

# IV. OTHER TRADE ACTIVITIES

## A. Trade and the Environment

During the course of 2013, the Administration achieved significant results on trade and environment matters in multiple fora, including through regional and bilateral trade initiatives. In the TPP negotiations, the United States continued to press for commitments to address environmental issues, including conservation challenges in the Asia Pacific region, such as combating wildlife trafficking and illegal logging and addressing marine fisheries issues, as well as commitments to liberalize trade in environmental goods and services. In the T-TIP negotiations, the Administration is seeking ambitious environmental commitments including those relating to the protection and conservation of wildlife, marine fisheries, and forest resources. The Administration continued to prioritize implementation of the free trade agreements currently in force, including by negotiating and finalizing a bilateral action plan with Peru to advance forest sector reforms. In keeping with the increased integration of environmental considerations across multiple multilateral, regional, and bilateral fora, this report includes an assessment of recent developments on trade and environment in specific sections devoted to these various fora.

### 1. Multilateral Fora

As described in more detail in the WTO section of this report, the United States has continued to explore fresh and innovative approaches to all aspects of the WTO's trade and environment work. The Administration also has sought to orient activities in the OECD Joint Working Party on Trade and Environment to focus on value-added contributions to ongoing WTO work, as well as strong analytical research on the interface between trade and clean energy policies.

USTR continues to participate in formulating and carrying out U.S. policy regarding various multilateral environmental agreements (MEAs) to enhance compatibility between activities under those agreements and U.S. trade policy. In 2013, USTR participated actively in negotiations to finalize a legally binding agreement on mercury, and in November the United States became the first country to ratify the Minamata Convention on Mercury. USTR also continued to play an active role in the ongoing United Nations Framework Convention on Climate Change negotiations. Additional examples of MEAs where USTR contributed to U.S. policy development include the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the International Convention for the Conservation of Atlantic Tunas, International Maritime Organization conventions, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, the Convention on Biological Diversity and the Cartagena Protocol on Biosafety, and the Stockholm Convention on Persistent Organic Pollutants. USTR also actively engaged in U.S. policy development under relevant regional fisheries management organizations and the International Tropical Timber Organization.

### 2. Bilateral and Regional Activities

As described in more detail in the Bilateral and Regional Negotiations and Agreements section of this report, USTR ensured concrete achievements supporting green growth and trade during 2013.

USTR continued to advance an ambitious set of environment proposals in the TPP negotiations, including with respect to effectively enforcing environmental laws, enhancing transparency and public participation, combating wildlife trafficking and illegal logging and associated trade, disciplining harmful fisheries subsidies that contribute to overfishing and overcapacity or support vessels engaged in illegal

fishing, and promoting trade in environmental goods and services. Together, these U.S. proposals offer the opportunity to forge a new high standard for environmental provisions in trade agreements.

During 2013, USTR was active in monitoring implementation of environment provisions in free trade agreements (FTAs). In particular, USTR worked closely with Peru to advance implementation of the Annex on Forest Sector Governance (Forest Annex) under the Peru TPA. Following an extensive review and response by the U.S. Government to a petition from an environmental group under the Forest Annex, USTR led negotiations to conclude a bilateral action plan in January 2013 to address key challenges identified in the review. The action plan sets forth a targeted set of actions for Peru to undertake, including implementing anti-corruption measures, improving systems to track and verify the chain of custody of timber exports, ensuring timely criminal and administrative proceedings for forestry-related crimes and infractions, and strengthening development of accurate annual operating plans for timber producers. The United States supported Peru's actions to implement the action plan through a number of ongoing environmental cooperation projects as well as planned activities that will further enhance implementation, such as training for prosecutors on environmental issues. USTR and other agencies also began a review of Peru's draft regulations to implement its new Forestry Law and continued to engage with Peru on the establishment of key oversight institutions in Peru's forestry sector. USTR, together with the State Department, also concluded negotiations with Peru on the terms of several documents necessary to establish an independent secretariat to consider citizen submissions that assert that a Party is failing to effectively enforce its environmental laws.

