

# III. BILATERAL AND REGIONAL NEGOTIATIONS AND AGREEMENTS

## A. Free Trade Agreements

### 1. Australia

The United States-Australia Free Trade Agreement (FTA) entered into force on January 1, 2005. U.S. two-way goods and private services trade (exports plus imports) with Australia was an estimated \$65 billion in 2012, up 101 percent since 2004, the year before the FTA entered into force. U.S. goods exports were \$32 billion in 2012, up 127 percent from 2004, and U.S. goods imports were \$9.6 billion, up 28 percent from 2004. The United States had a \$22 billion goods trade surplus, and a \$9.6 billion services trade surplus with Australia in 2012.

Agricultural trade between the United States and Australia continued to grow in 2012, with U.S. agriculture exports to Australia reaching nearly \$1.3 billion. In 2012, the United States and Australia continued to closely monitor FTA implementation and discuss a range of FTA issues, including agriculture, sanitary and phytosanitary measures, and government procurement. The two sides worked to further deepen the trade and investment relationship in the Trans-Pacific Partnership as well as through WTO and APEC initiatives.

### 2. Bahrain

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

To manage implementation of the FTA, the agreement establishes a central oversight body, the United States-Bahrain Joint Committee (JC), chaired jointly by USTR and Bahrain's Ministry of Industry and Commerce. The second meeting of the JC was held in October 2009. Dates for the third meeting of the JC have not yet been set, but when scheduled, officials of the two Governments expect to discuss a broad range of trade issues, including efforts to increase bilateral trade and investment levels, possible cooperation in the broader Middle East and North Africa (MENA) region, and additional cooperative efforts related to labor rights and environmental protection.

In April 2011, the American Federation of Labor and Congress of Industrial Organizations filed a submission with the U.S. Department of Labor alleging that the government of Bahrain took certain actions related to the protests in February and March of that year, which, if substantiated, would be inconsistent with Bahrain's commitments under the FTA Labor Chapter. In June 2011, the U.S. Department of Labor accepted the submission for review. In December 2012, the U.S. Department of Labor issued a public report on its findings, concluding that, although Bahrain made significant progress to address several of the problems described in the submission, problems regarding freedom of association and employment discrimination remain. The report recommended that the United States

request formal consultations under the FTA Labor Chapter to discuss these matters with Bahrain, and that the United States and Bahrain develop an action plan to address outstanding concerns. The United States has begun to engage with the government of Bahrain on the recommendations in the report, and will decide in 2013 whether to invoke formal consultations under the trade agreement.

### **3. Central America and the Dominican Republic**

#### **a. Overview**

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

Central America and the Dominican Republic represent the third largest U.S. goods export market in Latin America, behind Mexico and Brazil. U.S. goods exports to the CAFTA-DR countries were valued at \$30.0 billion in 2012. Combined total two-way trade in 2012 between the United States and Central American CAFTA-DR Parties and the Dominican Republic was \$61 billion.

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

#### **b. Elements of the CAFTA-DR**

##### **i. Operation of the Agreement:**

The central oversight body for the CAFTA-DR is the Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the trade ministers of the other CAFTA-DR Parties or their designees. On January 23, 2012, the FTC held its second meeting. The FTC reviewed implementation of the CAFTA-DR and took additional actions and decisions to further strengthen the operation of the Agreement, as noted below.

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

Trade officials also hosted the joint government-private sector CAFTA-DR Trade Facilitation Dialogue on January 23-24, 2012, in order to allow CAFTA-DR member countries' top trade officials and leading private sector representatives to exchange views on identifying priorities and possible actions to facilitate

trade. CAFTA-DR countries supported additional private sector national Focus Group meetings to further explore areas for action, including a U.S. Focus Group meeting for U.S. stakeholders hosted by the U.S. Chamber of Commerce and the Inter-American Development Bank (IDB) in Washington, D.C., on November 15, 2012.

## **ii. Labor:**

Ongoing labor capacity building activities are supporting efforts to improve the enforcement of labor laws in the CAFTA-DR countries. In particular, in 2012, U.S. Government assistance focused on strengthening and modernizing the labor ministries in the CAFTA-DR countries and promoting a culture of compliance with labor laws in each CAFTA-DR country.

In 2012, the United States continued its efforts to address the government of Guatemala's apparent failure to effectively enforce its labor laws in contravention of its CAFTA-DR obligations. An arbitral panel was constituted in late 2012. The United States continues to engage Guatemala in an attempt to find a mutually agreeable resolution that would significantly improve labor law enforcement in Guatemala.

In December 2011, a submission was filed with the U.S. Department of Labor (DOL) alleging that the government of the Dominican Republic failed to ensure the effective enforcement of labor laws in the Dominican sugar sector, which, if substantiated, would be inconsistent with the Dominican Republic's commitments under the CAFTA-DR labor chapter. The DOL accepted the submission for review and in August 2012 extended the timeframe for review. The DOL will issue a public report on its findings at the end of the review, which is expected in early 2013.

In March 2012, the AFL-CIO and 26 Honduran worker and civil society groups filed a submission with the DOL alleging that the government of Honduras had failed to enforce its labor laws in the manufacturing, agriculture, and port operations sectors, which, if substantiated, could be inconsistent with Honduras' commitments under the CAFTA-DR labor chapter. The DOL accepted the submission for review in May 2012. In November 2012, DOL extended the timeframe for review, and the DOL will issue a public report on its findings upon completion of the review.

## **iii. Environment:**

Monitoring and implementation of environment commitments of the CAFTA-DR, including enhanced cooperation and capacity building, continued in 2012 and included an increased effort among the CAFTA-DR countries to improve levels of environmental protection. U.S. Government assistance for environment capacity building programs and activities in Central America and the Dominican Republic continued in 2012 and were funded through the Pathways to Prosperity in the Americas initiative. Capacity building focused on compliance with specific CAFTA-DR environment chapter obligations, strengthened environmental laws and enforcement, biodiversity conservation, including through market-based approaches, and improved private sector environmental performance. Public outreach and participation efforts also continued in 2012. The Secretariat for Environmental Matters (Secretariat), established in 2006 in accordance with the CAFTA-DR, received several new submissions from the public in 2012 on a range of environmental concerns, and published a second final Factual Record under this process ([http://www.saa-\(sem.org/expedientes/factual\\_record\\_caala\\_10\\_001\\_english.pdf](http://www.saa-(sem.org/expedientes/factual_record_caala_10_001_english.pdf)). The Secretariat made progress on improving the timeliness and quality of its review of public submissions. The EAC contact points met twice in 2012 to discuss priorities for environmental capacity building programming and to prepare for the April 2012 EAC meeting. During the April 2012 EAC meeting, Council Members highlighted their governments' successes with respect to implementation of obligations under the environment chapter, as well as accomplishments under the parallel Environmental Cooperation Agreement. A joint communiqué on their work was released and an open session was held to engage

members of the public in the implementation process of the CAFTA-DR environment chapter and the complementary cooperative capacity building activities.

#### **iv. Trade Capacity Building:**

Trade Capacity Building (TCB) programs and planning continued throughout 2012 with the Office of the U.S. Trade Representative, along with the U.S. Agency for International Development (USAID) and other donors, including U.S. agencies such as the U.S. Departments of Agriculture, State and Commerce, carrying out bilateral and regional projects with the CAFTA-DR partner countries. Discussions focused on the prioritization of CAFTA-DR partners' trade capacity building objectives, including successful implementation and full utilization of the opportunities created by the CAFTA-DR, with a special emphasis on sanitary and phytosanitary (SPS) measures, customs and border management as it relates to trade facilitation activities, and consideration of TCB activities for a later phase of CAFTA-DR implementation.

In 2012, USAID began implementing regional programs addressing customs, trade facilitation, and SPS activities. The U.S. Department of Commerce carried out a series of customs and border modernization workshops in the region in 2012 supported by the U.S. Department of State's Pathways to Prosperity in the America's initiative. Commerce-organized workshops were held in Honduras, Costa Rica, and El Salvador in 2012. In support of the CAFTA-DR FTC's Trade Facilitation Initiative and the recommendations of the CAFTA-DR Committee on Technical Barriers to Trade and the Committee on Trade in Goods, USTR organized a standards workshop for CAFTA-DR countries in December 2011 and is planning a customs workshop focusing on improved implementation of the Agreement for 2013.

The U.S. Department of State's Pathways to Prosperity activities also included a broad trade facilitation element, working with other international donors in the region on various customs and border process related issues to foster trade among CAFTA-DR partners. Under Pathways, CAFTA-DR countries are working with the support of the IDB and participation by the Association of American Chambers of Commerce of Latin America (AACCLA) to create a single window customs network among CAFTA-DR partners and others in Latin America (Mexico, Chile, Ecuador, Panama, and Colombia).

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

#### **v. Other Implementation Matters:**

At its January 23, 2012 meeting, the FTC adopted various decisions to strengthen implementation. The FTC took a decision on the remuneration of panelists, assistants, and experts, as well as payment of their expenses for CAFTA-DR dispute settlement proceedings, recognizing the importance of an effective dispute settlement procedure to implement and enforce the Agreement.

On August 10, 2012, the United States enacted certain changes to a number of the Agreement's rules of origin for textile and apparel goods to enhance the competitiveness of the region's textiles sector through regional sourcing and integration. These changes to rules of origin, together with the CAFTA-DR Textile Sourcing Database that was endorsed by the FTC in February 2011, will facilitate regional sourcing and encourage a vibrant textile and apparel supply chain in the region. After the other CAFTA-DR countries

had completed their respective domestic procedures, and the U.S. Congress approved the legislation with respect to the changes, the new rules took effect on October 13, 2012.

In addition to the Technical Barriers to Trade Committee, which met in Washington, D.C. in December 2011, the Committees on Sanitary and Phytosanitary Matters and Agricultural Trade met on March 14 - 15, 2012, in San Jose, Costa Rica.

Work with CAFTA-DR partners to update the CAFTA-DR's product-specific rules of origin to reflect changes to the International Convention on the Harmonized Commodity Description and Coding System continued in 2012. This effort, expected to conclude in 2013, will further facilitate traders' appropriate claims and customs administrations' application of the Agreement's rules of origin.

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

## **4. Chile**

### **a. Overview**

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

The United States-Chile FTA eliminates tariffs and opens markets, reduces barriers for trade in services, provides protection for intellectual property, ensures regulatory transparency, guarantees non-discrimination in the trade of digital products, commits the Parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective labor and environmental enforcement. In 2012, U.S. goods exports to Chile increased by an estimated 17 percent to \$18.7 billion, while U.S. goods imports from Chile increased by 2 percent to \$9.2 billion.

### **b. Elements of the United States-Chile FTA**

#### **i. Operation of the Agreement**

The central oversight body for the FTA is the United States-Chile Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Chilean Director General of International Economic Affairs or their designees. The FTC held its eighth meeting on July 3, 2012, during which the two Governments evaluated progress on the implementation and operation of the FTA during 2011 and the first half of 2012, and reached an agreement on amendments to the product-specific rules of origin in the FTA to reflect the 2012 amendments to the Harmonized System. The Parties also discussed several bilateral issues, including Chile's concerns regarding the U.S. Department of Homeland Security (DHS) CFATS (Chemical Facility Anti-Terrorism Standards) regulations that affect Chilean nitrates exported to the United States, U.S. interest in exploring a mutual recognition agreement with Chile for telecommunications equipment, and U.S. concerns about a draft law in Chile that sought to ban advertising on pay television platforms.



The Commission also heard reports on the work carried out since the last Commission meeting by the Committee on Technical Barriers to Trade (TBT), which held its eighth meeting and the Committee on Trade in Goods (CTG), which held its fifth meeting. The TBT Committee discussed Chilean concerns regarding DHS's CFATS rules governing the import of Chilean nitrates into the United States and ongoing work in APEC and in the Trans-Pacific Partnership (TPP) negotiations. The CTG also discussed work related to the amendments to the product-specific rules of origin in the FTA to reflect the 2012 amendments to the Harmonized System and the Common Guidelines, among other issues.

## **ii. Labor**

The FTA establishes a cooperative mechanism to promote respect for the principles embodied in the ILO Declaration on Fundamental Principles and Rights at Work, and compliance with ILO Convention 182 on the Worst Forms of Child Labor. The U.S. Department of Labor and the Chilean Ministry of Labor continue to exchange information on occupational safety and health and social protections related to employment.

## **iii. Intellectual Property Rights**

Chile remained on the Priority Watch List in 2012. The United States continues to urge Chile to implement an effective system for addressing patent issues expeditiously in connection with applications to market pharmaceutical products. The United States also continues to urge Chile to implement protections against the circumvention of technological protection measures and protections for encrypted program-carrying satellite signals (including ensuring a prohibition on devices to do the same), and to ensure that effective administrative and judicial procedures, as well as deterrent remedies are made available to rights holders. The United States also urges Chile to provide adequate protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical products, and to amend its Internet service provider liability regime to permit effective action against piracy over the Internet. The United States will continue to work with Chile to resolve these and other issues, including through the TPP negotiations.

