July 1999; (2) imposing 100 percent *ad valorem* duties on some new products from certain EC member States; (3) modifying the coverage with respect to particular EC member States; and (4) raising the level of duties on one of the products that was being maintained on the product list. The trade value of the products subject to the modified action continued not to exceed the $116.8 million per year level authorized by the WTO in July 1999. The effective date of the modifications was to be March 23, 2009.

In March 2009, USTR decided to delay the effective date of the additional duties (items two through four above) imposed under the January 2009 modifications in order to allow additional time for reaching an agreement with the EC that would provide benefits to the U.S. beef industry. The effective date of the removal of duties under the January modifications remained March 23, 2009. Accordingly, subsequent to March 23, 2009, the additional duties put in place in July 1999 remained in place on a reduced list of products.

In May 2009, the United States and the EC announced the signing of a Memorandum of Understanding (MOU) in the EC-Beef Hormones dispute. Under the first phase of the MOU, the EC is obligated to open a new beef tariff-rate quota (TRQ) for beef not produced with certain growth-promoting hormones in the amount of 20,000 metric tons at zero rate of duty. The United States in turn is obligated not to increase additional duties above those in effect as of March 23, 2009. The first phase of the MOU concludes on August 3, 2012. Under a possible second phase of the MOU, the EU would expand the beef TRQ to 45,000 metric tons, and the United States would suspend all additional duties imposed in connection with the Beef Hormones dispute.

In June 2009, the U.S. Court of International Trade rejected the USTR's January 2009 results of the remand proceeding. The United States appealed the U.S. Court of International Trade decision to the U.S. Court of Appeals for the Federal Circuit.

In August 2009, the EC opened the new beef TRQ, and USTR published a notice seeking comments on the actions necessary to implement U.S. obligations under the first phase of the MOU and to pursue additional market access under subsequent phases of the MOU.

In September 2009, after consideration of the comments received in response to the August notice, USTR took action under Section 301 necessary to implement U.S. obligations under the first phase of the MOU and to pursue additional market access under subsequent phases of the MOU. In particular, the USTR terminated the additional duties that were announced in January 2009 but had been delayed up to that time and had never entered into force. The USTR's September 2009 action left in place the additional duties that had been in effect since March 23, 2009 on a reduced list of products.

In October 2010, the U.S. Court of Appeals for the Federal Circuit affirmed the June 2009 decision of the U.S. Court of International Trade.

In May 2011, USTR decided to respond to the court decision by terminating the remaining additional duties in advance of the August 2012 start date of the possible second phase of the MOU. The United States continues to have an authorization from the WTO DSB, and the right under the MOU, to suspend concessions on EU products. USTR determined not to take steps at this time to exercise these rights: (1) because the MOU is operating successfully by providing increased market access to U.S. beef producers; (2) in light of the fact that all additional duties would have to be removed in August 2012 under the possible second phase of the MOU; and (3) in order to encourage continued cooperation under the MOU. USTR will continue to monitor EU implementation of the MOU and other developments affecting market access for U.S. beef products. If EU implementation and other developments do not proceed as contemplated, USTR will consider additional actions under Section 301 of the Trade Act.

2. Special 301

Pursuant to Section 182 of the Trade Act of 1974, as amended by the Omnibus Trade and Competitiveness Act of 1988 and the Uruguay Round Agreements Act (enacted in 1994), USTR must identify those countries that deny adequate and effective protection for intellectual property rights (IPR) or deny fair and equitable market access for persons that rely on intellectual property protection. Countries that have the most onerous or egregious acts, policies, or practices and whose acts, policies, or practices have the greatest adverse impact (actual or potential) on relevant U.S. products are designated as "Priority Foreign Countries," unless those countries are entering into good faith negotiations, or are making significant progress in bilateral or multilateral negotiations to provide adequate and effective protection of IPR. Priority Foreign Countries are subject to an investigation under the Section 301 provisions of the Trade Act of 1974, unless USTR determines that the investigation would be detrimental to U.S. economic interests.

In addition, USTR has created a Special 301 "Priority Watch List" and "Watch List." Placement of a trading partner on the Priority Watch List or Watch List indicates that particular problems exist in that country with respect to IPR protection, enforcement, or market access for persons relying on intellectual property. Countries placed on the Priority Watch List receive increased attention in bilateral discussions with the United States concerning problem areas.

Additionally, under Section 306 of the Trade Act of 1974, USTR monitors whether U.S. trading partners are in compliance with bilateral intellectual property agreements with the United States that are the basis for resolving investigations under Section 301. USTR may apply sanctions if a country fails to satisfactorily implement such an agreement.

The Special 301 list not only indicates those trading partners whose intellectual property protection and enforcement regimes most concern the United States, but also alerts firms considering trade or investment relationships with such countries that their intellectual property rights may not be adequately protected.

a. 2011 Special 301 Review Announcements

On May 2, 2011, the United States announced the results of the 2011 Special 301 annual review. The 2011 report reflects the Obama Administration's resolve to encourage and help maintain effective IPR protection and enforcement worldwide. It identifies a wide range of serious concerns, from troubling "indigenous innovation" policies that may unfairly disadvantage U.S. rights holders in China, to the continuing challenges of Internet piracy in countries such as Canada, Spain, Italy, and Russia, and the ongoing systemic IPR enforcement challenges in many countries around the world. Positive accomplishments recognized in the 2011 report included completion of the Anti-Counterfeiting Trade Agreement negotiations, enactment of legislation granting *ex officio* authority to Mexican law enforcement officials, enactment of legislation to address unauthorized camcording of motion pictures in theaters in the Philippines, enactment of four pieces of IPR legislation by Russia (which addressed the legislative commitments made in the 2006 Bilateral Agreement on Protection and Enforcement of Intellectual Property Rights), and passage of legislation in Spain that will provide a mechanism for rights holders to remove or block access to infringing content online. In addition, in the 2011 Special 301 Report, USTR invited any trading partner appearing on the Priority Watch List or Watch List to work with the United States to develop a mutually agreed action plan designed to lead to that trading partner's removal from the relevant list.