USTR also convened environmental affairs councils and related fora under the CAFTA-DR, Chile FTA, Colombia TPA, KORUS, and Peru TPA to discuss, monitor, and oversee implementation of FTA environmental obligations. USTR also ensured that these meetings included sessions open to the public, consistent with our commitment to transparency. USTR continued to convene meetings of the TPSC Subcommittee on FTA Environment Chapter Monitoring and Implementation to consider the implementation of environment chapter commitments by our FTA partners. Through the Subcommittee, USTR developed an interagency plan for monitoring our trading partners' implementation of their FTA environment chapter obligations. The new monitoring plan will strengthen the United States' ongoing efforts to ensure that our trading partners comply with their FTA obligations.

In APEC, the United States continued to advance work to combat illegal logging and promote trade in environmental goods and services. APEC economies agreed to establish a public-private partnership on environmental goods and services, which will contribute to APEC's work to address non-tariff barriers in this important sector. APEC economies also agreed to a capacity building plan to assist economies with implementing their commitments to reduce their tariffs to 5 percent or less by 2015 on the 54 products in the APEC List of Environmental Goods. The United States launched a work program on electronics stewardship in APEC to increase understanding of the environmental, economic, and social benefits of trade in used electronics and to promote safe handling of used electronics. The APEC Experts Group, which is charged with combating illegal logging and associated trade and promoting legal trade in forest products in the region, convened the first-ever public-private sector dialogue to discuss challenges, activities, and new technologies in the forestry sector, with participation from a broad range of business and civil society representatives. Additionally, USTR joined other agencies in participating in bilateral meetings with China and Indonesia under a separate MOU with each country on combating illegal logging and associated trade. The meetings provided an opportunity to share detailed information on our respective efforts to combat illegal logging and associated trade and on potential areas for collaboration.

## **B. Trade and Labor**

The Administration's trade policy agenda includes a strong commitment to ensure that workers and their families benefit from trade. The Administration has continued its efforts to improve respect for labor rights and to increase monitoring and enforcement of trade agreement labor provisions. The Administration also continues to enhance U.S. Government engagement with trade partners on labor rights through the formal mechanisms of trade agreements, trade programs, and other means. In 2013, inaugural Labor Affairs Council meetings were held under trade agreements with Colombia and the Republic of Korea, where high-level labor officials discussed workers' rights and employment issues and held open sessions to meet with labor stakeholders and the general public. Labor issues were also on the agenda of commission meetings under existing trade agreements, as well as meetings under Trade Investment Framework Agreements (TIFAs) and in multilateral fora, including the Asia Pacific Economic Cooperation (APEC) forum.

On April 26, 2013, the United States and Guatemala signed a robust enforcement plan to resolve concerns that were raised in the dispute settlement case brought by the United States against Guatemala under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). In May 2013, the United States requested consultations with Bahrain under the United States-Bahrain Free Trade Agreement to discuss the apparent targeting of trade unionists and leaders for dismissal after a general strike in March 2011 and labor laws that do not provide adequate protection on these issues. In June 2013, President Obama suspended the GSP trade benefits of Bangladesh based on that country's failure to take steps to afford internationally recognized worker rights. USTR also led the interagency development of an Action Plan, which provides clear steps that Bangladesh must take in order to address the worker rights concerns and regain its GSP benefits. The Administration also continued to work closely with the government of Colombia in 2013 as Colombia implements the Colombian Action Plan Related to Labor Rights, which was announced in April 2011. The Administration, among other things, provided strong support for Colombia's Labor Ministry and its greatly enhanced labor inspectorate. The Administration also pursued high-standard labor obligations through the continuing negotiations of TPP and new negotiations with the European Union as part of T-TIP.

As an essential component of the Administration's trade agenda, the Trade Adjustment Assistance (TAA) program assists American workers adversely affected by global competition and helps ensure that they are given the best opportunity to acquire skills and credentials to get good jobs (*for additional information, see Chapter V.B.7*).