## **iv. Environment**

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

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

## 5. Colombia

### a. Implementation of the Agreement

On April 15, 2012, in Cartagena, Colombia, Presidents Obama and Santos announced that the United States-Colombia Trade Promotion Agreement (CTPA) would enter into force on May 15, 2012. The announcement followed months of intensive review by both Governments of each other's laws and regulations regarding the implementation of the Agreement. The Colombian Congress approved a bill that amended three laws in order to implement the Agreement, and the Santos Administration issued a number of decrees in order to implement those CTPA provisions for which legislation was not required. Through an exchange of letters signed on April 15, prior to the announcement, the United States and Colombia confirmed that they had completed their applicable legal requirements and procedures for the Agreement's entry into force.

The two Governments signed four additional exchanges of letters on April 15, 2012. In the first, the Colombian government outlined its need for more time to fulfill its CTPA obligations to join three treaties on intellectual property. This would allow its Constitutional Court to complete its review of the treaties' compatibility with Colombia's Constitution. The two Governments agreed that the United States may remove CTPA benefits if Colombia fails to join the treaties by specified dates. The second and third letter exchanges confirmed Colombia's recognition of the USDA's control measures for salmonella and avian influenza, respectively, as they pertain to U.S. exports of poultry and poultry products to Colombia. The fourth established the phytosanitary measures required for the shipment of paddy rice to Colombia.

The announcement of an entry into force date also followed confirmation by U.S. and Colombian authorities of numerous important steps Colombia had taken to fulfill key elements of the Action Plan Related to Labor Rights. During 2012, the Obama Administration maintained intensive engagement with the Colombian government to support its efforts to improve the protection of worker rights, prevent violence against trade unionists, and ensure the prosecution of the perpetrators of such violence. Ambassadors Kirk and Sapiro, as well as U.S. Secretary of Labor Hilda Solis, met with Colombian Minister of Labor Rafael Pardo to advance labor rights, both in Colombia and Washington D.C. Additionally, USTR and U.S. Department of Labor (DOL) officials traveled to Bogota on multiple occasions to engage with the Colombian Labor Vice Minister, the Colombian Vice Prosecutor General, and the head of the protection program for members of at-risk groups. A DOL official was assigned to the U.S. Embassy in Bogota to work closely with the Colombian government to implement the Labor Action Plan and provide direct technical assistance to the labor inspectorate. In 2012, Colombia made significant progress on labor rights. The Colombian government hired nearly 100 additional labor inspectors, fined over ten companies up to \$1 million each for practices that violated labor rights, improved its responsiveness to threats of violence against labor leaders and activists, and enhanced cooperation between the Prosecutor General's Office and representatives of the labor movement. Nevertheless, there are ongoing concerns regarding labor rights in Colombia, and the U.S. Government continues to work closely with the government of Colombia to ensure full implementation of the Colombian Action Plan Related to Labor Rights.

The CTPA builds on a strong commercial relationship with a dynamic regional trading partner. Two-way goods trade totaled \$41.4 billion in 2012, and trade in both directions has increased since the CTPA entered into force on May 15, 2012, compared with the same period in 2011. Upon the Agreement's entry into force, Colombia eliminated duties on over 80 percent of U.S. exports of consumer and industrial products, with remaining tariffs phased out over 10 years. Average Colombian tariffs on U.S. industrial exports had averaged over 9 percent prior to entry into force of the CTPA. More than half of U.S. agricultural exports to Colombia became duty free immediately, with virtually all remaining tariffs

to be eliminated within 15 years. With limited exceptions, U.S. services suppliers gained access to Colombia's estimated \$200 billion annual services market in 2012. Colombia also agreed to important new disciplines in investment, government procurement, intellectual property rights, labor, and environmental protection, and joined the WTO Information Technology Agreement as per its commitment under the CTPA.

During 2012, the United States and Colombia continued to negotiate the complementary U.S.-Colombia Environmental Cooperation Agreement (ECA). Once signed, the ECA will strengthen bilateral and/or regional environmental cooperation aimed at enhancing environmental protection and the conservation and sustainable use of natural resources. The ECA will establish the Environmental Cooperation Commission, which will oversee the implementation of a work program for environmental cooperation. The work program will build on ongoing initiatives and highlight the importance of building capacity to protect the environment in concert with strengthening trade and investment relations.

### **b. Operation of the Agreement**

On November 19, 2012, Deputy U.S. Trade Representative Miriam Sapiro hosted the inaugural meeting of the United States-Colombia Free Trade Commission (FTC), the body responsible for supervising the implementation of the CTPA and resolving any further issues. The Colombian delegation was led by Vice Minister of Trade Gabriel Duque Mildenberg. At the meeting, the two sides concluded that the Agreement was functioning smoothly and was already benefiting both countries. In addition, the Governments decided to launch consideration of accelerating tariff elimination and agreed upon timeframes for both establishing certain dispute settlement mechanisms and updating the rules of origin. The officials also discussed the status of those commitments with post-entry-into-force deadlines and reviewed the work of the three committees that had already met under the Agreement: Technical Barriers to Trade; Agriculture; and Sanitary and Phytosanitary Matters. Finally, they discussed the ongoing effort between both Governments to ensure full implementation of the Colombian Action Plan Related to Labor Rights.

### **c. Capacity Building**

During 2012, the U.S. Government provided the Colombian government technical assistance in the form of trade capacity building programs in a range of areas, including: strengthening Colombia's sanitary and phytosanitary regulatory systems; developing regulations concerning rules of origin and customs procedures; improving processing times for patent and trademark applications; and training the judicial sector on intellectual property rights.

## **6. Israel**

The United States-Israel Free Trade Agreement is the United States' first FTA. It entered into force in 1985 and continues to serve as the foundation for expanding trade and investment between the United States and Israel by reducing barriers and promoting regulatory transparency. In 2012, U.S. goods exports to Israel rose by an estimated 1.9 percent, to \$14.2 billion.

The United States-Israel Joint Committee (JC) is the central oversight body for the FTA. In February 2012, the JC met to explore ways to engage in collaborative efforts to increase bilateral trade and investment. During the meeting, the United States and Israel noted progress made in addressing a number of specific standards-related impediments to trade and opened a dialogue to address additional standards-related issues. The United States and Israel are also working to facilitate claims of duty-free status for individual products.



The parties also made progress during the JC meeting on negotiating a new agreement on trade in agricultural products, and resolving several outstanding sanitary and phytosanitary (SPS) issues. In 1996, the United States and Israel concluded an Agreement Concerning Certain Aspects of Trade in Agricultural Products (ATAP), which provided for duty-free or other preferential tariff treatment of a number of agricultural products. The 1996 agreement was extended through 2003, and a new agreement was concluded in 2004. While this Agreement originally was scheduled to expire at the end of 2008, it has been extended annually since then to allow negotiations on a new ATAP agreement to continue.

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

In October 2012, the United States and Israel signed a mutual recognition agreement for assessing conformity of telecommunications equipment. This agreement streamlines conformity assessment processes, and thus, facilitates trade, by permitting recognized U.S. laboratories to test telecommunications for conformity with Israeli technical regulations, and *vice versa*. The agreement also provides that in the future, the United States and Israel can agree to the mutual acceptance of equipment certifications issued by recognized conformity assessment bodies in the United States and Israel.

The United States and Israel have also made progress in the area of intellectual property rights. In connection with the 2009 Special 301 out-of-cycle review, the United States and Israel reached an understanding on February 18, 2010, regarding several longstanding issues related to Israel's IPR regime for pharmaceutical products. As part of that understanding, Israel committed to strengthen its laws on pharmaceutical test data and patent term extension, and to publish patent applications promptly after the expiration of eighteen months from the time an application is filed. In the course of 2011 and 2012, Israel enacted legislation regarding data protection and patent publication and the newly elected Knesset is expected to act on the patent term extension legislation early in its term. In response, the United States in 2012 removed Israel from the Special 301 Priority Watch List.

## **7. Jordan**

In 2012, the United States and Jordan continued to benefit from their economic partnership. A key element of this relationship is the United States-Jordan Free Trade Agreement (FTA), which entered into force on December 17, 2001, and was implemented fully on January 1, 2010. In addition, the Qualifying Industrial Zones (QIZs) program, established by the U.S. Congress in 1996, allows products to enter the United States duty free if manufactured in Jordan, Egypt, or the West Bank and Gaza, with a specified amount of Israeli content. The program has succeeded in stimulating significant business cooperation between Jordan and Israel.

Together these measures have played a significant role in boosting overall U.S.-Jordanian economic ties. U.S. goods exports to Jordan were an estimated \$1.7 billion in 2012, up 17 percent from 2011. QIZ products account for about 25 percent of Jordanian exports to the United States, but the QIZ share of these exports is declining relative to the share of exports shipped to the United States under provisions of the FTA. This shift toward exporting products manufactured outside of the QIZs demonstrates the important role the FTA plays in helping Jordan diversify its economy.

The United States-Jordan FTA has expanded the trade relationship between the two countries by reducing barriers for services, providing cutting edge protection for intellectual property, ensuring regulatory transparency, and requiring effective labor and environmental enforcement. In October 2012, the Joint Committee (JC) established under the FTA met to explore ways to boost bilateral trade and investment. Notably, the JC addressed a number of issues, including protection of intellectual property rights, qualifying industrial zones, agricultural trade, Jordan's accession to the WTO Government Procurement Agreement, labor rights, and standards-related measures. The United States and Jordan crafted an action plan outlining concrete steps to boost trade and investment between themselves, and between Jordan and other countries in the Middle East region. Among its first steps under the action plan, Jordan agreed to support Joint Principles on International Investment and Joint Principles for Information and Communication Technology (ICT) Services. Additionally, the United States worked with Jordan throughout the year on an Implementation Plan Related to Working and Living Conditions of Workers, which was concluded in January 2013.

## **8. Republic of Korea**

### **a. Overview**

The United States-Korea Free Trade Agreement (KORUS) entered into force on March 15, 2012. Prior to entry into force, USTR worked with the government of Korea to review the measures both sides had taken to implement the agreement, which included the review of 24 Korean laws and over 100 regulations to ensure they were consistent with the obligations of the agreement that were set to enter into force on day one of the agreement. The United States and the Republic of Korea signed the KORUS on June 30, 2007. On December 3, 2010, the United States and Korea concluded additional agreements, reflected in letters signed on February 10, 2011, that provided additional market access and leveled the playing field for U.S. automobile manufacturers and workers. The U.S. Congress approved the agreement on October 12, 2011, and Korea's National Assembly approved it on November 22, 2011.

The agreement is the United States' most commercially significant free trade agreement in almost two decades. Under the agreement, almost 80 percent of U.S. exports to Korea of consumer and industrial products became duty free on March 15, 2012, and nearly 95 percent of bilateral trade in consumer and industrial products will become duty free within five years of that date. Most remaining tariffs will be eliminated within 10 years.

For agricultural products, the agreement has immediately eliminated or begun phasing out tariffs and quotas on a broad range of items, with almost two-thirds (by value) of Korea's agriculture imports from the United States enjoying duty-free status since March 15, 2012.

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

As the first U.S. FTA with a North Asian partner, the high-standard agreement underscores the U.S. commitment to, and engagement in, the Asia-Pacific region.

## **b. Operation of the Agreement**

The agreement's central oversight body is the Joint Committee, chaired by the U.S. Trade Representative and the Korean Trade Minister. The first Joint Committee meeting was convened on May 16, 2012, and established the necessary procedural groundwork for the implementation of the agreement (such as agreeing on the committee's rules of procedure and agreeing on model rules for dispute settlement panels), as well as establishing a Senior Officials Meeting (SOM) to help coordinate the activities of the committees.

In addition to the Joint Committee and the SOM, 19 committees and working groups have been established under the KORUS. USTR will use these committees and working groups as the primary venues for carefully monitoring Korea's implementation of its FTA commitments. The committees and working groups will also be used to discuss implementation of obligations that will be phased in under the agreement, as well as to resolve issues as they arise. USTR will continue to consult closely with stakeholders regarding the work of the FTA committees, including with respect to potential agenda items.

On June 7 and 8, 2012, the Committee on Trade in Goods, the Committee on Services and Investment, the Small and Medium-sized Enterprises (SME) Working Group, and the Committee on Trade Remedies met to discuss implementation issues related to the four areas and to further bilateral cooperation in these areas. Based on the work of the Committee on Trade in Goods, interpretation questions related to blanket certificates of origin were resolved, and additional progress on customs cooperation was noted. On July 5, 2012, the Medicines and Medical Devices Committee met in Seoul, and a second meeting was held in Washington on November 28, 2012. USTR is using this committee to work with Korea on full implementation of its commitments under the Pharmaceutical Products and Medical Devices chapter, including obligations related to transparency and appropriately valuing innovation. On November 7 and 8, 2012, the Committee on Agricultural Trade, the Working Group on Government Procurement, and the Committee on Textile and Apparel were convened. The SME Working Group met a second time on November 20, 2012, and outlined ideas for joint education and outreach efforts to inform SMEs in both countries about the opportunities created by the agreement. The remaining committees under the agreement are expected to hold their initial meetings during the first quarter of 2013. The U.S. Government also addresses compliance and other trade issues on a continual basis through regular inter-sessional consultations and engagement with the Korean government, ensuring that issues can be resolved in a timely manner.