The 2011 Special 301 review process examined IPR protection and enforcement in 77 countries. Following extensive research and analysis, USTR designated the 42 countries below as follows:

- Priority Watch List: Algeria, Argentina, Canada, Chile, China, India, Israel, Indonesia, Pakistan, Russia, Thailand, Venezuela.

- Watch List: Belarus, Bolivia, Brazil, Brunei, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Finland, Greece, Guatemala, Italy, Jamaica, Kuwait, Lebanon, Malaysia, Mexico, Norway, Peru, Philippines, Romania, Spain, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan, Vietnam.

- Section 306 Monitoring: Paraguay.

USTR also announced that it would conduct an out-of-cycle review of Italy to monitor progress on IPR protection and enforcement, in particular in the area of piracy over the Internet.

USTR continued its enhanced approach to public engagement activities in this year's Special 301 process. These activities are designed to ensure that Special 301 decisions are based on a robust understanding of complicated intellectual property issues, and to help facilitate a sound, well-balanced assessment of IPR protection and enforcement in particular trading partners. USTR requested written submissions from the public through a notice published in the *Federal Register* on December 30, 2010. The 2011 review yielded 49 comments from interested parties, which are available to the public online at http://www.regulations.gov, docket number USTR-2010-0037. Further, on March 2, 2011, USTR conducted a public hearing in which interested persons testified before the interagency Special 301 subcommittee. The hearing included testimony from 17 witnesses, ranging from foreign governments to industry representatives to non-governmental organizations. A transcript of the hearing is available at http://www.ustr.gov.

USTR has identified notorious markets in the Special 301 Report since 2006. In 2010, USTR announced that it would begin to publish the Notorious Markets List separately from the Special 301 Report, as an "Out-of-Cycle Review of Notorious Markets," in order to increase public awareness and guide related enforcement efforts. Notorious Markets are marketplaces that have been the subject of enforcement action or that may merit further investigation for possible intellectual property rights infringements.

The first Notorious Markets List was published in February 2011, and identified concerns with markets such as the China-based Baidu, which exemplified the problem of online services providing links to online locations containing allegedly infringing materials. The second Notorious Markets List, published in December 2011, highlighted positive action by certain markets identified in the February 2011 list, while also identifying concerns with other markets. The markets in which such positive developments occurred included Baidu**,** which entered into a landmark licensing agreement with U.S. and other rights holders from the recording industry, and the Ladies Market in Hong Kong, where local customs officials took action to remove allegedly infringing goods from the premises. Additionally, officials at the Savelovskiy Market in Russia implemented an action plan to stop the distribution of infringing goods. Based on these positive developments, these three markets were removed from the December 2011 Notorious Markets List.

3. Section 1377 Review of Telecommunications Agreements

Section 1377 of the Omnibus Trade and Competitiveness Act of 1988 requires USTR to review by March 31 of each year the operation and effectiveness of U.S. telecommunications trade agreements. The purpose of the review is to determine whether any act, policy, or practice of a foreign country that has entered into a telecommunications-related agreement with the United States: (1) is not in compliance with the terms of the agreement; or (2) otherwise denies, within the context of the agreement, to telecommunications products and services of U.S. firms, mutually advantageous market opportunities in that country.

The 2011 Section 1377 Review focused on a range of concerns, including: increases in fixed and mobile call termination rates in Ghana, Jamaica, Tonga; problems relating to access to major supplier networks in Chile, Germany, India, and Mexico; issues relating to licensing, transparency and regulatory requirements in China, Costa Rica, and India, and issues affecting the telecommunications equipment trade in Brazil, Chile, China, Costa Rica, India, Israel, and Mexico.

4. Antidumping Actions

Under the antidumping law, duties are imposed on imported merchandise when the U.S. Department of Commerce (Commerce) determines that the merchandise is being dumped (sold at "less than fair value") and the U.S. International Trade Commission (USITC) determines that there is material injury or threat of material injury to the domestic industry, or material retardation of the establishment of an industry, "by reason of" those imports. The antidumping law's provisions are incorporated in Title VII of the Tariff Act of 1930 and have been substantially amended by the Trade Agreements Act of l979, the Trade and Tariff Act of 1984, the Trade and Competiveness Act of 1988, and the 1994 Uruguay Round Agreements Act.

An antidumping investigation usually starts when a U.S. industry, or an entity filing on its behalf, submits a petition alleging, with respect to certain imports, the dumping and injury elements described above. If the petition meets the applicable requirements, Commerce initiates an antidumping investigation. In special circumstances, Commerce also may initiate an investigation on its own motion.

After initiation, the USITC decides, generally within 45 days of the filing of the petition, whether there is a "reasonable indication" of material injury or threat of material injury to a domestic industry, or material retardation of an industry's establishment, "by reason of" the allegedly dumped imports. If this preliminary injury determination by the USITC is negative, the investigation is terminated and no duties are imposed; if it is affirmative, Commerce will make preliminary and final determinations concerning the allegedly dumped sales into the U.S. market. If Commerce's preliminary determination is affirmative, Commerce will direct U.S. Customs and Border Protection (CBP) to suspend liquidation of entries and require importers to post a bond or cash deposit equal to the estimated weighted-average dumping margin.

If Commerce's final determination regarding dumping is negative, the investigation is terminated and no duties are imposed. If affirmative, the USITC makes a final injury determination. If the USITC determines that there is material injury or threat of material injury, or material retardation of an industry's establishment, by reason of the dumped imports, an antidumping order is issued. U.S. Customs and Borders Protection (CBP) collects antidumping duties on imported goods. If the USITC's final injury determination is negative, the investigation is terminated and the cash deposits are refunded or the bonds posted are released.

Upon request of an interested party, Commerce conducts annual reviews of dumping margins pursuant to Section 751 of the Tariff Act of 1930. Section 751 also provides for Commerce and USITC review in cases of changed circumstances and periodic review in conformity with the five-year "sunset" provisions of the U.S. antidumping law and the WTO Antidumping Agreement.

Most antidumping determinations may be appealed to the U.S. Court of International Trade, with further judicial review possible in the U.S. Court of Appeals for the Federal Circuit. For certain investigations involving Canadian or Mexican merchandise, appeals may be made to a binational panel established under the NAFTA.