### **1. Multilateral and Regional Fora**

In the Ministerial Declaration adopted during the WTO Ministerial Conference in Singapore (1996) and reaffirmed in Ministerial Declarations adopted during Ministerial Conferences in Doha (2001) and Hong Kong (2005), WTO Members renewed their commitment to observe internationally recognized core labor standards and took note of collaboration between the WTO and International Labor Organization (ILO) Secretariats.

The Administration has continued to promote the discussion of labor rights as one of the topics relevant to the effort to strengthen economic integration and to build high quality trade agreements in the Asia-Pacific region. In APEC, the United States has continued to support inclusion by APEC economies of labor and social issues in next generation trade agreements. In particular, in June 2013, in the APEC Committee on Trade and Investment, the United States organized and co-sponsored with Canada, Chile, Korea, and New Zealand a workshop in Medan, Indonesia to build the capacity of APEC economies to

negotiate labor provisions in their respective trade agreements. Representatives from nearly all APEC economies attended the workshop.

The Inter-American Conference of Ministers of Labor (IACML) is a meeting of the Western Hemisphere's labor ministers, held approximately every two years under the auspices of the Organization of American States to promote hemispheric cooperation on labor issues. The IACML responds to the labor mandates agreed to by heads of state in the Summit of the Americas process. For additional information on the IACML, visit [http://www.sedi.oas.org/ddse/english/cpo\\_trab.asp](http://www.sedi.oas.org/ddse/english/cpo_trab.asp).

The 18th IACML was held in Colombia in October 2013 and marked the 50th anniversary of the conference. Labor ministers adopted a Declaration at the conference and endorsed a new two-year Plan of Action. The 2013 Declaration and Plan of Action include commitments in the areas of “professional training, employment services and active policies for youth access to the labor market; exploring ways to design and put forward a hemispheric mechanism that will facilitate the recognition of nominal contributions to social security in all countries of the region; employment as a central objective of public policies and as a pillar of equality; and, protection of workers’ rights and social dialogue.” In addition, the IACML held an Inter-Ministerial Dialogue with Ministries of Finance of the Western Hemisphere, to strengthen policy coordination on labor and employment issues.

## **2. Bilateral Agreements and Preference Programs**

### **FTAs**

U.S. trade agreements contain obligations concerning the consistency of each party's labor laws with international standards (with recent agreements obligating each party to implement in its law and practice the fundamental labor rights as stated in the 1998 ILO Declaration on Fundamental Principles and Rights at Work), as well as obligations not to fail to effectively enforce its labor laws, and not to waive or derogate from those laws in a manner affecting trade or investment. Additionally, the labor provisions obligate each party to designate an office within its labor ministry to serve as a contact point for purposes of the labor chapter and create labor cooperation and capacity building mechanisms through which the parties will work together to enhance opportunities to improve labor standards. The Office of Trade and Labor Affairs (OTLA) in the Bureau of International Labor Affairs (ILAB) of the U.S. Department of Labor, in consultation with USTR, serves as the contact point for purposes of administering responsibilities under the labor provisions of free trade agreements and the North American Agreement on Labor Cooperation, including the labor cooperation mechanisms. For additional information on OTLA, its procedures, and the process for filing a submission, visit <http://www.dol.gov/ilab/programs/otla/proceduralguidelines.htm>. The Procedural Guidelines are also available in Arabic, French, and Spanish.

The United States engages our trade partners on labor issues as part of our ongoing monitoring and implementation of U.S. trade agreements. For instance, as part of engagement efforts in 2013, USTR led an interagency delegation to Bahrain to initiate labor consultations under the FTA labor chapter to discuss the apparent targeting of trade unionists and leaders for dismissal after a general strike in March 2011 and labor laws that do not provide adequate protection on these issues. The delegation held extensive consultations with officials from Bahrain's Ministries of Labor, Trade, and Foreign Affairs, as well as labor unions and business representatives. The United States also worked with Jordan in 2013 to conclude an Implementation Plan Related to Working and Living Conditions of Workers, and signed a Memorandum of Understanding which designates an office within each country's Labor Ministry to serve as points of contact for the purpose of implementing labor cooperation under the agreement. The plan includes commitments by Jordan to increase access for unions in garment factories and improve standards

and oversight of dormitories for foreign workers. The United States also worked with trade partners to advance labor rights through technical cooperation efforts, particularly in Central America, Morocco, Peru, and Colombia in 2013 (*for additional information, see Chapter III.A*).