## **9. Morocco**

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

Since the entry into force of the FTA, two-way U.S.-Morocco trade has risen to \$3.3 billion in 2012, up from \$927 million in 2005 (the year prior to entry into force). U.S. goods exports to Morocco in 2012 were \$2.4 billion, down 15 percent from the previous year. Corresponding U.S. imports from Morocco in 2012 were \$902 million, down 9 percent from 2011.

The Joint Committee (JC) established by the FTA met in December 2012. At the JC meeting, the United States and Morocco concluded negotiation of a Trade Facilitation Agreement; and building, on the FTA's investment chapter, endorsed Joint Principles on International Investment. The United States and Morocco also endorsed Joint Principles for Information and Communication Technology (ICT) Services.

In September, 2012, the Agricultural and Sanitary-Phytosanitary subcommittees created under the FTA met and discussed, among other issues, Morocco's tariff-rate quotas on wheat established under the FTA. The United States continues to have concerns about Moroccan administration of these tariff-rate quotas.

In 2010, the United States and Morocco convened the first meeting of the Subcommittee on Labor Affairs created under the FTA. The Subcommittee agreed to a series of cooperative labor activities to improve enforcement of Morocco's labor laws, including training for labor inspectors on mediation of workplace disputes. In 2012, the U.S. Department of Labor provided mediation training for inspectors, worker representatives, and employer representatives. The U.S. State Department also provided a grant in 2012 to the International Labor Organization to improve the capacity of the Moroccan Ministry of Labor to enforce labor laws and to promote social dialogue. The U.S. State Department also provided a grant to the Solidarity Center to build the capacity of workers and their unions to promote worker rights. At the December 2012 JC meeting, the two sides reviewed progress on implementing cooperative activities under the FTA Labor Chapter.

In 2012, Morocco and the United States continued their strong environmental cooperation. The U.S. Department of the Interior provided technical assistance to train Moroccan customs officials and management authorities on enforcement of the Convention on International Trade in Endangered Species (CITES). The U.S. Forest Service provided rangeland management training to Moroccan officials and supported the establishment of a Rangeland Management School to help protect Morocco's primary water source. Tourism is a key sector of the Moroccan economy, and the U.S. Department of the Interior collaborated with three Moroccan national park managers to develop sustainable use plans and began implementation of the new use plan in Toubkal National Park. The World Environment Center (WEC), in collaboration with the Moroccan Cleaner Production Center, is finishing work with more than 20 small and medium sized enterprises (SMEs) to increase energy efficiency and establish cleaner production methods in the food canning sector. WEC also launched a new project with SMEs that includes training university students in clean production consulting services and is hosting U.S.-Moroccan green business roundtables. The National Oceanic and Atmospheric Administration (NOAA) is working with Morocco's Ministry of Agriculture and Ocean Fisheries on an experiment to test fishing gear alternatives to environmentally destructive driftnets that have been phased out by Morocco. In 2013, the two sides will strengthen their trade-related environmental cooperation by signing a Plan of Action for continued cooperation in the 2013-2015 timeframe, focused on fostering a green economy and green job growth.

## **10. North American Free Trade Agreement**

### **a. Overview**

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada, and Mexico (NAFTA) entered into force. All remaining duties and quantitative restrictions were eliminated, as scheduled, on January 1, 2008. The NAFTA created the world's largest free trade area, which now links 463 million people producing roughly \$18.1 trillion worth of goods and services.

Trade between the United States and its NAFTA partners has soared since the agreement entered into force. U.S. two-way goods trade with Canada and Mexico exceeds U.S. goods trade with the European Union and Japan combined. U.S. goods exports to the NAFTA partners have increased by 260 percent between 1993 and 2012, from \$142 billion to an estimated \$512 billion. By dismantling barriers, the NAFTA has led to increased trade and investment, growth in employment, and enhanced competitiveness.

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

## **b. Elements of NAFTA**

### **i. Operation of the Agreement:**

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

The FTC held its most recent annual meeting in Washington on April 3, 2012. At the meeting, the FTC agreed to continue to contribute to ongoing bilateral and trilateral regulatory cooperation initiatives, with a view to facilitating trade and reducing unnecessary administrative costs. The FTC asked the NAFTA Committee for Standards-Related Measures (CSRSM) to continue its work to enhance cooperation on the development, application and enforcement of standards-related measures, and to provide a forum for the Parties to consult on issues relating to standards-related measures. The FTC agreed to pursue closer sectoral cooperation to enhance trade in chemicals, beginning with exploring work on rules of origin, customs procedures and classification. In order to address the challenges that small and medium sized businesses face regarding access to information, the FTC released "The NAFTA Certificate of Origin: Frequently Asked Questions," a publication designed to answer basic questions about completing that form.

### **ii. NAFTA and Labor:**

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

In 2012, the three Parties' NAOs met to discuss ways to strengthen the NAALC. In addition, the National Advisory Committee for Labor Provisions in U.S. Free Trade Agreements (NAC) provided recommendations to the NAOs on how to improve the functioning of the NAALC. In January 2012, the U.S. Department of Labor (DOL) accepted for review a public submission from the Mexican Union of Electrical Workers (Sindicato Mexicano de Electricistas) and over 90 other organizations concerning Mexico's obligations under the NAALC regarding worker rights. In July 2012, the DOL extended its period of review and will issue a public report upon completion. Separately, in 2012 the Mexican NAO issued reports in response to four public submissions alleging U.S. violations of the NAALC.

### **iii. NAFTA and the Environment:**

In 2012, the Parties continued their efforts to ensure that trade liberalization and efforts to protect the environment are mutually supportive. In 2009, the FTC established an *ad hoc* working group composed of senior trade officials to explore areas of potential collaboration between the FTC and the North



American Commission for Environmental Cooperation (CEC). At its April 2012 meeting, the FTC approved that group's work plan: to ensure ongoing cooperation and communication between the FTC and the CEC; to involve the participation of trade officials in CEC project planning and implementation; to foster the environmental goals of the NAFTA Work Plan and its committees; and to undertake initiatives that address linkages between trade and the environment, such as exchanging information on the trade flows and cross-border supply chains in used electronics within North America.

In November 1993, Mexico and the United States agreed on arrangements to help border communities with environmental infrastructure projects in furtherance of the goals of the NAFTA and the North American Agreement on Environmental Cooperation. The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB) are working with communities throughout the United States-Mexico border region to address their environmental infrastructure needs. As of December 31, 2012, NADB had contracted a total of \$1.91 billion in loans and/or grant resources to partially finance 171 infrastructure projects certified by the BECC with an estimated cost of \$5.1 billion.

## **11. Oman**

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

The central oversight body for the FTA is the United States-Oman Joint Committee (JC), chaired jointly by USTR and Oman's Ministry of Commerce and Industry. The second meeting of the JC was held on September 9, 2012. During this meeting, officials discussed a broad range of trade issues, including efforts to increase bilateral trade and investment levels, efforts to ensure effective implementation of the FTA's customs, investment and services chapters, possible cooperation in the broader MENA region, and additional cooperative efforts related to labor rights and environmental protection. During the first meeting of the Subcommittee on Labor Affairs in April 2012, officials discussed the complaint mechanism of the labor chapter and potential areas of future labor cooperation.

## **12. Panama**

### **a. Overview**

The United States-Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012. From 2009 through 2011, Panama undertook a series of major legislative and administrative actions to further strengthen its labor laws and labor enforcement as well as enhanced its tax transparency. On October 21, 2011, the United States-Panama Trade Promotion Agreement Implementation Act was enacted in the United States. From October 2011 to October 2012, the United States and Panama engaged in an intensive implementation process during which Panama's laws and regulations were reviewed to confirm that they were consistent with the obligations of the TPA.

As part of the implementation process, the government of Panama enacted three laws making amendments to existing legislation. Two laws concerned intellectual property obligations, including in the areas of copyright and patent protection. The third law made a number of changes to Panama's laws in a variety of areas, including government procurement, investment, cross-border trade in services, telecommunications, and the domestic sale and marketing of Bourbon Whiskey and Tennessee Whiskey

as distinctive products. The government of Panama also issued a number of decrees and resolutions to implement a variety of obligations under the TPA, including on market access, customs and rules of origin, safeguard mechanisms, agricultural tariff-rate-quota administration, data protection for agrochemicals and pharmaceuticals, and transparency mechanisms in financial services, among other things. On the basis of these actions, on October 22, 2012, Ambassador Kirk and Panamanian Minister of Trade and Industry Quijano signed an exchange of letters setting the entry-into-force for the TPA as October 31, 2012.

The United States' two-way goods trade with Panama was \$10.3 billion in 2012, with U.S. goods exports to Panama totaling \$9.8 billion. On October 31, 2012, the TPA immediately eliminated tariffs on 86 percent of U.S. consumer and industrial goods exports to Panama (based on 2011 trade flows), with any remaining tariffs phased out within 10 years. Additionally, nearly half of U.S. agricultural exports became duty free, with most remaining tariffs to be phased out within 15 years. Tariffs on a few most sensitive agricultural products will be phased out in 18 years to 20 years. The second annual tariff reduction will be effective on January 1, 2013. The TPA also provides significant new access to Panama's estimated \$25 billion services market and contains disciplines related to customs administration and trade facilitation, technical barriers to trade, government procurement, telecommunications, electronic commerce, intellectual property rights, and labor and environmental protection.

## **b. Elements of the TPA**

### **i. Operation of the Agreement**

The TPA's central oversight body is the United States-Panama Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Panamanian Minister of Trade and Industry or their designees. The FTC is responsible for overseeing implementation and operation of the TPA. While the United States and Panama met intensively on the TPA in 2012 during the early implementation process, no formal meetings of the FTC could be held until the TPA entered into force. The United States and Panama plan to engage through the FTC and other mechanisms in 2013.

### **ii. Labor**

The TPA includes obligations for both countries to protect fundamental labor rights as well as to effectively enforce existing labor laws, which will enable workers and businesses to compete on a level playing field.

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

The labor obligations under the TPA are subject to the same dispute settlement provisions as the other obligations in the TPA, and therefore subject to the same remedies. The TPA also establishes a Labor Affairs Council, comprised of cabinet-level officials to oversee implementation and progress under the labor chapter. USTR will continue to engage with the government of Panama to review progress on the implementation of the TPA now that it is in force.

### **iii. Environment**

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

The TPA environmental commitments require both countries to maintain existing levels of environmental protection and to strive for higher environmental standards. During the implementation process, Panama also undertook administrative actions to fulfill obligations under the environment chapter. This included the establishment of a new advisory committee to provide views on matters related to implementation of the environment chapter of the TPA. Both the United States and Panama are committed not to weaken existing environmental laws or to reduce environmental protections in any way that will give domestic producers an advantage over the other country's exporters – and both Governments commit to effective enforcement of environmental laws.

In May 2012, the United States and Panama signed the U.S.-Panama Environmental Cooperation Agreement (ECA) which was negotiated in parallel to the environment chapter of the TPA. Development of the ECA work program, which will outline the priorities and cooperative activities anticipated to fulfill ECA commitments, began in 2012 and builds on trade and environment successes in the region and the importance of building capacity to protect the environment in concert with strengthening trade and investment relations.

### **iv. Trade Capacity Building**

The TPA provides for a Committee on Trade Capacity Building, which is charged with seeking the prioritization and coordination of assistance to support effective implementation of the TPA and to adjust to more liberalized trade. It will begin meeting in 2013.

## **13. Peru**

### **a. Overview**

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

The United States' two-way goods trade with Peru was an estimated \$15.7 billion in 2012, with U.S. goods exports to Peru totaling \$9.3 billion.

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

### **b. Elements of the PTPA**

#### **i. Operation of the Agreement**

The PTPA's central oversight body is the United States-Peru Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Peruvian Minister of Foreign Trade and Tourism or their designees. The FTC is responsible for overseeing implementation and elaboration of the PTPA. In addition to the FTC, several committees are established under the agreement to address implementation and ongoing bilateral issues. In June 2012, the first meetings of the Committee on Agriculture and the Standing Committee on Sanitary and Phytosanitary Measures established under the PTPA were held in

Washington, D.C. The Committee on Textiles and Apparel Trade Matters also met. These committees will report their findings at the next FTC meeting, to be held in early 2013.

## **ii. Labor**

USTR continues to engage with the government of Peru to review progress on the implementation of the PTPA's labor provisions. With trade capacity building funds, USAID is implementing programs to improve the enforcement capacity of the Peruvian Ministry of Labor and to strengthen worker organizations and educate workers on their labor rights. The U.S. Department of Labor (DOL) is supporting the Solidarity Center to build the capacity of worker organizations in Peru.