The United States initiated 15 antidumping investigations in 2011 and imposed 5 antidumping orders.

5. Countervailing Duty Actions

The U.S. countervailing duty (CVD) law dates back to late 19th century legislation authorizing the imposition of CVDs on subsidized sugar imports. The current CVD provisions are contained in Title VII of the Tariff Act of 1930, as amended by subsequent legislation, including the Uruguay Round Agreements Act. As with the antidumping law, the USITC and the U.S. Department of Commerce (Commerce) jointly administer the CVD law, and CBP performs this collection function.

The CVD law's purpose is to offset certain foreign government subsidies that benefit imports into the United States. CVD procedures under Title VII are very similar to antidumping procedures, and CVD determinations by Commerce and the USITC are subject to the same system of judicial review as are antidumping determinations. Commerce normally initiates investigations based upon a petition submitted by a U.S. industry or an entity filing on its behalf. The USITC is responsible for investigating material injury issues. The USITC makes a preliminary finding as to whether there is a reasonable indication of material injury or threat of material injury, or material retardation of an industry's establishment, by reason of the imports subject to investigation. If the USITC's preliminary determination is negative, the investigation terminates; otherwise, Commerce issues preliminary and final determinations on subsidization. If Commerce's final determination of subsidization is affirmative, the USITC proceeds with its final injury determination. If the USITC's final determination is affirmative, Commerce will issue a CVD order. CBP collects CVDs on imported goods.

On December 19, 2011, the U.S. Court of Appeals for the Federal Circuit handed down its decision in *GPX International Tire Corp. v. United States* (GPX). The GPX decision holds that the U.S. Department of Commerce may not apply countervailing duties to merchandise from any country that Commerce has found to be a nonmarket economy country for purposes of the antidumping law. If this decision becomes final it is likely to lead to: (1) the revocation of numerous countervailing duty orders against China and Vietnam; and (2) the inability of the U.S. Department of Commerce to initiate and/or conduct new countervailing duty investigations against nonmarket economy countries.

Commerce Department Secretary Bryson and U.S. Trade Representative Kirk have publicly called for the passage of legislation as quickly as possible clarifying that the CVD law can be applied to subsidized goods from nonmarket economy countries. They have made clear that the matter is urgent, and indicated that they are prepared to work with Congress to enact this legislation swiftly. Discussions are ongoing about the most appropriate legislative proposal. Commerce, working through the U.S. Department of Justice, has also sought and received an extension of time until March 2, 2012, to request a rehearing by the full court of the GPX decision. In short, the Administration is pursuing all avenues to address this unfortunate court ruling.

The United States initiated nine CVD investigations and imposed three new CVD orders in 2011.

6. Other Import Practices

a. Section 337

Section 337 of the Tariff Act of 1930, as amended, makes it unlawful to engage in unfair acts or unfair methods of competition in the importation of goods or sale of imported goods. Most Section 337 investigations concern alleged infringement of intellectual property rights, such as U.S. patents and trademarks.

The United States International Trade Commission (USITC) conducts Section 337 investigations through adjudicatory proceedings under the Administrative Procedure Act. The proceedings normally involve an evidentiary hearing before a USITC administrative law judge who issues an Initial Determination that is subject to review by the USITC. If the USITC finds a violation, it can order that imported infringing goods be excluded from the United States and/or issue cease and desist orders requiring firms to stop unlawful conduct in the United States, such as the sale or other distribution of imported goods in the United States. A limited exclusion order covers only certain imports from particular named sources, namely some or all of the parties who are respondents in the proceeding. A general exclusion order, on the other hand, covers certain products from all sources. Cease and desist orders are generally directed to entities maintaining inventories of infringing goods in the United States. Many Section 337 investigations are terminated after the parties reach settlement agreements or agree to the entry of consent orders.

In cases in which the USITC finds a violation of Section 337, it must decide whether certain public interest factors nevertheless preclude the issuance of a remedial order. Such public interest considerations include an order's effect on public health and welfare, on U.S. consumers, and on the production of similar U.S. products. If the USITC issues a remedial order, it transmits the order, determination, and supporting documentation to the President for policy review. In July 2005, President Bush assigned these policy review functions, which are set out in Section 337(j)(1)(B), Section 337(j)(2), and Section 337(j)(4) of the Tariff Act of 1930, to the USTR. The USTR conducts these reviews in consultation with other agencies. Importation of the subject goods may continue during this review process if the importer pays a bond set by the USITC. If the President (or the USTR, exercising the functions assigned by the President) does not disapprove the USITC's action within 60 days, the USITC's order becomes final. Section 337 determinations are subject to judicial review in the U.S. Court of Appeals for the Federal Circuit, with possible appeal to the U.S. Supreme Court.

The USITC is also authorized to issue temporary exclusion or cease and desist orders before it completes an investigation if it determines that there is reason to believe there has been a violation of Section 337.

In 2011, the USITC instituted 68 new Section 337 investigations, and one new enforcement proceeding. During the year, the USITC issued 7 general exclusion orders, 7 limited exclusion orders, and 29 cease and desist orders covering imports, as follows: *Certain Inkjet Ink Supplies and Components Thereof*, No. 337-TA-691 (a general exclusion order and a cease and desist order); *Certain Automotive Vehicles and Designs Therefore*, 337-TA-722 (a limited exclusion order and two cease and desist orders); *Certain MEMS Devices and Products Containing Same*, 337-TA-700 (a limited exclusion order); *Certain Foam Footwear*, 337-TA-567 (a general exclusion order and three cease and desist orders); *Certain Birthing Simulators and Associated Systems* (a limited exclusion order and a cease and desist order); *Certain Coaxial Cable Connectors and Components Thereof and Products Containing the Same*, 337-TA-650 (a general exclusion order and a limited exclusion order); *Certain Toner Cartridges and Components Thereof,* 337-TA-740 (a general exclusion order and 19 cease and desist orders); *Certain Radio Control Hobby Transmitters and Receivers and Products Containing Same,* 337-TA-763 (a limited exclusion order); *Certain Inkjet Ink Cartridges with Printheads and Components Thereof*, 337-TA-723 (a general exclusion order); *Certain Biometric Scanning Devices, Components Thereof, Associated Software, and Products Containing the Same*, 337-TA-720 (a limited exclusion order and a cease and desist order); *Certain Inkjet Ink Supplies and Components Thereof,* 337-TA-730 (a general exclusion order); *Certain Electronic Paper Towel Dispensing Devices and Components Thereof*, 337-TA-718 (a general exclusion order and two cease and desist orders).

b. Section 201

Section 201 of the Trade Act of 1974 provides a procedure whereby the President may grant temporary import relief to a domestic industry if increased imports are a substantial cause of serious injury or the threat of serious injury. Relief may be granted for an initial period of up to four years, with the possibility of extending the relief to a maximum of eight years. Import relief is designed to redress the injury and to facilitate positive adjustment by the domestic industry; it may consist of increased tariffs, quantitative restrictions, or other forms of relief. Section 201 also authorizes the President to grant provisional relief in cases involving “critical circumstances” or certain perishable agricultural products.