In 2013, the United States worked closely with Colombia to implement the Colombian Action Plan Related to Labor Rights, which focuses on improving protection of labor rights, preventing violence against trade unionists, and prosecuting perpetrators of such violence. Throughout the year, the Colombian government took numerous steps to meet Action Plan commitments, including hiring and training new labor inspectors and passing a new law to strengthen labor inspections and increase fines for labor law violations. USTR led an interagency delegation to Colombia during the year to monitor implementation of the Action Plan, and held extensive meetings with government officials and interested stakeholders. In June, government officials from the United States and Colombia convened the inaugural meeting of the Labor Affairs Council under the United States-Colombia Trade Promotion Agreement. Colombian Labor Minister Rafael Pardo and officials from USTR and the U.S. Department of Labor discussed the labor obligations of the agreement as well as progress under the Action Plan. The Council meeting concluded with a public session consistent with the parties' commitment to a participatory process (*for additional information, see Chapter III.A*).

In March 2013, government officials from the United States and Korea convened the first meeting of the Labor Affairs Council under the United States-Korea Free Trade Agreement. At the meeting, officials reviewed implementation of the labor chapter and the labor obligations of the trade agreement, and confirmed the establishment of the Council and contact points for labor issues. The two parties also discussed areas for future cooperation, including employment and labor statistics and supporting corporate compliance with international labor standards in global supply chains. The meeting also included a session that was open to the public.

On April 26, 2013, the United States and Guatemala signed an enforcement plan to resolve concerns that were raised in the dispute settlement case brought by the United States against Guatemala under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), in which Guatemala agreed to take significant actions to strengthen labor inspections, expedite and streamline the process of sanctioning employers and ordering remediation of labor violations, increase labor law compliance by exporting companies, improve the monitoring and enforcement of labor court orders, publish labor law enforcement information, and establish mechanisms to ensure that workers are paid what they are owed when factories close. Implementation of the Enforcement Plan was underway in 2013. On October 25, the United States and Guatemala agreed to further suspend the work of the arbitration panel in recognition that Guatemala had adopted a number of reforms consistent with the applicable deadlines under the Enforcement Plan, while noting the United States expects significant additional progress by Guatemala (*see Chapter III.A.3*). For additional information, visit <http://www.ustr.gov/trade-topics/labor/bilateral-and-regional-trade-agreements/guatemala-submission-under-cafta-dr>.

Also in 2013, a public report addressing labor rights in the Dominican Republic was issued pursuant to the public submission provisions of the labor chapter of the FTA with that country (*for additional information, see Chapter III.A.3*). Under existing trade agreements, two submissions on labor rights were under review in 2013 involving Mexico and Honduras. The United States will issue public reports on these submissions in 2014.

## Other Bilateral Agreements and Preference Programs

President Obama certified to the U.S. Congress in October 2009 that Haiti met the necessary requirements to continue duty-free treatment for certain Haitian-made apparel and other articles under the Haitian Hemispheric Opportunity through the Partnership Encouragement Act of 2008 (HOPE II). Pursuant to the requirements of HOPE II, Haiti established an independent labor ombudsman's office and a Technical Assistance Improvement and Compliance Needs Assessment and Remediation (TAICNAR) program, which is implemented through a U.S. Department of Labor-funded ILO Better Work program. The TAICNAR program, more commonly known as Better Work Haiti, assesses factory compliance with national laws and international standards relating to core labor rights and conditions of work and ensures that producers that wish to be eligible for duty-free treatment participate in the program. Significant progress has been made in implementing the TAICNAR program, including the provision of factory assessments and remediation assistance for all companies that produce HOPE II-eligible apparel. Pursuant to HOPE II requirements to identify producers who have failed to comply with the required labor standards, the U.S. Department of Labor, in consultation with USTR, identified three such producers in December 2011. The U.S. Government provided technical assistance to those producers during 2012 and 2013 and they have taken significant steps to address concerns. Consistent with the requirements of HOPE II, the ILO issued public reports on factory compliance in April 2013 and October 2013. USTR continues to work closely with the government of Haiti, the ILO, and other U.S. Government agencies on implementation of the program to monitor factories' compliance with core labor standards. For additional information, view the 2013 USTR Annual Report on the Implementation of the TAICNAR program at <http://www.ustr.gov/about-us/press-office/reports-and-publications/2013/hope-II-2013-annual>.