On December 29, 2010, the U.S. Department of Labor (DOL) received a public submission from the Peruvian National Union of Tax Administration Workers under the PTPA Labor Chapter. The submission alleged that the government of Peru had failed to live up to its commitments under Article 17.2.1 of the PTPA by not effectively recognizing the right to collective bargaining at the National Superintendency of Tax Administration. DOL issued a report in August 2012 that concluded that the government of Peru made important progress to address the underlying issues in the submission and that formal consultations under the PTPA were not necessary to continue positive engagement and progress with Peru on these matters.

## **iii. Environment**

The Parties have continued their work to ensure the proper implementation of environmental obligations under the PTPA Environment Chapter and the Annex on Forest Sector Governance. Peru achieved a major advancement in implementation of its environmental obligations in July 2011 with enactment of a new Forestry and Wildlife Law. Peru continues to work on the implementing regulations for the new Law and anticipates completing this process in 2013. In addition, Peru continues to make progress on a number of other actions to further implementation of its Annex obligations. For example, Peru has increased criminal penalties for violations of Peruvian forestry and wildlife laws; established an independent forestry oversight body that has conducted nearly 2000 supervisions of forestry concessions and other rights holders since 2009; prohibited the transport, including export, of timber products that lack documentation of legal origin; and required visual inspections prior to approving annual operating plans to verify the presence of cedar and mahogany species protected under the Convention on International Trade in Endangered Species of Wild Flora and Fauna.

On May 31, 2012, the United States and Peru convened the second meeting of the Environmental Affairs Council (EAC). At the EAC meeting, officials discussed implementation of the PTPA's Environment Chapter and Annex on Forest Sector Governance, and how to ensure proper monitoring of, implementation of, and compliance with, the Chapter and Annex obligations. Both Governments acknowledged the progress and collaborative work that has taken place since the PTPA entered into force. A public session of the EAC was held where representatives of the U.S. Trade and Environment Policy Advisory Committee as well as other stakeholders exchanged views with USTR and other Federal agency officials about implementation of the Environment Chapter.

On May 30, 2012, the two Governments convened the fourth meeting of the United States-Peru Forest Sector Subcommittee. The Subcommittee serves as a forum for the Parties to exchange views and share information on any matter arising under the PTPA's Annex on Forest Sector Governance. The Parties agreed to continue working together to ensure that Peru completes the necessary steps to fully implement its obligations under the Annex. The Subcommittee included a public session for civil society and other

stakeholders. The sessions provided stakeholders with an opportunity to raise concerns, suggest items to be addressed in future meetings, and provide advice on issues related to implementation of the Annex.

In April 2012, a non-governmental organization petitioned USTR to request the government of Peru to audit or verify certain shipments, producers, and exporters of bigleaf mahogany and Spanish cedar, as provided for under the PTPA Annex on Forest Sector Governance. The Interagency Committee on Trade in Timber Products from Peru carried out a thorough review of the petition and its underlying documentation and engaged in extensive consultations with the government of Peru. In December 2012, the Committee decided to take the following actions to address the concerns its review had highlighted, in order to contribute to the ongoing reform and enforcement efforts Peru is undertaking: (1) seek agreement from the government of Peru on specific actions it will undertake to address the challenges that Peru faces with respect to the management of bigleaf mahogany and Spanish cedar; (2) target U.S. capacity-building resources to assist Peru to carry out these actions; and (3) regularly monitor Peru's progress. The Committee will continue to monitor the situation in Peru, particularly with respect to the forestry concessions identified in the petition, and consider any additional actions that may be warranted.

#### **iv. Trade Capacity Building**

Since 2009, the USDA/Foreign Agricultural Service (FAS) with financial support from USAID/Lima have provided targeted capacity building in the areas of sanitary and phytosanitary (SPS) regulatory and surveillance systems, agricultural research, and agricultural education to support the implementation of the PTPA.

## **14. Singapore**

The United States-Singapore Free Trade Agreement (FTA) has been in force since January 1, 2004. Two-way goods trade with Singapore totaled \$50.7 billion in 2012, up 60 percent from 2003 (the year before the FTA's entry into force). U.S. goods exports were \$30.6 billion, up 84 percent from 2003, and U.S. goods imports were \$20.2 billion, up 30 percent from 2003. In 2012, the United States had an estimated \$10.4 billion trade surplus in goods, and an estimated \$7.6 billion trade surplus in private services with Singapore.

The United States and Singapore held regular consultations throughout 2012 to discuss implementation of the FTA. In 2012, the two sides discussed a range of issues covered by the FTA, including trade in textiles and apparel, restrictions on imports of U.S. beef, protection of intellectual property rights, new requirements for pay television companies to cross-carry content from competing providers, and continued environmental and labor cooperation efforts. The United States also met with Singapore to expand cooperation in the Trans-Pacific Partnership as well as through WTO and APEC initiatives.

## **B. Other Bilateral and Regional Initiatives**

### **1. The Americas**

#### **a. Free Trade Agreements**

During 2012, the United States' free trade agreements with Colombia and Panama entered into force. In addition, the United States continued to implement, enforce, and benefit from its four other FTAs covering the following countries in the Americas: Canada and Mexico under NAFTA; Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua under CAFTA-DR; Chile; and Peru. The United States began its domestic consultative process with respect to Mexico and Canada



joining the Trans-Pacific Partnership (TPP) negotiations in November 2011, and this process concluded in October 2012, with Mexico and Canada joining the negotiations. Expanding the negotiations to include additional countries throughout the Asia-Pacific region has been a longstanding U.S. objective. The participation of Mexico and Canada advances this goal and further increases the economic significance of a TPP Agreement.

A description of USTR's FTA focused activity in this region during 2012 can be found in Chapter III.A.

#### **b. Trade and Investment Framework Agreements and other Bilateral Trade Mechanisms**

USTR chairs bilateral meetings with non-FTA partners in the Americas to discuss market opening opportunities, including improving access for small and medium sized businesses and resolving trade issues with those governments. During 2012, the United States met with the Caribbean Community under the Agreement Between the Government of the United States of America and the Caribbean Community ("CARICOM") Concerning a United States-CARICOM Council on Trade and Investment ("TIC"). The meeting took place in Georgetown, Guyana on March 31, 2012. It addressed a number of specific trade concerns; explored new areas of cooperation, such as with respect to small and medium enterprises; and discussed a proposal to consider the extension of benefits available under the Caribbean Basin Initiative to eligible CARICOM Member States not yet receiving certain benefits.

#### **c. Other Priority Work**

The United States continued its engagement with other countries in the region, aimed at fostering bilateral trade relations and resolving trade problems during 2012. Highlights of USTR's other priority activities in the region include:

##### *Brazil:*

- In March 2012, the United States hosted the first meeting of the United States-Brazil Commission on Economic and Trade Relations, which was established under the United States-Brazil Agreement on Trade and Economic Cooperation (ATEC). The ATEC was signed during President Obama's March 2011 trip to Brazil to deepen our engagement with Brazil and expand our trade and investment relationship on a broad range of issues including trade facilitation, intellectual property rights and innovation, and technical barriers to trade. During the March 2012 Commission meeting, the United States and Brazil agreed to establish a Bilateral Investment Dialogue, which held its first meeting on September 28, 2012, and a Working Group on Intellectual Property Rights and Innovation.

##### *Canada:*

- Building on the February 2011 announcement by President Barack Obama and Canadian Prime Minister Stephen Harper establishing the United States-Canada Regulatory Cooperation Council (RCC), draft work plans for each of the 29 initiatives set out in the associated Joint Action Plan were shared with interested stakeholders from both sides of the border at an RCC stakeholder engagement event held in January 2012 in Washington, DC. Following stakeholder input and negotiations between Canada and the United States, all 29 work plans were completed and posted on the RCC's Canadian and U.S. websites between February and July 2012.
- The United States welcomed the June 2012 passage of Canada's Copyright Modernization Act. Copyright reform in Canada has been a longstanding bilateral issue and this legislation will bring Canada into compliance with its WIPO Internet Treaties obligations. The United States continues

to encourage Canada to provide for deterrent level sentences to be imposed for IPR violations, as well as meet its Anti-Counterfeit Trade Agreement (ACTA) obligations by providing its customs officials with *ex officio* authority to stop the transit of counterfeit and pirated products through its territory. U.S. stakeholders have also expressed strong concerns about the adequacy of the protection of patents in Canada, including the Canadian Courts' new patent utility test that has been adopted with respect to pharmaceuticals, and Canada's administrative process for reviewing the regulatory approval of pharmaceutical products.

- The United States and Canada signed a two-year extension of the 2006 United States-Canada Softwood Lumber Agreement (SLA), so that the Agreement will be in effect through October 12, 2015. The United States continues to enforce the SLA. In 2008, the United States requested arbitration over several provincial assistance programs that appeared to provide subsidies to Canadian producers in circumvention of the SLA. As a result of an SLA arbitration award issued in 2011 in favor of the United States, Canada continues to impose additional export charges on shipments of softwood lumber products to the United States from Quebec and Ontario.
- As a result of the 1998 United States-Canada Record of Understanding on Agricultural Matters, the United States-Canada Consultative Committee on Agriculture (CCA) and the Province/State Advisory Group were formed in 1999 to strengthen bilateral agricultural trade relations and to facilitate discussion and cooperation on matters related to agriculture. The CCA met in June 2012 and November 2012 to reinforce the close working relationship between the two Governments and their respective agricultural sectors.
- The United States has had longstanding concerns about the monopolistic marketing practices of the Canadian Wheat Board. As of August 1, 2012, the Canadian Wheat Board's exclusive marketing authority over Western Canadian wheat and barley was eliminated, and end-use certificates are no longer required. On August 31, 2012, the United States also terminated its requirement for Canadian exporters to use end-use certificates.

*Mexico:*

- USTR has worked with Mexico to strengthen intellectual property protection. In June 2012, Mexico's health regulatory agency issued guidelines to implement its obligation under NAFTA to provide regulatory data protection for new chemical entities for a period of not less than five years. In July 2012, Mexico signed the Anti-Counterfeiting Trade Agreement (ACTA), a landmark agreement on intellectual property rights. Mexico was one of the original launch countries and an important partner.
- In May 2010, President Obama and then Mexican President Calderón created a High Level Regulatory Cooperation Council (HLRCC), which would work to "increase regulatory transparency, provide early warning of regulations with potential bilateral effects, strengthen the analytic basis of regulations, and help make regulations more compatible." The HLRCC finalized its Terms of Reference in March 2011 and released its workplan in February 2012. The workplan covers seven areas: Food, Transportation, Commercial Motor Vehicle Safety Standards and Procedures, Nanotechnology, E-Health, Offshore Oil and Gas Development Standards, and Accreditation of Conformity Assessment Bodies.
- Mexico remains one of the most important markets for U.S. agricultural products. In 2012, the United States worked with Mexico to remove Mexican barriers to exports of U.S. beef products. In addition, the United States continues to monitor Mexico's use of sanitary and phytosanitary

measures to ensure that they are not applied in a way that would improperly impede U.S. exports.

## **2. Europe and the Middle East**

USTR's Office of Europe and the Middle East is responsible for bilateral trade relations with the European Union (EU) and its 27 Member States, non-EU European countries, Russia and certain of its neighbors, the Middle East, and North Africa. Priority activities in 2012 included: building initiatives in the MENA region to support ongoing political and economic reforms and trade and investment integration, including through the implementation of FTAs, BITs, and TIFAs; strengthening United States-EU trade relations to promote shared interests while addressing chronic and emerging EU barriers to U.S. exports, including exploring whether to launch negotiations on a comprehensive transatlantic trade and investment agreement; integrating Russia and other countries into the global trade community by completing negotiations for membership in the WTO and pressing for permanent normal trade relations with Russia and Moldova; and working with countries wherever possible, through TIFAs and other arrangements, to resolve trade concerns, expand trade and investment opportunities, and foster commercial and trade policies grounded in the rule of law.

### **a. New Approaches to Engagement with the Middle East and North Africa**

The revolutions and other changes that have been sweeping through the MENA region since 2011 have prompted a comprehensive reevaluation of U.S. trade and investment policies toward this critical part of the world. The dramatic developments in certain countries, most notably Egypt, Tunisia, and Libya, have provided new opportunities for engagement, as well as new challenges, with respect to trade and investment issues. In response to these events, and pursuant to the President's call in his May 2011 speech to establish a new trade and investment partnership initiative with the MENA region, USTR coordinated with other Federal agencies, outside experts, and stakeholders in both the United States and MENA partner countries to identify prospective areas for cooperation which could yield the quickest result in terms of increased trade and investment. The Administration's initial focus has centered on developing initiatives with respect to trade facilitation, investment, and the Information and Communications Technology (ICT) sector, in addition to developing longer-term trade and investment objectives with trading partners in the region. In the context of the G-8's Deauville Partnership with Arab Countries in Transition, the United States has been working wherever possible to collaborate in its efforts with the EU, Turkey, and other trading partners and international organizations who share common interests in the stability and prosperity of the region. In addition, the United States continued to monitor, implement, and enforce U.S. FTAs in the region, re-launched TIFA consultations with Tunisia, and pursued discussions on ways to cooperate more closely with Egypt.