For an industry to obtain relief under Section 201, the USITC must first determine that a product is being imported into the United States in such increased quantities as to be a substantial cause (a cause which is important and not less than any other cause) of serious injury, or the threat thereof, to the U.S. industry producing a like or directly competitive product. If the USITC makes an affirmative injury determination (or is equally divided on injury) and recommends a remedy to the President, the President may provide relief either in the amount recommended by the USITC or in such other amount as he finds appropriate. The criteria for import relief in Section 201 are based on Article XIX of the GATT 1994 – the so-called “escape clause” – and the WTO Agreement on Safeguards.

As of January 1, 2012, the United States had no measures in place under Section 201. The United States did not impose any Section 201 measures during 2011, and did not commence any safeguard investigations.

c. Section 421

The terms of China's accession to the WTO include a unique China-specific safeguard mechanism. The mechanism allows a WTO Member to limit increasing imports from China that disrupt or threaten to disrupt its market if China does not agree to take action to remedy or prevent the disruption or threatened disruption. The mechanism applies to all industrial and agricultural goods and will be available until December 11, 2013.

Section 421 of the Trade Act of 1974, as amended by the U.S.-China Relations Act of 2000, implements this safeguard mechanism in U.S. law. For an industry to obtain relief under Section 421, the USITC must first make a determination that products of China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. The statute directs that, if the USITC makes an affirmative determination, the President shall provide import relief, unless the President determines that provision of relief is not in the national economic interest of the United States or, in extraordinary cases, that the taking of action would cause serious harm to the national security of the United States.

China's terms of accession also permit a WTO Member to limit imports where a China-specific safeguard measure imposed by another Member causes or threatens to cause significant diversions of trade into the first Member's market. The trade diversion provision is implemented in U.S. law by Section 422 of the Trade Act of 1974, as amended.

In April 2009, the United Steelworkers Union filed a petition under Section 421 with respect to certain passenger vehicle and light truck tires. On September 11, 2009, following an affirmative market disruption finding by the USITC, the President issued a determination imposing additional duties on such tires for a period of three years. The additional duties, which went into effect on September 26, 2009, were set at 35 percent *ad valorem* for the first year, 30 percent *ad valorem* for the second year, and 25 percent *ad valorem* for the third year. The duties are set to expire on September 25, 2012.

On September 14, 2009, China requested consultations with the United States in the WTO with respect to the imposition of the additional duties. China alleged that the additional duties imposed by the President were inconsistent with GATT 1994, the Agreement on Safeguards and China's Protocol of Accession. China also alleged that the USITC's determination of market disruption was inconsistent with the Protocol of Accession. In addition, China alleged that the level and duration of the duties were inconsistent with the Protocol of Accession. Finally, China alleged that the section 421 definition of "significant cause" was in and of itself inconsistent with the Protocol of Accession. The WTO established a panel in January 2010 to hear this dispute. In a report circulated on December 13, 2010, the panel found in favor of the United States with respect to all of China's claims. China appealed with respect to the panel's findings regarding the USITC's determination. The Appellate Body upheld all of the panel's findings in a report circulated on September 5, 2011.

7. Trade Adjustment Assistance

a. Overview and Assistance for Workers

The Trade Adjustment Assistance for Workers (TAA), Alternative Trade Adjustment Assistance (ATAA), and Reemployment Trade Adjustment Assistance (RTAA) programs are authorized under Title II of the Trade Act of 1974, as amended. These programs, collectively referred to as Trade Adjustment Assistance (TAA), provide assistance to workers who have been adversely affected by foreign trade.

On February 17, 2009, President Obama signed into law the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA), as part of the American Recovery and Reinvestment Act of 2009. The TGAAA reauthorized TAA; expanded TAA coverage to more workers, including workers in the service sector; expanded benefits to workers whose jobs have been outsourced to foreign countries; improved workers' training options; and increased the affordability of health insurance premiums. The reauthorization also expanded the scope of the TAA programs to better assist adversely affected workers in finding new employment. It authorized funding for employment and case management services and encouraged the type of long-term training necessary for jobs in the 21st century economy through an extension of income support, an increase in the cap for training funding, and access to training for adversely affected incumbent workers. The TGAAA lapsed on February 12, 2011. On October 21, 2011, President Obama signed the Trade Adjustment Assistance Extension Act of 2011 (TAAEA), which preserves the key goals of the 2009 program – such as covering service workers and workers whose jobs shift to China, India, and all countries – to ensure workers harmed by trade have the best opportunity to acquire skills and credentials to get good jobs. Consistent with the overarching focus of all Federal programs at this time, this agreement contains several provisions designed to ensure that the program delivers necessary services in a way that is more efficient and cost effective. The passage of these critical elements of TAA will give trade-affected workers the best opportunity to retrain and retool for the 21st century economy to get good jobs that keep them in the middle class.

The TAA program currently offers the following services to eligible workers: training; weekly income support; out-of-area job search and relocation allowances; case management and employment services; assistance with payments for health insurance coverage through the utilization of the Health Coverage Tax Credit (HCTC); and wage insurance for some older workers. In FY 2011, $704,005,680 was allocated to state governments to fund and administer TAA benefits.