U.S. trade preference programs, including the African Growth and Opportunity Act (AGOA), the Andean Trade Preference Act (ATPA), the Caribbean Basin Trade Preferences Act, and the Generalized System of Preferences (GSP), require the application of statutory eligibility criteria pertaining to worker rights. In 2013, USTR held hearings on GSP worker rights-related petitions concerning Bangladesh, Georgia, Niger, Philippines, and Uzbekistan. In June 2013, the President suspended GSP benefits for Bangladesh in view of insufficient progress by the government of Bangladesh in affording Bangladeshi workers internationally recognized worker rights. All of the other petitions remained under review at year's end. In 2013, USTR and other U.S. Government officials continued to engage with all of these governments through U.S. embassies in those countries, their embassies in Washington, D.C., and other bilateral fora to monitor progress and press for action to address the problems cited in the petitions.

The United States continued to engage with African countries on AGOA worker rights criteria through the AGOA annual eligibility review and bilateral and multilateral fora. In 2013, at the United States-Sub-Saharan Africa Trade and Economic Cooperation Forum in Ethiopia (AGOA Forum), the United States and Liberia co-hosted a panel on the linkages between labor rights, development, and trade. The session highlighted how effective protection of worker rights through trade preferences can result in positive returns on investment, increasing both productivity and household incomes.

The United States and China committed to a dialogue on labor issues in 2009 during the first United States-China Strategic and Economic Dialogue. The fourth meeting of the labor dialogue took place in Washington, D.C. in November 2013 during which government representatives discussed various labor rights issues including labor law enforcement strategies, dispute resolution, and collective bargaining. In December 2012, the United States and China also launched a new dialogue on workplace safety and health, and the United States hosted the second meeting of that dialogue in December 2013 in Washington, D.C. During the 2013 dialogue, senior officials from both governments discussed regulations and enforcement programs to improve occupational and mine safety and health as well as workers' rights and responsibilities in the workplace in both countries.

USTR also engaged with several countries on labor issues in the context of TIFA meetings and other bilateral trade mechanisms. In June, USTR discussed labor issues with trade officials from Peru in the context of a meeting of the Free Trade Commission under the United States-Peru Trade Promotion Agreement. USTR also discussed labor issues with trade officials from Uzbekistan in a bilateral meeting during the November 2013 United States-Central Asia TIFA meeting.

## **C. Small and Medium Sized Business Initiative**

Under the Obama Administration, USTR has implemented an initiative to increase export opportunities for U.S. small and medium sized enterprises (SMEs), and has expanded efforts to ensure the specific export challenges and priorities of SMEs and their workers are reflected in our trade policy and enforcement activities. During 2013, USTR engaged on an interagency basis and with trading partners to develop and implement new and continuing initiatives that support small business exports.

This agency effort also supports the goals of the Administration's National Export Initiative (NEI) to double U.S. exports and to support millions of American jobs. The NEI highlights the importance of expanding the national base of SME exporters.

U.S. small businesses are key engines for our economic growth, jobs, and innovation. SMEs that export grow faster, add jobs faster, and pay higher wages than SMEs that serve only domestic markets. According to research by the U.S. International Trade Commission (USITC), direct and indirect exports by U.S. SMEs support an estimated four million jobs in the United States and account for over 40 percent of the total value of U.S. exports of goods and services. Nearly 300,000 U.S. SMEs exported goods in 2011 (latest data available), accounting for 98 percent of all identified exporters and helping demonstrate the export potential of small businesses.