Also in 2012, the United States increased its engagement with the Gulf Cooperation Council (GCC) countries by signing the Framework Agreement for Trade, Economic, Investment and Technical Cooperation with the GCC and its six member states (Saudi Arabia, United Arab Emirates, Bahrain, Oman, Qatar, and Kuwait). The GCC continues to develop as a regional organization, aiming to harmonize standards, import regulations, and conformity assessment systems affecting U.S. trade. Enhanced U.S. dialogue with the organization should help ensure that U.S. interests are fully represented as the GCC sets future policies.

### **b. Deepening U.S.-EU Trade Relations**

The U.S. trade and investment relationship with the EU is the largest and most complex economic relationship in the world. Transatlantic trade flows (goods and services trade plus earnings and payments

on investment) averaged over \$4 billion each day of 2012. The total stock of transatlantic investment was \$3.7 trillion in 2011. These enormous trade and investment flows constitute a key pillar of prosperity for the United States and Europe, and countries around the world benefit from access to the markets, capital, and innovations of the transatlantic economy.

On February 13, 2013, following a year-long joint U.S.-EU exploration of options for expanding U.S.-EU trade, President Obama and EU leaders announced (<http://go.usa.gov/4sSC>) that the United States and the EU would each initiate the internal procedures necessary to launch negotiations on a Transatlantic Trade and Investment Partnership, a comprehensive trade and investment agreement. The leaders' decision was based on the recommendations in the February 11, 2013 Final Report of the U.S.-EU High Level Working Group on Jobs and Growth (<http://go.usa.gov/4sSd>), a joint body, established during the November 2011 U.S.-EU Summit Meeting, which spent 2012 examining a range of options for expanding transatlantic trade. In June 2012, the Working Group had submitted an Interim Report, which concluded that "a comprehensive transatlantic trade and investment agreement, if achievable, was the most promising option for expanding transatlantic trade and promoting jobs, growth, and competitiveness in both economies."

In its Final Report, the High Level Working Group concluded that "a comprehensive agreement that addresses a broad range of bilateral trade and investment issues, including regulatory issues, and contributes to the development of global rules, would provide the most significant mutual benefit of the various options" it had considered. The Working Group characterized a comprehensive trade and investment agreement as one that "would include ambitious reciprocal market opening in goods, services, and investment, and would address the challenges and opportunities of modernizing trade rules and enhancing the compatibility of regulatory regimes." The Working Group further noted that an agreement of this kind "could generate new business and employment by significantly expanding trade and investment opportunities in both economies; pioneer rules and disciplines that address challenges to global trade and investment that have grown in importance in recent years; and further strengthen the extraordinarily close strategic partnership between the United States and Europe." Negotiations on the Transatlantic Trade and Investment Partnership will commence after each side has completed relevant internal procedures.

During 2012, in parallel with its work on the High Level Working Group on Jobs and Growth, USTR and other agencies interacted extensively with counterparts in the major EU governing institutions (the European Commission, the European Parliament, and the European Council) and with EU Member State governments on a number of trade policy priorities:

- *Intellectual Property*: USTR engaged the EU on several important IPR issues during 2012, including identifying shared goals and strategies for promoting strong IPR protection and enforcement in key third country markets and international organizations. For example, the Transatlantic IPR Working Group (TIPRWG) focused in 2012 on U.S.-EU priority issues, such as trade secret protection, and will continue this work in 2013, as well as addressing other topics, such as how best to promote an economic environment conducive to innovation. While the United States and the EU worked closely together to bring negotiations on the Anti-Counterfeiting Trade Agreement (ACTA) to conclusion, the European Parliament rejected the Agreement in 2012. Regarding geographical indications (GIs), the United States continued to promote and protect access to foreign markets for U.S. producers whose products use trademarks and generic terms, and to combat expansive GI rules that disadvantage U.S. exporters in the EU and in other markets where the European Commission has persuaded governments to adopt GI protections. USTR also led engagement aimed at promoting strong IPR protection and enforcement in individual European countries, including combating piracy of content over the Internet in Italy, Spain, and Switzerland.

- *Science-Based Regulation:* USTR has worked closely with USDA to expand markets for U.S. agricultural producers by encouraging EU regulators to ensure that their decisions are science-based. By year's end, the EU was moving closer to allowing the import and sale of beef that had been treated with lactic acid, a natural substance with which U.S. producers control potentially harmful bacteria on beef production lines. This further opening of the EU beef market will strengthen the successful 2009 United States-EU beef Memorandum of Understanding, which has led to a significant increase in U.S. exports of high-quality beef to the EU. U.S. and EU veterinary authorities also reached agreement on conditions for exporting U.S. breeding swine to the EU. USTR continued to lead U.S. engagement with the EU, both in Brussels and in meetings of the WTO Dispute Settlement Body, concerning regulations restricting imports of several other major U.S. food and agricultural products, including agricultural biotechnology products. (See Chapter V.A. for additional information)
- *Enlargement Compensation Negotiations:* The United States and the EU in 2012 signed an agreement concluding long-running negotiations under WTO rules regarding tariff compensation owed by the EU to the United States in connection with the 2007 EU enlargement to include Bulgaria and Romania. The agreement establishes or increases EU tariff rate quotas allocated to the United States for several agricultural products. The agreement will enter into force once the parties complete final internal approval processes, envisioned for the first quarter of 2013.
- *Joint Efforts on Shared Concerns in Third Country Markets:* The United States and the EU collaborated during 2012 on developing and implementing joint strategies to address market access and other trade-related problems of common concern in major emerging markets and other countries, including China, Russia, Japan, and Ukraine.
- *Joint U.S.-EU Promotion of Trade- and Investment-Related Reforms/Best Practices:* In 2012, the United States and the EU explored new avenues for cooperation in promoting trade- and investment-related reforms in the Middle East and North Africa. Initial areas of focus included support for small and medium sized enterprises (SMEs), regional integration, and trade facilitation. The United States and the EU also worked together to promote their April 2011 Trade Principles for Information Communication Technologies (ICT) Services Trade in the WTO Committee on Trade in Services and in bilateral discussions with third countries; Mauritius and Japan signed on to the principles in 2012. A United States-EU Investment Working Group developed joint investment principles, issued in April 2012, which the United States is promoting in the Middle East and North Africa under the Deauville Partnership. As noted above, Morocco has agreed to endorse the investment principles and the ICT principles, and we are nearing conclusion with Jordan on both sets of principles.
- *Transatlantic Economic Council (TEC):* Under the TEC umbrella, USTR and other agencies collaborated with the EU during 2012 on several initiatives, including making progress on harmonizing standards for electric cars; implementing a 2011 work plan on industrial raw materials that includes strong cooperation on reducing barriers to trade and promoting exchanges of information on material flows; and conducting two U.S.-EU workshops for SMEs to exchange best practices aimed at facilitating SME participation in international trade. As a result of the SME engagement, the U.S. Department of Commerce and the EU Commission Directorate General for Enterprise signed a Memorandum of Understanding on December 3, 2012 to promote international trade and business cooperation between U.S. and European SMEs, including joint trade promotion in transatlantic and third country markets.



### **c. A New Stage in United States – Russia Trade Relations with Russia in the WTO.**

On August 22, 2012, Russia became the 156<sup>th</sup> Member of the WTO. On December 14, President Obama signed legislation authorizing the termination of the application of the Jackson-Vanik amendment and the extension of permanent normal trade relations to Russia. On December 21, the United States and Russia each filed a letter with the Director General of the WTO notifying the WTO that they withdrew their earlier notices of non-application and thus consented to the application, following nearly 20 years of negotiations, of the WTO Agreement between them. Russian membership in the rules-based WTO system will benefit U.S. businesses and workers by increasing the predictability, transparency and accountability of Russia's economic regime, thus improving the environment for trading with, and investing in, Russia (*See Chapter II.J.6 for more information*). Russia's WTO membership will also make tools available to the United States to enforce Russia's WTO obligations.

In the months preceding Russia's entry into the WTO, USTR closely monitored the Russian government's implementation of the measures necessary to ensure that Russia, on day one as a WTO Member, could abide by its WTO commitments. This work covered such areas as Russia's commitments on import licensing, Intellectual Property Rights (IPR), services, and tariffs. USTR will continue to monitor how Russia implements these commitments.

During Russia's WTO accession process, the United States continued its efforts to open Russia's market to exports of U.S. goods and services, including in such sectors as automobiles, consumer electronics, agriculture equipment, steel scrap, and distilled spirits. USTR, in conjunction with USDA, continued to express opposition to Russia's imposition of sanitary and phytosanitary measures that appear to be inconsistent with international standards and not based on science.

Although Russia made important strides in protecting IPR in acceding to the WTO, the United States continued to urge greater protection of IPR in Russia, particularly with regard to piracy on the Internet. To that end, on December 20, 2012 under the aegis of the Bilateral Intellectual Property Rights Working Group, the United States and Russia agreed on a Bilateral IPR Action Plan, identifying specific ways in which the United States and Russia can work together on IPR protection and enforcement. USTR, working with colleagues at the U.S. State Department, also continued technical discussions with the Russian government to explore the feasibility of negotiating a bilateral investment treaty.

The United States has also continued to monitor the implementation of the Russia-Kazakhstan-Belarus Customs Union, and its planned evolution into the Common Economic Space. In addition, USTR officials participated in meetings of various working groups established under the United States-Russia Bilateral Presidential Commission.

### **d. Other Priority Trade Activities**

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

Notable activities in 2012 included:

- *Turkey*: U.S. bilateral economic ties with Turkey have grown steadily over the last 15 years. However, there is additional room for growth in trade and investment given Turkey's continuing development as a market, as well as its emerging role as a business hub straddling the Europe, Central Asia, and MENA regions. Recognizing Turkey's importance as a trading

partner, USTR and the U.S. Department of Commerce co-chair U.S. participation in a ministerial-level forum for bilateral engagement on economic and trade issues, the Framework for Strategic Economic and Commercial Cooperation (FSECC). Building on existing senior official level bilateral consultations in the economic area (for example, under the United States-Turkey TIFA), the FSECC aims to reduce and eliminate barriers to bilateral trade and investment; create opportunities for U.S. workers, farmers, and firms; and otherwise enhance bilateral economic cooperation. The first formal ministerial-level meeting of the FSECC co-chairs occurred in Washington in October 2010 and the latest was held in Ankara in June 2012. During the FSECC meetings, the United States and Turkey have focused on issues such as energy, trade in goods and services, cooperation in third country markets, and fuller engagement with and between the private sectors of both countries. The next FSECC meeting currently is envisioned for mid- to late-2013.

- *Ukraine:* The United States has condemned Ukraine's attempt in 2012 to revise its WTO tariff bindings on over 350 key agricultural and non-agricultural products, and is working with other concerned WTO Members to get Ukraine to rescind its request. The United States also continued to work with the government of Ukraine to improve the protection and enforcement of intellectual property rights, and to address concerns with Ukraine's administration of its customs and tax regimes.
- *Southeastern Europe:* In 2012, the United States continued to engage the countries of this region on a variety of trade issues, including the WTO accessions of Bosnia and Herzegovina and of Serbia, participation in U.S. preference programs, and IPR protection.

### **3. Japan, Korea, and the Asia-Pacific Economic Cooperation Forum**

#### **a. Japan**

##### *United States-Japan Trade Relations*

In 2012, the United States continued to engage Japan on a broad array of trade and trade-related issues, with the goal of expanding access to Japan's market. Outcomes from the U.S.-Japan Economic Harmonization Initiative (EHI), our forum for bilateral engagement on trade and economic issues, were released in January 2012. These outcomes reflected a range of improvements by Japan in its business environment and expanded access to the Japanese market for a broad range of U.S. goods and services, including in areas such as intellectual property protection, information and communication technology services and products, automotive imports, medical devices, pharmaceuticals, agricultural products, and distribution services. For example, Japan improved transparency and predictability for the import of automobiles that incorporate new, advanced technologies and features not covered by existing regulation. Also, Japan introduced new legal protections that enhance the ability of intellectual property rights holders to defend their products and services from unauthorized use through technological measures, such as copy and access controls.

The United States and Japan also jointly pursued new areas of cooperation in the EHI across a wide range of topics of mutual interest. Among these, the United States and Japan agreed on a set of non-binding trade principles for information and communication technology (ICT) services and will promote wide adoption of these principles by other countries to support the global development of ICT services. These include Internet and other network-based applications that are critical to innovative e-commerce, Internet search and advertising, cloud computing, and other services. The principles cover a range of topics including regulatory transparency, open access to networks and applications, free flow of information

across borders, as well as non-discriminatory treatment of digital products, foreign investment in ICT services, and efficiency in spectrum allocation.