For a worker to be eligible to apply for TAA, the worker must be part of a group of workers that is the subject of a petition filed with the U.S. Department of Labor. Three workers of a company, a company official, a union or other duly authorized representative, or a One-Stop Career Center operator or One-Stop partner may file that petition with the Department of Labor. In response to the filing, the Department of Labor institutes an investigation to determine whether foreign trade was an important cause of the workers' job loss or threat of job loss. If the Department of Labor determines that the workers meet the statutory criteria for group certification of eligibility for the workers in the group to apply for TAA, the Department of Labor grants the petition and issues a certification.

The Department of Labor administers the TAA program through the Employment and Training Administration (ETA), with states acting as agents of the United States in administering TAA benefits for members of TAA-certified worker groups. Once covered by a certification, individual workers apply for benefits and services through the One-Stop delivery system. Local One-Stop Career Centers can be found on the Internet at http://www.servicelocator.org or by calling 1-877-US2-JOBS. Most benefits and services have specific individual eligibility criteria that must be met, such as previous work history, unemployment insurance eligibility, and individual skill levels.

The 2011 TAAEA restores nearly all of the eligibility expansions contained in the 2009 TGAAA, including coverage of service sector workers, as well as workers who lose their jobs due to shifts in production to countries that do not have free trade agreements with the United States. The 2011 amendments apply retroactively so workers who were denied benefits because of the expiration of the 2009 reforms will again be fully eligible for the TAA program. As a result, there is nothing workers need to do as these investigations will automatically be "re-opened" to revisit eligibility criteria under the 2011 TAAEA. The 2011 reauthorization ensures workers harmed by trade have the opportunity to acquire skills and credentials to get good jobs that keep them in the middle class.

ETA eliminated the backlog of petitions received under the 2009 amendments in the third quarter of Fiscal Year 2011. In total, the Department of Labor issued 1,116 certifications in FY 2011 and an estimated 98,515 workers were eligible for TAA benefits compared to 2,810 certifications in FY 2010 where 287,061 workers were TAA eligible. ETA received 1,379 petition filings in FY 2011 compared to 2,573 petitions filed in FY 2010. The decline in the number of workers eligible can be attributed to the 2002 program reversion on February 13, 2011 whereby service workers were no longer eligible for TAA benefits.

b. Trade Adjustment Assistance for Farmers

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) reauthorized and modified the Trade Adjustment Assistance (TAA) for Farmers program. The legislation provided $90 million per year for Fiscal Years (FY) 2009-2010 and $22.5 million for the first quarter of FY 2011.

Under the program, the U.S. Department of Agriculture provides training and cash benefits to eligible producers of raw agricultural commodities and fishermen whose operations have been hurt by import competition. The program provides training specifically tailored to the needs of farmers and fishermen, enabling them to more effectively compete with similar imported products. The training is intended to offer producers an opportunity to improve their production, consider different marketing opportunities, and evaluate alternative enterprises.

Program benefits include an orientation workshop, a minimum of 12 hours of online or in-person training on the development of business plans, and cash payments to implement the business plans. Eligible producers who complete an approved, initial and long-term business plan are entitled to receive cash payments. A producer may not receive more than $12,000 and must complete the program within 36 months from when their respective petition is certified.

During FY 2009, the Foreign Agricultural Service (FAS) established the program’s regulations, training components, and the software system used for administering the petition, application, and payment phases. In FY 2010, FAS certified petitions filed by U.S. asparagus and catfish producers, both nationwide, and by U.S. shrimp producers in the Gulf and South Atlantic regions. In all, 4,525 producers in FY 2010 were approved for training and cash benefits. Under the FY 2011 program, the FAS certified petitions filed by blueberry producers in Maine, lobster producers in the Northeast region, and shrimp producers in Alaska and the Gulf and South Atlantic regions. A total of 5,712 producers in FY 2011 were approved for training and cash benefits.

To date, the programs in FY 2010 and FY 2011 have provided training to nearly 10,000 asparagus, blueberry, catfish, lobster, and shrimp producers and have paid more than $37 million in cash benefits.

Initially expected to expire on December 31, 2010, the FY 2009 TAA for Farmers Program was extended until February 12, 2011, after President Obama signed the Omnibus Trade Act on December 29, 2010. However, given the statutory requirement of a 90-day application period, the six-week life of the new appropriation precluded the announcement of a new program. The FY 2009 program officially expired on February 12, 2011, but funding and operations for it remain intact and allow all approved applicants to continue to receive payments and complete their training until September 2013.

On October 12, 2011, Congress passed the Trade Adjustment Assistance Extension Act of 2011 when it reauthorized the Generalized System of Preferences. The legislation, signed into law on October 21, 2011, reauthorized the TAA for Farmers Program through the first quarter of FY 2014. However, neither the House of Representatives nor Senate bills provided appropriated funding for the TAA for Farmers Program.

c. Assistance for Firms and Industries

The U.S. Economic Development Administration's (EDA) Trade Adjustment Assistance for Firms Program (the TAAF Program) is authorized by chapters 3 and 5 of title II of the Trade Act of 1974, as amended (19 U.S.C. § 2341 et seq.) (Trade Act). Public Law 93-618, as amended, provides for trade adjustment assistance for firms and industries (19 USC §§2341-2355; 2391). Section 233 of Public Law 112-40 authorizes the TAAF Program through December 31, 2014.

The TAAF Program provides technical assistance to manufacturers and service firms affected by import competition to help firms develop and implement projects to regain global competitiveness. Import-impacted U.S. manufacturing, production, and service firms can receive matching funds for projects that expand markets, strengthen operations and increase competitiveness. The program provides assistance in the development of business recovery plans known as Adjustment Proposals. To be certified for the TAAF Program, a firm must show that an increase in imports of like or directly competitive articles contributed importantly to the decline in sales or production and to the separation or threat of separation of a significant portion of the firm's workers.

The Secretary of the U.S. Department of Commerce is responsible for administering the TAAF Program and has delegated the statutory authority and responsibility under the Trade Act to the Department of Commerce's Economic Development Administration (EDA). The TAAF Program supports a national network of 11 non-profit or university-affiliated Trade Adjustment Assistance Centers (TAACs) to help U.S. manufacturing, production, and service firms in all 50 States, the District of Columbia and the Commonwealth of Puerto Rico. Firms work with the TAACs to apply for certification of eligibility for TAAF assistance, and prepare and implement strategies to guide their economic recovery.