USTR is focused on making trade work to the benefit of American small businesses, helping them increase their sales to customers abroad and create jobs at home. USTR does this by negotiating with foreign governments to open their markets, reducing trade barriers, and enforcing our existing trade agreements to ensure a level playing field for American workers and businesses of all sizes. Agency-wide, USTR is working to better integrate specific SME issues and priorities into our trade policy development and implementation, increase our outreach to small businesses around the country, and expand our collaboration and coordination with our interagency colleagues.

In 2013, USTR undertook significant actions in continued support of our SME objectives.

### **1. USTR SME-Related Trade Policy Activities**

Under the SME initiative, USTR's small business office and geographic and functional offices are developing initiatives and advancing efforts to enhance activities that could benefit SMEs. Several key aspects of USTR's trade policy agenda have particular potential to help SMEs boost exports. These include enhancing trade facilitation work – notably through the landmark WTO Trade Facilitation Agreement reached in December 2013. As President Obama has noted, “this new deal... will eliminate red tape and bureaucratic delay for goods shipped around the globe. Small businesses will be among the biggest winners, since they encounter the greatest difficulties in navigating the current system.” USTR is leading efforts to strengthen and enforce intellectual property rights, develop IPR tools to assist SMEs, target services barriers that are especially difficult for SMEs, and also explore ways to simplify government procurement rules. Tariff barriers, burdensome customs procedures, discriminatory or arbitrary standards, and lack of transparency relating to relevant regulations in foreign markets present particular challenges for our SMEs in selling abroad.

The ability to address SME concerns through the fact finding and consultation mechanisms built into our bilateral and regional trade agreements and dialogues is an important asset for the United States. For example:

- As the United States moves forward with negotiations to expand U.S. trade in the Asia-Pacific region through the Trans-Pacific Partnership (TPP), the United States is working with our TPP partners to support the growth and development of small businesses, by enhancing their ability to participate in and benefit from the export opportunities created under the Agreement. This includes commitments by all TPP Parties to develop and promote web-based information and resources about the TPP Agreement for small businesses, and coordination to ensure that small businesses are able to take advantage of the Agreement after it is implemented. SMEs will benefit from increased transparency, predictability, and ambitious and comprehensive market access in TPP partners.
- In the Asia Pacific Economic Cooperation (APEC) forum, APEC Leaders agreed in 2013 to establish a Supply Chain Connectivity Fund to carry forward targeted, focused capacity building in APEC economies to improve supply chain performance and move goods through the region faster, easier, and more cheaply. For example, these capacity building activities would include helping economies to further simplify customs procedures and document requirements, which will be of assistance to small and medium-sized businesses that often lack the resources necessary to navigate overly complex requirements to deliver their goods to overseas markets in the region.
- Under the United States-Korea FTA (KORUS), the United States and Korea established an SME Working Group to develop cooperative activities to help SMEs take better advantage of KORUS trade opportunities. To support this work, USTR requested in 2013 a first-ever U.S. International Trade Commission (USITC) report to examine the KORUS agreement's effects on exports by U.S. small and medium-sized businesses, which account for a significant share of U.S. exporters both to Korea and in general. The report found that most small companies responding expressed the view that the agreement had already proven helpful, and would benefit their companies even more over time.
- In 2013, the United States initiated negotiations under the Transatlantic Trade and Investment Partnership (T-TIP) with the European Union aimed, in part, on strengthening U.S.-EU cooperation to enhance the participation of SMEs in trade between the United States and the EU, as well as addressing in the agreement trade barriers that may disproportionately impact SMEs. As part of consultations with small businesses, USTR, the Small Business Administration, the Department of Commerce and the USITC teamed up to convene a series of 20 SME roundtables nationwide and a hearing in Washington D.C. The purpose of these events was to hear directly from SMEs around the country about specific concerns and trade barriers they face in exporting to the EU and how those might be addressed through T-TIP. This major outreach effort to small businesses also will help inform a USITC study requested by USTR to identify trade barriers in the EU that may disproportionately impact small and medium firms, and help ensure that the United States takes into full account the priorities of small businesses in the T-TIP negotiations. The USITC report will be publically released in early 2014.
- Under the auspices of the Transatlantic Economic Council, USTR, Commerce, and SBA along with the EU's Directorate-General for Trade and Directorate-General for Enterprise organized the 5th U.S.-EU Small and Medium Enterprise Workshop in Brussels, in October 2013, with the aim of exchanging best practices, identifying common trade barriers and facilitating increased small business participation in transatlantic trade. A strong delegation of U.S. small business