The United States welcomed Prime Minister Noda's November 2011 expression of Japan's intention to begin consultations with Trans-Pacific Partnership (TPP) countries towards joining the TPP negotiations. In 2012, USTR continued the process of bilateral consultations to assess Japan's readiness to meet the TPP's high standards for liberalizing trade and to address specific issues of concern to the United States regarding barriers to agriculture, services, and manufacturing trade, including non-tariff measures. These consultations with Japan were carried out in parallel with close consultations with the U.S. Congress and domestic stakeholders.

The United States also continued to urge full resolution of longstanding bilateral irritants, including restricted access for U.S. beef, additional concerns related to limited access for U.S. motor vehicles, and the lack of a level playing field between Japan Post and private companies in the banking, insurance, and express delivery sectors

In late 2012, the United States and Japan began consultations with Japan toward addressing long-standing concerns related to Japan's import restrictions on U.S. beef related to bovine spongiform encephalopathy (BSE).

In addition, the United States worked closely with Japan to address shared trade concerns, including those in third-country markets, bilaterally and multilaterally. This included closely coordinating on World Trade Organization (WTO) dispute settlement matters, working together to ensure that the Anti-Counterfeiting Trade Agreement (ACTA) can come into force as soon as possible, and jointly promoting common objectives in the Asia-Pacific Economic Cooperation (APEC) forum.

## **b. Republic of Korea**

*See Section III.A for discussion of the United States-Korea Free Trade Agreement*

In addition to USTR's interactions with counterparts in the Korean government under the U.S.-Korea Free Trade Agreement (FTA), bilateral trade consultation meetings continue to be held to address bilateral trade issues in a timely fashion with relevant FTA committees and working groups, as well as to discuss emerging issues that may fall outside the FTA. These meetings, which USTR leads, and in which other U.S. international economic agencies participate, are augmented by a broad range of senior level policy discussions. In 2012, the United States and Korea consulted on a number of bilateral trade issues in this fashion, including ensuring that government agencies do not use unlicensed or copyright infringing software, organic food regulations, and information technology services, among others.

Since Korea reopened its market to imports of U.S. beef in June 2008, it has provided important market access for U.S. beef and beef products from animals less than 30 months of age. From January through November 2012, U.S. exports of beef and beef products to Korea topped \$509 million, making Korea the fourth largest U.S. beef export market.

The United States and Korea also cooperated extensively in a wide range of multilateral fora to advance opening markets. In APEC, the two economies worked together closely to achieve significant and concrete outcomes on a variety of initiatives to strengthen regional economic integration in the Asia-Pacific, in particular to reach agreement on the ground-breaking APEC List of Environmental Goods.

## c. APEC

### *Overview*

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

At the September 2012 meeting in Vladivostok, APEC Leaders committed to a series of significant and meaningful outcomes that will advance trade and investment in the region. The most significant outcome was reaching agreement on a commercially and environmentally credible APEC List of Environmental Goods on which APEC economies will cut tariffs to 5 percent or less, as was agreed by Leaders in 2011. This marks the first time that trade negotiations have produced such a list of environmental goods for tariff cuts. This historic outcome will make a significant contribution to the Obama Administration's goals to increase exports and jobs, as well as its strong commitment to promoting green growth and sustainable development.

Leaders also agreed to address next generation trade and investment issues, including by advancing APEC's work to promote non-discriminatory and market-driven innovation policy; advance a comprehensive effort to improve supply chain performance in the region; launch work to address local content requirements that distort trade and investment; swiftly conclude negotiations to expand the product scope of the WTO Information Technology Agreement; and refrain from imposing export restrictions on food, which will help reduce price volatility.

In 2011, the 21 APEC member economies collectively accounted for 44 percent of world trade and 55 percent of global GDP. In 2012, United States-APEC total trade in goods was an estimated \$2.4 trillion. Total trade in services was \$346 billion in 2011 (latest data available). The significant volume of U.S. trade in the Asia-Pacific region underscores the importance of the region as a market for U.S. exports.

### *2012 Activities*

*Agreement on an APEC List of Environmental Goods:* In 2011 in Honolulu, under the leadership of President Obama, APEC Leaders committed, as part of their efforts to promote green growth, to reduce tariffs on environmental goods to 5 percent or less by 2015 based on a list that would be developed in 2012. In 2012, in Vladivostok, APEC Leaders delivered on that commitment and reached consensus on a list of 54 credible environmental goods, including such core products as renewable and clean energy technologies, wastewater treatment technologies, air pollution control technologies, solid and hazardous waste treatment technologies, and environmental monitoring and assessment equipment. Currently, tariffs on these products can run as high as 35 percent in the region. The United States exported \$27 billion of these environmental goods to the region in 2011, of which \$1.2 billion faced tariffs above 5 percent. APEC regional trade in the products on the APEC List of Environmental Goods in 2010 totaled \$185 billion, and APEC makes up 60 percent of world exports of these products. Reducing tariffs on these environmental goods will help APEC businesses and citizens access important environmental technologies at lower cost, which in turn will produce environmental benefits and improve the quality of life and living standards of people across the Asia-Pacific region due to a cleaner environment. It will also contribute significantly to APEC's core mission to promote free and open trade and investment.

*Addressing Next Generation Trade and Investment Issues:* In 2012, APEC Leaders declared their ongoing commitment to address next generation trade and investment issues as an important aspect of APEC's

work to further integration of APEC economies and expansion of trade throughout the region. This work also helps to bring APEC economies' trade policies in line with the realities of the regional environment that U.S. businesses face. To that end, under U.S. leadership, APEC Leaders agreed to continue work to implement policies that will promote effective, non-discriminatory, and market-driven innovation policies by producing a set of guidelines in 2013 that will assist economies in integrating their 2011 commitments in this area into their domestic policy frameworks.

As a new issue for 2012, APEC Leaders endorsed a model FTA chapter on transparency. Increasing transparency as rules and regulations are developed is an important step to prevent the emergence of non-tariff barriers that make it difficult for U.S. companies to do business in the Asia-Pacific region. The model chapter includes examples of provisions on which economies can draw when drafting and negotiating transparency chapters in their FTAs. Elements include: (1) publication of measures, (2) rules governing how public consultations will be conducted, (3) establishment of contact points and other procedures to facilitate communication between Parties to an agreement, (4) conditions required for prompt review and correction of final administrative actions, and (5) standards for review and appeal.

*Establishing Reliable Supply Chains:* In order to advance progress towards the 2010 Leaders' commitment to achieve an APEC-wide 10 percent improvement by 2015 in supply chain performance, in terms of reducing the time, cost, and uncertainty of moving goods and services through the Asia-Pacific region, Leaders directed APEC officials to adopt a more systematic approach to addressing supply chain chokepoints. Through this approach APEC will identify areas where government policy can be improved and develop targeted and focused capacity building to assist economies in making those improvements. This work will make it significantly cheaper, easier, and faster for businesses to trade in the region. Examples of the types of chokepoints include burdensome customs procedures and documentation requirements, inefficient clearance of goods at the border, and inadequate transportation infrastructure, among other issues important to the logistics sector.

*Launching Work on Local Content Requirements:* Conditions placed on businesses to source parts and components from domestic suppliers limit export opportunities and disrupt global supply chains. Recognizing this, APEC Ministers' committed to begin work in 2013 to address local content requirements in the region, including by discussing ways economies can promote job creation and competitiveness that enhance, rather than distort, trade. Local content requirements are even more challenging for small and medium-sized businesses that do not have the capital and other resources to comply with such requirements by producing abroad. APEC initiating this work will be an important step to stem the growing proliferation of these measures around the world and address their potentially negative effect on the global trade regime.

*WTO Information Technology Agreement:* APEC Leaders and Ministers instructed officials to work in earnest to swiftly achieve a good outcome in the negotiations to expand coverage and membership in the WTO Information Technology Agreement, and called on all APEC economies to join the agreement.

*Reducing Food Price Volatility:* At the urging of the United States, APEC Leaders reiterated their pledge against protectionism by recognizing that bans or restrictions of food exports exacerbate food price volatility and threaten the most vulnerable populations. Reducing food price volatility will help calm markets and ease fears of social and economic instability that past price volatility due to export restrictions has caused in the developing world. APEC Leaders also: confirmed their determination to ensure fair and open markets and their commitment to ensure greater agricultural productivity through the development of food market infrastructure and reductions in post-harvest losses; recognized the benefits of harmonizing food safety standards; encouraged the utilization of innovative agricultural technologies; and recognized the need to combat illegal, unregulated, and unreported fishing. The newly created Policy Partnership on Food Security, which is the primary consultative forum for food security policies within



APEC and consists of public and private sector members, developed its action plan and set out its long term vision for a food system that aims to ensure food security within APEC by 2020.

*Advancing Regulatory Cooperation:*In an effort to prevent barriers to trade in chemicals, APEC agreed to a Regulatory Cooperation Action Plan for chemicals aimed at providing tools, information, and risk management techniques to promote the sound management of chemicals in the APEC region. In addition, APEC continued its work to assist in the implementation of the Globally Harmonized System (GHS) of Classification and Labeling, and considered challenges to the chemical industry presented by different approaches to regulating chemicals in articles. APEC also initiated concrete steps to implement the 2011 strategic framework for a multi-year program of activities for achieving regulatory convergence for medical products by 2020. A key output was the 2012 agreement on a roadmap and associated multi-year training project to promote global medical product quality and supply chain integrity. APEC economies also reported on the steps they had taken to implement the 2011 agreement to streamline regulatory procedures for the temporary importation of advanced technology, alternative-fuelled demonstration vehicles.

*Support for the Multilateral Trading System:*APEC Leaders and Ministers welcomed and encouraged WTO Members to engage in discussions on new, pragmatic approaches to achieve a successful multilateral conclusion of the Doha Round, consistent with its mandate. There was also a reaffirmation of the APEC Leaders' commitment to refrain from protectionist measures, including raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-consistent measures to the end of the year 2015.

## **4. China, Hong Kong, and Taiwan**

### **a. China**

See 2012 USTR Report to Congress on China's WTO Compliance:  
[http://www.ustr.gov/webfm\\_send/3620](http://www.ustr.gov/webfm_send/3620).

### **b. U.S.-Hong Kong Trade Relations**

The United States continued its efforts to expand trade with Hong Kong, a Special Administrative Region of the People's Republic of China. Although Hong Kong's market is currently open to deboned beef from animals less than 30 months of age, the United States is pressing Hong Kong to expand access to its market for imports of all U.S. beef and beef products, which have been restricted since December 2003. Hong Kong authorities conducted a verification visit to beef processing facilities in the United States in October 2009 and prepared a report based on their findings in August 2010. The United States is actively engaged with Hong Kong to establish science-based access for U.S. beef and beef products in 2013.

### **c. U.S.-Taiwan Trade Relations**

During 2012, the United States worked to expand opportunities for U.S. exports to Taiwan. Working level officials engaged Taiwan throughout the year under the Bilateral Trade and Investment Framework Agreement (TIFA) process, conducted under the auspices of the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO), on the range of issues affecting bilateral trade and investment ties, including during a visit by a USTR-led interagency staff-level delegation to Taipei in October 2012. Concerns regarding Taiwan's shortcomings in meeting its bilateral obligations and additional concerns about whether certain of Taiwan's sanitary and phytosanitary

measures are based on science have made it impossible to hold a high-level meeting of the TIFA Council on Trade and Investment. The establishment of a maximum residue level (MRL) for ractopamine use in beef in September 2012 by Taiwan authorities was an important step forward in rebuilding confidence in Taiwan as a reliable trading partner. Fully implementing this MRL, and continuing to make progress in establishing a food safety regime reliably based on science will be critical to reenergizing the bilateral trade relationship. The United States will engage Taiwan closely in 2013 to seek resolution of these and other high-priority policy concerns.

The United States continues to press Taiwan to address a number of U.S. concerns regarding Taiwan's sanitary and phytosanitary measures. As noted above, in September 2012, Taiwan ended one aspect of its long-standing ban on ractopamine by establishing an MRL for its use in beef muscle cuts. Ractopamine is a feed additive that improves feed efficiency, increases meat yield, and reduces waste. Ractopamine is approved for use in the United States and many other countries. The Taiwan authorities did not follow the approach taken by the Codex Alimentarius Commission (CODEX), on ractopamine, however, and did not establish MRLs for ractopamine in pork or in other beef products. As a result, the restrictions continue to disrupt primarily U.S. exports of pork to Taiwan.

In 2007, after conducting a risk assessment, Taiwan itself found no health risk and notified the WTO of its intention to establish a maximum residue level (MRL) for ractopamine in beef and pork. With regard to ractopamine, and more generally, the United States has continued to urge Taiwan to move forward with implementing science-based measures. For example, Taiwan's failure to adopt internationally established pesticide and other agrochemical MRLs, or develop its own science-based MRLs in a timely manner, has resulted in rejections of various U.S. agricultural products, including fresh fruits and vegetables, grains, and oilseeds. Over the past several years Taiwan has made progress in reducing the backlog of MRL applications. However, imports of U.S. agricultural products still remain at risk of rejection for pesticides and other agrochemicals that are approved and widely used internationally and in the United States but have not yet been reviewed and approved in Taiwan. The United States will continue to work closely with Taiwan in 2013 to resolve these systemic concerns.