In FY 2011, EDA awarded a total of $15,415,300 in TAAF Program funds. Firms participating in the program contributed $7.9 million towards the development and implementation of Adjustment Proposals. In FY2011, EDA certified 149 petitions for eligibility, a 55 percent decrease compared to the previous year, and approved 183 Adjustment Proposals, a 31 percent decrease compared to the previous year.

The U.S. Economic Development Administration's regulations implementing the TAAF Program are codified at 13 CFR Part 315 and may be accessed via EDA's Internet website at: http://www.eda.gov/InvestmentsGrants/Lawsreg.xml. Additional information on the TAAF Program (including eligibility criteria and application process) is available at http://www.eda.gov/TAAF.

8. United States Preference Programs

a. Overview

The United States has a number of programs designed to encourage economic development in lower income countries by offering preferential duty-free U.S. market access to imports from countries covered by these programs. Individual countries may be covered by more than one preferential market access program, with the opportunity for exporters to choose among programs when seeking preferential access to the U.S. market. The extent to which developing countries take advantage of the preferential access provided under U.S. trade law is measured by the total value of imports (for consumption) receiving preferential market access under any one of the individual programs. Such U.S. imports totaled an estimated $72 billion in the first 11 months of 2011, up 0.2 percent ($143 million) from the same period in 2010. This compares to an overall 16 percent increase for U.S. total goods imports for consumption from the world over the same period. The slight increase is likely attributable in part to the lapse in authorization of the Generalized System of Preferences (GSP) and Andean Trade Preference Act (ATPA) programs from January through October of 2011. For more information on developments related to the lapse in authorization of GSP and ATPA see the program-specific sections below.

As a share of total U.S. goods imports for consumption, these preferential imports decreased from 4.1 percent in 2010 to 3.6 percent in the first 11 months of 2011. Again, the decrease would appear to be attributable in part to the lapse in GSP and ATPA authorization through much of 2011. Each program's respective share of total U.S. preferential imports in the first 11 months of 2011 was as follows: African Growth Opportunity Act (AGOA), excluding GSP, 67 percent; GSP, 24 percent; ATPA, 5 percent; and Caribbean Basin Initiative (CBI) and Caribbean Basin Trade and Partnership Act (CBTPA), 5 percent. Trade under AGOA and CBI/CBTPA which were in effect for the entire period increased in 2011, while trade under GSP and ATPA decreased.

b. Generalized System of Preferences

History and Purposes:

The U.S. Generalized System of Preferences (GSP) program was initially authorized under the Trade Act of 1974 (19 U.S.C. §§ 2461 et seq.) for a 10 year period, beginning on January 1, 1976. The U.S. Congress has extended the program 12 times, most recently in October 2011. The GSP program lapsed from January 1, 2011 through November 3, 2011. During this time, products that would otherwise have been eligible for duty-free treatment under GSP were subject to the most favored nation rate. On October 21, 2011, President Obama signed legislation to reauthorize the GSP program through July 31, 2013, with benefits retroactive to January 1, 2011.

The GSP program is designed to promote economic growth in the developing world by providing preferential duty-free entry for up to 4,880 products from 129[32] designated beneficiary countries and territories. Duty-free treatment under the GSP program is not available for products that the President determines to be import-sensitive or that the statute excludes from the program. An underlying principle of the GSP program is that the creation of trade opportunities for developing countries is an effective way of encouraging broad-based economic development and an important means of sustaining momentum for their economic reform and liberalization. The GSP program also helps to provide U.S. companies with market access to inputs from beneficiary countries on generally the same terms that are available to competitors in other developed countries that grant similar trade preferences.

Beneficiaries:

There are 2 types of GSP beneficiaries: those that are eligible to export approximately 3,450 products duty-free into the United States and those for which, in 1996, Congress authorized additional GSP benefits because they are "least-developed" beneficiary developing countries.[33] Subsequently, these countries were given the opportunity to export an additional 1,430 products to the United States duty-free. As of January 1, 2012, there were 42 least developed beneficiary developing countries (LDBDCs) of the GSP program.

Croatia and Equatorial Guinea were removed from GSP eligibility as of January 1, 2011, after a transition period, because their respective gross national income per capita exceeded statutory thresholds.

[32] As of January 1, 2012.

[33] In practice, these are countries that are on the United Nations list of least-developed countries.

Through various mechanisms, the GSP program requires beneficiaries to: (1) eliminate or reduce significant barriers to trade in goods, services, and investment; (2) take steps to afford workers internationally recognized worker rights; and (3) provide adequate and effective intellectual property rights protection and enforcement. U.S. industry has noted that a country's participation in the GSP program helps to promote a business and investment environment that benefits U.S. investors as well as the beneficiary countries.

Eligible Products:

The list of GSP-eligible products from all beneficiaries includes most non-sensitive dutiable manufactures and semi-manufactures and selected agricultural, fishery, and primary industrial products that are not otherwise duty-free. The statute precludes certain import-sensitive articles from receiving GSP treatment, including most non-silk textiles and apparel, watches, footwear, handbags, luggage, flat goods, work gloves, and certain leather apparel. The products that receive preferential market access only when imported from least-developed beneficiaries include petroleum, certain chemicals and plastics, animal and plant products, prepared food, beverages, rum, and tobacco products.

Although GSP benefits for textiles and apparel are limited, certain handmade folkloric products are eligible for GSP treatment. The United States has entered into agreements providing for certification and GSP eligibility of certain handmade, folkloric products with 16 beneficiary countries: Afghanistan, Argentina, Botswana, Cambodia, Colombia, Egypt, Jordan, Mongolia, Nepal, Pakistan, Paraguay, Thailand, Timor-Leste, Tunisia, Turkey, and Uruguay. Such agreements provide the basis for extending duty-free treatment to exports produced primarily by women and the poorest, often rural, residents of beneficiary countries.

Program Results:

Value of Trade Entering the United States under the GSP program: The value of U.S. imports claimed under the GSP program in the first 11 months of 2011 was approximately $16.9 billion, a 19 percent decrease compared to the same period in 2010.[34] By comparison, total U.S. imports from GSP beneficiary countries increased by 23 percent over the same period. The decrease in GSP imports was likely attributable in part to the lapse in GSP authorization from January through early November 2011, which may have led some U.S. importers to seek alternative sources for previously GSP-eligible products. The graduation of Equatorial Guinea from the GSP program may also have been a factor in the decrease in GSP trade. In 2010, Equatorial Guinea accounted for nearly six percent of GSP imports, almost exclusively in petroleum products.

Top U.S. imports under the GSP program in 2011 (at the four-digit Harmonized Tariff Schedule (HTS) of the United States level), by trade value, were crude petroleum oils and oils from bituminous minerals (which are eligible for duty-free import only from LDBDCs), jewelry of precious metal, ferroalloys, motor vehicle parts, pneumatic tires, certain aluminum products, certain wires and cables, electric motors and generators, monumental or building stone, certain transmission parts bearing housings and gears, food preparations, and sugar.

In 2011 (through November), based on trade value, the top five GSP beneficiary developing country (BDC) suppliers were: (1) Thailand; (2) India; (3) Brazil; (4) Indonesia; and (5) South Africa. Ten of the

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[34] GSP trades figures are available for the whole of 2011, even though the program lapsed, because U.S. Customs and Border Protection had advised U.S. importers to continue to enter the special program indicator for GSP on entry documentation forms so as to facilitate the processing of refunds of duties paid in the event that Congress reauthorized the program retroactively, which it did.

top 50 GSP BDCs in 2011 were LDBDCs. In order of GSP trade value, these were Angola, Yemen, Chad, Bangladesh, Cambodia, Malawi, Nepal, Ethiopia, Uganda, and Madagascar.

The GSP Program's Contribution to Economic Development in Developing Nations: The GSP program helps countries diversify and expand their exports, an important developmental goal. The 2011 data on exports to the United States indicates that some beneficiaries have made progress in diversifying and expanding their exports to the United States under the GSP program. Among the countries with significant increases in GSP trade in 2011 were the Philippines, Georgia, Namibia, Armenia, Paraguay, and Mongolia. Among the countries for which GSP trade expanded into new product areas were Paraguay (seeds for sowing; wood doors; plastic articles; vacuum flasks), Kazakhstan (zinc; bronze; chromium products; wheat gluten for animal feed; caviar), and Nepal (wood doors; wood builders' joinery; pasta; dried peas; fur headwear). Diversification of exports under GSP also enhances the productive capacity and competitiveness of beneficiary countries with respect to their exports to markets other than the United States.

Efforts to promote wider distribution of the use of GSP benefits among beneficiaries: As directed by Congress, the Administration has sought to broaden the use of the GSP program's benefits among beneficiary countries. GSP outreach activities were limited in 2011 because of the lapse in GSP authorization for much of the year. However, with the reauthorization of GSP in October 2011, planning began in late 2011 for GSP outreach efforts in 2012 in several countries, including Egypt and Tunisia. For additional details and multiple-language GSP guides and country-specific analyses, go to "GSP-in-Use: Country-Specific Information" under "Generalized System of Preferences" on the USTR web site at the link below.

Benefits to the U.S. Economy: The GSP program helps not only beneficiary developing countries, but also U.S. businesses and families. The program is a significant source of imports and products for U.S. businesses, including small and medium-sized companies. The GSP program also helps reduce costs for U.S. manufacturers that utilize inputs that are not produced or available domestically, thereby helping to improve the competitiveness of U.S. manufacturing.

Annual Reviews:

An important attribute of the GSP program is its ability to adapt, product by product, to shifting market conditions; to the changing needs of producers, workers, exporters, importers, and consumers; and to concerns about individual beneficiaries' conformity with the statutory criteria for eligibility. Detailed information on elements of each Annual Review is available on the GSP Program Information Page on the USTR website at http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp.

2010 GSP Annual Review:

Because of the lapse in GSP authorization through much of 2011, some activities and actions related to the review of country practices and product petitions accepted as part of the 2010 GSP Annual Review were suspended. When the program was reauthorized in October 2011, the review of these petitions resumed in earnest, except for petitions seeking waivers of competitive need limitations (CNLs). USTR announced in a *Federal Register* notice on November 1, 2011 that, in view of the lapse in authorization of the GSP program through most of 2011, no actions would be taken with respect to CNLs based on 2010 trade data, including no CNL-related removals of products from GSP eligibility and no redesignations of products currently subject to CNLs. CNL waiver petitions accepted for review in December 2010 were dismissed.

On December 29, 2011, USTR announced the outcome of the two GSP product petitions accepted for the 2010 Annual Review. Based on the Trade Policy Staff Committee's review of these petitions, President Obama determined that one product – certain non-down sleeping bags (HTS 94043080) – should be removed from eligibility for duty-free treatment under GSP, effective January 1, 2012, because it is import-sensitive in the context of GSP. A petition to remove GSP duty-free treatment for two types of self-adhesive plastic tape (HTS 3919.10.20 and 3919.90.50) for Indonesia only was denied.

As part of the GSP 2010 Annual Review, the GSP Subcommittee of the Trade Policy Staff Committee (TPSC) also considered several petitions to withdraw or limit a country's GSP benefits for not meeting certain GSP eligibility criteria. On November 1, 2011, the TPSC announced that it had accepted for review a new country practices petition related to worker rights in Georgia. A public hearing was held in January 2012 on this petition and several other outstanding petitions accepted in previous years related to worker rights or child labor concerns in Bangladesh, Niger, the Philippines, Sri Lanka, and Uzbekistan. Other outstanding country practices petitions that remained under active review at year's end included petitions on Lebanon, Russia, and Uzbekistan with respect to IPR protection and two petitions relating to non-payment of arbitral awards by Argentina. A petition on worker rights in Iraq received during the 2008 review also remained under consideration. For a complete list of the country practice petitions that remained under review as of December 31, 2011, go to http://www.ustr.gov/webfm_send/3218.