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

On January 5, 2010, Taiwan's Legislative Yuan (LY) approved an amendment to Taiwan's Food Sanitation Act that had the effect of banning the import of ground beef and certain offals from the United States. This ban is inconsistent with Taiwan's obligations under the protocol. Taiwan authorities have also implemented a range of administrative measures that have disrupted trade and created uncertainty in the market. In particular, disruptions have occurred because of Taiwan authorities' failure to adhere to predictable inspection and testing practices that are appropriately focused on legitimate food safety concerns. The United States has made some progress in working with Taiwan to eliminate certain of these problematic administrative measures, but serious concerns remain. The United States will continue to press Taiwan to act in a manner consistent with science, as well as its obligations under the bilateral protocol, and to refrain from taking measures that overly burden trade in beef and beef products.

The United States also continued to engage Taiwan on issues related to fulfilling Taiwan's WTO Country Specific Quota (CSQ) for the importation of U.S. rice, expressing concerns that Taiwan's ceiling price mechanism was non-transparent and causing unnecessary trade disruptions. In 2007 and 2008, public

sector rice tenders for U.S. rice repeatedly failed due to Taiwan's ceiling price mechanism. Throughout 2009 and 2010, the United States worked with Taiwan to seek improvements to the rice import system, and to address the shortfalls in Taiwan's procurement of U.S. rice in 2007 and 2008. As a result of these efforts, it appears that Taiwan successfully filled the U.S. country specific tenders in subsequent years, including in 2012. However, Taiwan has still not taken steps to address the shortfall in 2007 and 2008, and the United States continues to have concerns about Taiwan's rice procurement system.

Intellectual property rights protection and enforcement also continue to be important issues in the United States-Taiwan trade relationship. The United States recognizes Taiwan's continuing efforts to improve enforcement of IPR and has continued to deepen bilateral cooperation activities with Taiwan on these issues. In April 2009, the LY amended the Taiwan Copyright Law to require Internet service providers (ISPs) to undertake specific and effective notice and takedown actions against online infringers, in order to avoid certain forms of liability for the infringing activities of users on their networks. The United States is increasingly concerned about the implementation of the ISP liability legislation, as ISPs and rights holders have not been able to finalize an effective Code of Conduct to implement the notice and takedown provisions. Some music rights holders have expressed concerns about amendments passed in January 2010 to the Copyright Act and the Copyright Collective Management Organization Act. These amendments grant the Taiwan Intellectual Property Office the power to set royalty rates if a commercial arrangement cannot be reached. They also ban rights holders or collective management organizations from using commissioned agents to collect licensing fees, although this is a common and well-accepted industry practice.

Over the past several years there have been a number of high-profile serious thefts and unauthorized transfers of proprietary technology by company employees to mainland Chinese competitors. These cases have raised concerns about the effectiveness of Taiwan's industrial espionage laws. In an effort to address these concerns, on January 11, 2013, Taiwan's Legislative Yuan passed a bill amending the Trade Secrets Act to increase criminal and civil penalties for trade secret theft. The United States will review the provisions and implementation of the law as amended.

Taiwan acceded to the WTO Agreement on Government Procurement (GPA) in July 2009. While foreign companies have already begun to benefit from increased access to Taiwan's government procurement market, and Taiwan has made many important reforms, some U.S. companies have raised concerns relating to the transparency of Taiwan's procurement process, contract terms and conditions, as well as licensing and liability issues. The United States will continue to work closely with Taiwan on implementing international best practices in government procurement as Taiwan implements its obligations under the GPA.

The United States has also continued to engage Taiwan on concerns raised by the pharmaceutical and medical device industries regarding the failure of Taiwan's procedures for medical product pricing and reimbursement to adequately recognize the value of innovative medical products for patients in Taiwan. The United States encourages Taiwan to continue to engage in collaborative consultations with relevant stakeholders to consider improving such policies in order to better facilitate the development of innovative products and improve patients' access to such products. Taiwan enacted a number of reforms to its public health insurance system on January 7, 2011. The United States has been engaging with Taiwan authorities on the implementation of these reforms, and is assessing their potential impact on U.S. pharmaceutical and medical device manufacturers.

## 5. Southeast Asia and the Pacific

### a. Free Trade Agreements

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

### b. Trans-Pacific Partnership (TPP)

In December 2009, the United States announced its intention to enter into negotiations of the TPP, a high-standard, Asia-Pacific trade agreement. The TPP is intended to create a platform for economic integration across the Asia-Pacific region, advance U.S. economic interests with the fastest growing economies in the world, and expand U.S. exports, which are critical to U.S. economic growth and the creation and retention of high-paying, high-quality jobs in the United States.

Five formal rounds of TPP negotiations were held in 2012. The United States and its TPP negotiating partners continued their work to reach an agreement that will address new and emerging trade issues and 21st-century challenges, including issues related to market access, non-tariff barriers, intellectual property protection, cross-border services, investment, competition policy, environment, and labor. In addition, the TPP will cover cross-cutting issues not included in previous trade agreements, such as facilitating the ability of U.S. companies to participate in the dynamic production and distribution networks in the Asia-Pacific region, making the regulatory systems of TPP countries more compatible so that U.S. companies can operate more seamlessly in TPP markets, and helping small- and medium-sized enterprises, which are a key source of innovation and job creation, participate more actively in international trade.

In 2012, the nine participating countries – the United States, Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam – made solid progress toward concluding an agreement, and in September, the Leaders of the TPP countries issued a joint statement reaffirming their commitment to finalizing a comprehensive, next-generation agreement that will enhance the competitiveness of all the TPP countries and serve as a model for future free trade agreements. To that end, the TPP Leaders instructed their negotiators to dedicate the necessary resources to complete the agreement promptly. In October, Mexico and Canada formally joined the TPP and participated in the 15th round of negotiations in Auckland in December 2012, validating the importance of TPP as the most promising pathway for free trade in the Asia-Pacific region.

The United States and its negotiating partners share a vision for the TPP based on the long-term objective of expanding the group to additional countries across the Asia-Pacific. In addition to Canada and Mexico, in late 2011 Japan formally announced its interest in joining the TPP negotiations. The United States and other TPP countries welcomed its interest, while emphasizing that potential new entrants must be able to meet the high standards agreed to by all TPP negotiating partners, as well as address a range of U.S. priorities. The Administration will continue to engage Japan and other countries that express interest in joining the TPP, in close consultation with the U.S. Congress and domestic stakeholders.

The Administration continued to consult closely with the U.S. Congress on all elements of the TPP negotiations in order to develop negotiating objectives consistent with both Administration and congressional priorities and objectives. We will continue to work collaboratively with the U.S. Congress as the negotiations progress to ensure that our negotiating objectives best advance U.S. economic priorities, including enhancing economic growth and creating and retaining U.S. jobs.

### **c. Managing U.S.-Southeast Asia and Pacific Trade Relations**

Throughout 2012, the United States engaged bilaterally, regionally, and multilaterally to expand our trade and investment relations with countries in Southeast Asia and the Pacific. In addition to meeting bilaterally under our Trade and Investment Framework Agreements (TIFAs) and other trade dialogues, the United States worked with the countries of the Association of Southeast Asian Nations (ASEAN) to advance our discussions under the United States-ASEAN TIFA and to coordinate positions and approaches at APEC, the WTO, and other trade and investment forums.

During 2012, the United States held numerous high-level meetings, TIFA dialogues, and other bilateral exchanges with Southeast Asia and Pacific countries, including Brunei Darussalam, Cambodia, Indonesia, Malaysia, Papua New Guinea, the Philippines, Thailand, and Vietnam. The United States sought in these meetings to resolve bilateral trade issues in such areas as customs, intellectual property protection and enforcement, market access for industrial and agricultural products, regulatory and other non-tariff barriers facing U.S. manufacturers and services suppliers, and other trade-related issues, including worker rights and protections. For instance, in February 2012, Ambassador Marantis visited the Philippines for high level discussions to resolve impediments to U.S. meat exports including pork and poultry products. The United States also used these consultations to work with our trading partners in the region to monitor implementation of their WTO commitments and to coordinate economic assistance projects to support their implementation and reform efforts. In addition, the United States used these meetings to discuss the emerging interest of several countries, including the Philippines and Thailand, in potentially joining the TPP, as well as to coordinate on ASEAN, APEC and other regional and multilateral issues.

In August, the United States and Cambodia agreed to begin exploratory discussions on a potential bilateral investment treaty.

The United States continued to work closely with the government of Laos to monitor progress and support the implementation of the United States-Laos Bilateral Trade Agreement, and worked with Laos to support the successful conclusion in October 2012 of its WTO accession negotiations.

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

With robust economies and a total population of more than 610 million people, the 10 member countries of ASEAN have a combined GDP of an estimated \$2.3 trillion. U.S. trade with the region remained strong in 2012, with two-way trade of \$198 billion. The ASEAN countries collectively represent the fourth largest U.S. goods export market and fifth largest two-way goods trading partner.

At the 2012 ASEAN-U.S. Leaders Meeting, President Obama and ASEAN leaders launched the U.S.-ASEAN Expanded Economic Engagement (E3), an initiative focused on laying the groundwork for preparing all ASEAN countries to pursue high-standard trade agreements such as the TPP. The E3 initiative builds on a program of activities already underway under the ASEAN-United States Trade and Investment Framework Arrangement (TIFA) and includes activities in the areas of trade facilitation, the joint development of investment principles, the joint development of principles on information and communications technology, the development of a code of conduct for small and medium sized enterprises, and the expansion of cooperative work on standards development and practices, including on technical barriers to trade and good regulatory practices. Another key event in our TIFA engagement with ASEAN during 2012 was sponsorship of the first U.S.-ASEAN Business Summit, attended by more than 200 senior executives from the United States and ASEAN countries. Building on the success of the meeting, the United States and ASEAN have agreed to hold business summits annually and to sponsor regular trade missions to the region.



## **6. Sub-Saharan Africa**

### **a. Trade and Investment Relations**

For the last 12 years, the African Growth and Opportunity Act (AGOA), enacted in 2000, has been the cornerstone of the United States' engagement with sub-Saharan Africa on trade and investment. By providing duty-free entry into the United States for almost all products of beneficiary countries, AGOA has helped to expand and diversify two-way trade between the United States and sub-Saharan Africa, and helped to foster an improved business environment in many sub-Saharan African countries. As a result of the 2012 annual review of country eligibility, President Obama designated 39 sub-Saharan African countries to be eligible for AGOA benefits in 2013, including South Sudan, which became eligible for the first time. Mali and Guinea Bissau were designated to be ineligible for AGOA benefits in 2013 because of the coups that occurred in these countries in 2012.

### **b. EAC Trade and Investment Partnership**

During the June 2012 AGOA Forum U.S. Trade Representative Ron Kirk, the Secretary General of the East African Community (EAC) and Trade Ministers from each of the five EAC Partner States jointly announced their intention to move forward on a new U.S.-EAC Trade and Investment Partnership which will include a regional investment treaty, a trade facilitation agreement, continued trade capacity building assistance, and a commercial dialogue. These and other activities will help to promote EAC regional integration and economic growth, and expand and diversify U.S.-EAC trade and investment. They could also serve as building blocks towards a more comprehensive trade agreement over the long term. Deputy U.S. Trade Representative Demetrios Marantis led a U.S. delegation to a second ministerial meeting with the EAC in October 2012 to advance each element of the Partnership. Acting U.S. Department of Commerce Secretary Rebecca Blank also visited the region to sign the letter of intent to formally launch the commercial dialogue component of the U.S.-EAC Trade and Investment Partnership.

The EAC Partner States include Burundi, Kenya, Rwanda, Tanzania, and Uganda. Total two-way goods trade between the United States and the EAC was an estimated \$1.6 billion in 2012, with \$994 million in U.S. goods exports and U.S. goods imports totaling \$579 million. Kenya was by far the United States' top trading partner within the EAC with two-way goods trade totaling \$1 billion, followed by Tanzania with \$360 million, Uganda with \$136 million, Rwanda with \$59 million, and Burundi with \$25 million. Top U.S. exports to EAC countries were aircraft, machinery, and electrical machinery. Top imports included apparel, coffee, nuts, and semi-precious stones.

### **c. Trade and Investment Framework Agreements**

The United States has Trade and Investment Framework Agreements with the following 11 countries or regional economic communities in sub-Saharan Africa: Angola, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, the Common Market for Eastern and Southern Africa (COMESA),<sup>31</sup> the EAC,<sup>32</sup> and the West African Economic and Monetary Union (also known by its French acronym, UEMOA).<sup>33</sup> In addition, the United States has a Trade, Investment and Development Cooperative

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<sup>31</sup> COMESA members are Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

<sup>32</sup> EAC members are Burundi, Kenya, Rwanda, Tanzania, and Uganda.

<sup>33</sup> UEMOA members are Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

Agreement (TIDCA) with the Southern African Customs Union (SACU). The Office of the United States Trade Representative leads interagency discussions with TIFA partners on a wide range of trade and investment related issues. In addition to high-level Council on Trade and Investment Framework Agreement (TIFA Council) meetings, which are held every one to two years, there is an ongoing dialogue with all TIFA partners that may include periodic working level meetings and digital video conferences on the implementation of TIFA work plans. In 2012, the United States participated in four Council meetings with Mauritius, Mozambique, South Africa, and Nigeria; as well as a TIDCA meeting with the Southern African Customs Union (SACU).

#### **d. Mauritius**

In January 2012, Deputy U.S. Trade Representative Demetrios Marantis led a high-level delegation for talks with the Mauritian government under the U.S.-Mauritius Trade and Investment Framework Agreement (TIFA). The TIFA establishes a high level forum for advancing a cooperative partnership on trade and investment issues. Ambassador Marantis and Mauritian Minister of Foreign Affairs, Regional Integration, and International Trade Arvin Boolell co-chaired the TIFA meeting which included a wide range of government and private sector participants. During the meeting, senior government officials discussed a broad range of issues of importance to the bilateral U.S.-Mauritian trade and investment relationship, including AGOA, the WTO Doha negotiations, trade facilitation, U.S.-Mauritius Bilateral Investment Treaty (BIT) negotiations, intellectual property rights, services trade, information communication and technology (ICT) principles, and trade capacity building assistance.

Ambassador Marantis met with Mauritius Prime Minister Navin Ramgoolam to discuss a range of issues, including the extension of AGOA's third country fabric provision, the BIT negotiations, regional integration, and the future of the U.S.-Africa trade and investment relationship. Ambassador Marantis also met with Minister Boolell and Mauritius Minister of Information and Communication Technology Chedumbrum to discuss U.S.-Mauritius cooperation in the ICT sector and working more closely in WTO trade facilitation negotiations, among other issues. In addition, Ambassador Marantis met with private sector representatives to discuss their interests and concerns regarding the U.S.-Mauritius trade and investment relationship.

In June 2012, the United States and Mauritius reached an agreement on a set of non-binding trade-related principles for ICT services. The United States and Mauritius will jointly promote the adoption of these principles by other countries.

#### **e. Mozambique**

The United States and Mozambique strengthened trade and investment relations in 2012. In January 2012, Deputy U.S. Trade Representative Demetrios Marantis co-chaired with Mozambique Industry and Commerce Minister Armando Inroga a meeting under the U.S.-Mozambique Trade and Investment Framework Agreement (TIFA). At the meeting, senior government officials discussed a wide range of trade issues, including trade impediments, business climate, intellectual property rights, sanitary and phytosanitary (SPS) issues, and ongoing cooperation toward a strategic plan for Mozambique to develop non-traditional exports under AGOA. Ambassador Marantis also met with U.S. and Mozambican private sector executives to discuss issues relating to expanding U.S.-Mozambique bilateral trade and investment. On the margins of the AGOA Forum in June 2012, Ambassador Marantis met with Minister Inroga to follow-up on issues raised at the January TIFA meeting.

#### **f. Nigeria**

The seventh meeting of the U.S.-Nigeria Trade and Investment Framework Agreement (TIFA) Council was held in December 2012. Assistant U.S. Trade Representative for Africa Florizelle Liser co-chaired

the TIFA Council meeting with the Nigerian Minister of Trade and Investment Olusegun Olutoyin Aganga. During the meeting, interagency delegations for the United States and Nigeria reviewed progress made under the TIFA and discussed several common objectives, including market access, cooperation in the World Trade Organization (WTO), issues affecting the commercial environment, implementation of the African Growth and Opportunity Act (AGOA), intellectual property rights, and improving the bilateral investment climate between the United States and Nigeria.

Nigeria is one of the most important economies in sub-Saharan Africa, and one of significant strategic importance to the United States. As the largest market in West Africa, Nigeria plays a central role in the economy of the entire region, and policies implemented in Nigeria have an effect throughout the region.

Under the TIFA, the United States and Nigeria have worked cooperatively over the years to make significant strides to improve the environment for business and trade. The TIFA is part of a comprehensive U.S. effort to support the Nigerian government's efforts to advance trade and economic development. The U.S.-Nigeria TIFA facilitates the development of specific initiatives to expand economic opportunities for workers, farmers, businesses, and consumers in both countries.

#### **g. South Africa**

In June 2012, United States Trade Representative Ron Kirk and South African Trade and Industry Minister Rob Davies signed a Trade and Investment Framework Agreement (TIFA). The Agreement amends the TIFA signed in 1999 in order to deepen the U.S.-South Africa trade and investment relationship. The TIFA provides a forum to address trade issues and will help enhance trade and investment relations between the two countries.

Following the TIFA signing, Deputy United States Trade Representative Demetrios Marantis and Minister Davies co-chaired the first TIFA Council meeting under the new agreement. The TIFA Council reviewed the United States' and South Africa's joint work and progress on a number of trade and investment-related issues, including tariffs, the business and regulatory environment, implementation of AGOA, export diversification, energy, trade facilitation, and enhancing the participation of small and medium sized enterprises in trade and investment.

The United States-South Africa Council on Trade and Investment will meet annually under the TIFA which will help increase commercial and investment opportunities by identifying and working toward removal of impediments to trade flows.

#### **h. Southern Africa Customs Union (SACU)**

In June 2012, the first senior-level meeting on the implementation of the U.S.-SACU Trade, Investment and Development Cooperative Agreement (TIDCA) was held. Assistant United States Trade Representative for Africa Florizelle Liser co-chaired the meeting with South Africa Department of Trade and Industry Deputy Director General Xavier Carim.

At the meeting, senior government officials reviewed progress in four key areas: Customs and Trade Facilitation, Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS) measures, and Trade and Investment Promotion. A Memorandum of Understanding (MoU) on Deeper Cooperation between SACU and USAID that will support the TIDCA was also discussed, and in November a study on the capacity constraints that affect SACU export access into the U.S. market under the TIDCA was completed. Both sides agreed on a joint workplan to advance the work under the TIDCA to increase trade and investment ties between the United States and SACU member states.

## **7. South and Central Asia**

### **a. Advancing the United States-India Trade and Investment Relationship**

The United States and India continued to work in 2012 towards strengthening the bilateral economic relationship by focusing efforts on policy actions that inhibit trade and investment flows between the two countries. The United States-India Trade Policy Forum (TPF), created in 2005, remains the principal bilateral forum for discussing trade and investment issues, although engagement on those issues continued in other important bilateral fora such as the U.S.-India Energy Dialogue and the Information and Communications Technology (ICT) Working Group. Ambassador Kirk and Minister Sharma also met multiple times in 2012 to discuss steps to overcome challenges facing U.S. and Indian exporters of goods and services. In December 2012, Ambassador Marantis traveled to India to meet his new Indian counterpart, Commerce Secretary S.R. Rao, as well as a number of other senior Indian government officials and private sector leaders, to address U.S. concerns over elements of India's manufacturing policies and to highlight the critical role played by innovation policies in the bilateral economic relationship. The United States and India resumed negotiations on a bilateral investment treaty (BIT) following the April 2012 release of the U.S. Model BIT, and are working towards concluding a high standard agreement. India also announced its decision to open the civil aviation and multi-brand retail sectors to foreign direct investment and adopted measures to ease foreign investment in other areas, including single-brand retail. Finally, following efforts since 2007 to resolve U.S. concerns, the United States initiated a WTO dispute in March 2012 on India's prohibition on imports of U.S. poultry and other agricultural products. A WTO panel decision in that dispute is expected in late 2013.

### **b. Contributing to Regional Stability**

In support of top U.S. national security objectives in Central Asia, Afghanistan, Pakistan, and Iraq, in 2012 USTR strengthened engagement with these countries as part of a broader effort to boost trade, employment, and sustainable development. USTR led the United States-Pakistan Trade and Investment Framework Agreement (TIFA) meeting on April 24, 2012, where Pakistan and the United States agreed to set up a TIFA Committee on Promoting Trade and Investment Initiatives that will include opportunities for private sector input. In August, USTR, with the support of the U.S. Department of Commerce's Commercial Law Development Program and the U.S. Consulate in Karachi, conducted a two-day outreach session to the private sector on the trade and investment relationship between the United States and Pakistan, focusing on promoting better understanding of the U.S. Generalized System of Preferences (GSP) program. Working with other U.S. agencies, USTR participated in trilateral and other high-level meetings with officials from Central Asian countries, Afghanistan, Iraq, and Pakistan. Key highlights from 2012 include:

- USTR led discussions on how Afghanistan, Pakistan, and Iraq could increase use of existing trade benefits under the U.S. GSP program.
- USTR supported the implementation of the Afghanistan and Pakistan Transit Trade Agreement and encouraged both sides to promptly resolve issues causing problems for bilateral trade and for products headed for markets in the region.
- USTR organized a business opportunities conference in London to promote and strengthen business relationships between American and Pakistani companies.
- Pakistan and the United States agreed to intensify engagement on trade and investment issues by focusing on addressing intellectual property protection issues as identified in the Special 301 Report.

- Pakistan and the United States agreed to work together in 2012-2013 to conduct outreach to the private sector in Pakistan to promote better understanding of the U.S. GSP program.
- The United States intensified its efforts to provide technical and advisory support to Afghanistan in support of its accession to the WTO. Afghanistan and the United States are committed to Afghanistan's accession by the end of 2014.

### **c. Promoting National Reconciliation and Lasting Peace in Sri Lanka**

The United States and the government of Sri Lanka held the 10th TIFA Council Meeting in Colombo, Sri Lanka, on March 27, 2012. It was the fourth meeting of the TIFA Council since Sri Lanka's civil war ended in May 2009. The United States and Sri Lanka discussed market access and investment climate concerns, established a TIFA committee on Labor Affairs, commenced capacity building initiatives on intellectual property rights, and reviewed ways to improve Sri Lanka's utilization of the U.S. GSP program. As an outgrowth of the successful TIFA meeting and following specific actions by the Sri Lankan government to address worker rights issues, the Administration announced in June 2012 that it was closing its review of a GSP country practices petition on worker rights in Sri Lanka without any change to Sri Lanka's benefits under the U.S. GSP program. The United States and Sri Lanka continued to discuss and cooperate on labor issues through the newly-formed TIFA committee on Labor Affairs, which met in July and December.

### **d. Advancing U.S. Engagement with Central Asia**

USTR supported the Administration's strategy towards Central Asia by assisting Kazakhstan in hosting the United States-Central Asia TIFA Council meeting in Almaty, Kazakhstan on October 18, 2012. This was the first TIFA Council Meeting in the region in over two years, and each Central Asian Party was represented by a high level delegation. Afghanistan is an observer to the Central Asia TIFA and participated in the discussions during the TIFA Council Meeting. The United States launched Bilateral Working Group meetings in 2012 and established four TIFA Working Groups: Women's Economic Empowerment, Customs, Standards (SPS and TBT), and Improving Transparency and Public Participation in Trade and Investment Policy Decision-making. The next TIFA Council Meeting will take place in 2013 either in Washington, DC, or in one of the Central Asian Republics.

The United States worked closely with the government of Tajikistan in to assist in Tajikistan's efforts to accede to the WTO. The WTO General Council met on December 10, 2012, and ratified the Working Party Report, thus paving the way for Tajikistan to become a full Member of the WTO upon completion of implementing legislation -- likely sometime in the early summer of 2013.

The United States also convened a bilateral meeting with Kazakhstani authorities to discuss Kazakhstan's customs union with Russia and Belarus and prospects for Kazakhstan's accession to the WTO. USTR discussed U.S. concerns about higher duties adopted by Kazakhstan under the common external tariff of the customs union, which entered into force on January 1, 2010, and Kazakhstan's future WTO market access commitments. In early June 2012, Deputy USTR Marantis and a team from USTR visited Kazakhstan (Astana and Almaty) to meet with a number of Ministers and the Deputy Prime Minister to discuss bilateral trade and investment issues and to assist in moving Kazakhstan's WTO accession negotiations forward. These meetings helped to clarify a number of outstanding issues and strengthened the overall trade and investment relationship with Kazakhstan. An important development from this trip was that Kazakhstan offered to host the 2012 TIFA Council Meeting in Almaty, Kazakhstan and the United States agreed to support Kazakhstan in hosting the meeting. Kazakhstan went on to host the meeting in October 2012 and it was a very successful meeting with the participation from Ministers from all the TIFA Parties and Afghanistan.



#### **e. Improving Trade and Investment Relations with Nepal**

The United States and Nepal are working together to improve their bilateral trade and investment relationship. Since signing a Trade and Investment Framework Agreement (TIFA) in 2011, both sides have worked to identify areas of common interest and develop a plan to improve trade and investment ties.

#### **f. Beginning a Trade and Investment Dialogue with Bhutan**

The United States and representatives of Bhutan met in New Delhi, India, to discuss ways to improve their trade and investment dialogue. Both sides discussed areas of interest and options for moving forward.