2011 GSP Annual Review:

On November 1, 2011, a notice was published in the *Federal Register* launching the 2011 GSP Annual Review. An announcement will be made in early 2012 on which product, country practices, and CNL waiver petitions will be accepted for formal review.

c. The African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA), enacted in 2000, is a key element of U.S. economic policy in Africa, providing eligible sub-Saharan African countries with duty-free access to the U.S. market for over 1,800 products beyond those eligible under the GSP program. The additional products include value-added agricultural and manufactured goods such as processed food products, apparel, and footwear. In 2011, 40 sub-Saharan African countries were eligible for AGOA benefits. About 94 percent of U.S. imports from these countries entered the United States duty-free in 2011.

AGOA requires the President to determine annually which of the sub-Saharan African countries listed in the Act are eligible to receive benefits under the Act. His decisions are supported by an annual interagency review, chaired by USTR, that examines whether each country already eligible for AGOA has met the eligibility criteria, or whether circumstances in ineligible countries have improved sufficiently to warrant their designation as an AGOA beneficiary country. The AGOA eligibility criteria include, among others, establishing or making continual progress in establishing a market-based economy, rule of law, poverty-reduction policies, a system to combat corruption and bribery, and protection of internationally recognized worker rights. The Act also requires that eligible countries do not engage in activities that undermine U.S. national security or foreign policy interests, or engage in gross violations of international human rights. The annual review takes into account information drawn from U.S. Government agencies, the private sector, civil society, and prospective beneficiary governments. Through the AGOA eligibility review process, the annual AGOA Forum meeting (*see below*), and ongoing dialogue with AGOA partners, AGOA provides incentives to promote economic and political reform as well as trade expansion in AGOA-eligible countries. During 2011, there were two reviews – an out-of-cycle review of Cote d'Ivoire, Guinea and Niger which resulted in their becoming eligible for AGOA benefits effective October 25, 2011, and the annual review that resulted in a recommendation that 40 countries (including Cote d'Ivoire, Guinea, and Niger) be eligible for AGOA benefits in 2012.

The United States-Sub-Saharan Africa Trade and Economic Cooperation Forum, informally known as the "AGOA Forum," is an annual ministerial-level meeting with AGOA-eligible countries. The tenth meeting of the AGOA Forum was held in June 2011 in Lusaka, Zambia. Ambassador Ron Kirk and Deputy U.S. Trade Representative Demetrios Marantis participated in the 2011 Forum, along with senior officials from more than a dozen U.S. Government agencies. They met with numerous African trade ministers, leaders of African regional economic organizations, and representatives of the African and American private sectors and civil society to discuss issues and strategies for advancing trade, investment, and economic development in Africa as well as ways to increase two-way U.S.-African trade.

During the AGOA Forum, Ambassador Kirk announced a new trade capacity building initiative, the African Competitiveness and Trade Expansion Initiative (ACTE). This initiative is intended to expand both U.S.-African and intra-African trade. Through the ACTE, the United States committed to provide up to $120 million over four years to intensify and focus more sharply the work of the USAID-funded Regional African Trade Hubs in Ghana, Senegal, Botswana, and Kenya. The Trade Hubs help African producers tackle cross-cutting problems in finance, transport, governance, business environment, and telecommunications and produce more value-added products for export to the United States under AGOA.

Ambassador Ron Kirk also advanced the United States-Tanzania dialogue on trade and investment issues during a visit in June 2011 to Tanzania. Through a number of U.S. initiatives – including the Millennium Challenge Account and the Partnership for Growth – Tanzania has been identified as a major U.S. partner and leader in the region.

AGOA and related GSP imports from AGOA-eligible countries were valued at $49.9 billion for the first 11 months of 2011, up 24 percent from the corresponding period in 2010. Petroleum products continued to account for the largest portion of AGOA/GSP imports. The leading non-oil imports under AGOA/GSP in 2011 included apparel, vehicles and parts, ferroalloys, citrus, wine, chemicals, nuts, cocoa powder, essential oils, cut flowers, and fruit juices. The leading AGOA/GSP beneficiary countries were Nigeria, Angola, South Africa, Chad, and the Republic of the Congo.

d. Andean Trade Preference Act

The Andean Trade Preference Act (ATPA) was enacted in 1991 to promote broad-based economic development, diversify exports, and combat drug trafficking by providing sustainable economic alternatives to drug-crop production in Bolivia, Colombia, Ecuador, and Peru. In 2002, the Andean Trade Promotion and Drug Eradication Act (ATPDEA) amended the ATPA to provide duty-free treatment for a number of products previously excluded under the original ATPA program. The most significant expansion of benefits was in the apparel sector. Bolivia's eligibility for benefits was suspended effective December 2008. Further, in accordance with the statute, since the President did not determine that Bolivia satisfied the program's eligibility requirements in his June 30, 2009 report to Congress, no benefits remain in effect under the program for Bolivia.

In December 2010 Congress removed Peru's beneficiary status under the ATPA effective January 1, 2011, which left only Colombia and Ecuador in the program. Peru had become a free trade agreement partner of the United States. The same legislation extended the ATPA through February 12, 2011, after which the program lapsed. However, in October 2011 Congress voted to restore ATPA benefits retroactively to February 13, 2011, and to extend the program until July 31, 2013. Colombia will cease to be an ATPA beneficiary country when the U.S.-Colombia Trade Promotion Agreement enters into force.

e. Caribbean Basin Initiative

During 2011, the Caribbean Basin Economic Recovery Act (CBERA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA) trade programs, collectively known as the CBI, remained a vital element in U.S. economic relations with its neighbors in Central America and the Caribbean. The CBI provides beneficiary countries and territories with duty-free access to the U.S. market. Current beneficiary countries are: Antigua and Barbuda, Aruba, the Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

On August 5, 2004, the United States signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic. When the CAFTA-DR entered into force for each of these countries, the country ceased to be designated as a CBERA and CBTPA beneficiary. The CAFTA-DR entered into force for Costa Rica on January 1, 2009 and is now in force for all seven countries.

Since its inception, the CBI has helped beneficiaries diversify their exports. In conjunction with economic reform and trade liberalization by beneficiary countries, the trade benefits of CBI have contributed to their economic growth. In December 2011, USTR submitted its biannual report to Congress on the operation of the CBERA. The report can be found on the USTR website, www.ustr.gov.