stakeholders, including members of the Industry Trade Advisory Committee for Small and Minority Business (ITAC 11) represented U.S. SME views at the two-day workshop and used the opportunity to communicate their ideas directly to EU officials.

- With respect to FTA partners in the Western Hemisphere, USTR is working with the U.S. Small Business Administration (SBA), the U.S. State Department and other agencies to support the Obama Administration's Small Business Network of the Americas (SBNA). USTR supported the implementation of the SBNA and welcomed the formal launch of the online platform linkage between U.S. Small Business Development Centers at <http://www.sbdcglobal.com> and Brazil's Service for Micro and Small Enterprises (SEBRAE) Central de Oportunidades, connecting both sides for joint webinar training and exploration of small business client matchmaking and partnerships. Helping more small firms take advantage of trade with Brazil is a key topic of discussion in the U.S.-Brazil Agreement on Trade and Economic Cooperation.
- Through the Administration's Middle East North Africa Trade and Investment Partnership (MENA TIP), USTR and USAID launched a U.S.-Tunisia Small and Medium Enterprise program to provide training for Tunisia in the U.S. Small Business Development Center model and technical assistance to SME firms, with the goal of fostering more small business partnerships and trade opportunities between our countries and in the region. The exchange of best practices to support small business is part of the Obama Administration's MENA TIP, which is aimed at enhancing our broader economic cooperation with Arab countries in transition.

## **2. USTR Interagency SME Activities**

Under the National Export Initiative, USTR participates in the Trade Promotion Coordinating Committee's (TPCC) Small Business Working Group, collaborating with agencies including the U.S. Department of Commerce, the Small Business Administration (SBA), the State Department, U.S. Export-Import Bank, the U.S. Department of Agriculture, and others across the Government to promote small business exports. The TPCC Small Business Working Group connects SMEs to trade information and resources to help them begin or expand their exports and take advantage of existing trade agreements.

USTR serves as Co-Chair of the TPCC SME Task Force on connecting SMEs to international trade opportunities. As a result of work by the Task Force, USTR, the U.S. Department of Commerce and the SBA launched the FTA Tariff Tool. This free, online tool (<http://export.gov/FTA/ftatarifftool/index.asp>) can help small businesses take better advantage of the reduction and elimination of tariffs under U.S. FTAs. The FTA Tariff Tool was expanded to include tariff information on textiles and apparel products as well as rules of origin under U.S. FTAs, and will eventually be expanded to include new regional free trade agreements such as TPP. USTR and other agencies also created an SME Exporter's Toolkit guide to U.S. Government exporting resources which reached tens of thousands of SME exporters in the U.S. Census Bureau newsletter.

## **3. USTR's SME Outreach and Consultations**

Throughout 2013, Ambassador Froman and senior USTR staff participated in numerous events around the country to hear directly from local small businesses, workers, and other stakeholders about the trade opportunities and challenges they face. The Small Business section of USTR's website also includes helpful links, fact sheets, and resources for SMEs, and blogs which highlight small business export success stories around the country and USTR trade policy efforts supporting small business. On an interagency basis, USTR is working with the TPCC to improve trade information relevant for SMEs and

highlight interagency programs to assist SMEs with their individual export needs on the U.S. Government's one-stop export platform (<http://www.export.gov>).

USTR staff regularly consults with the Industry Trade Advisory Committee for Small and Minority Business to seek its advice and input on U.S. trade policy negotiations and initiatives, and meet frequently with individual SMEs and associations representing SME members on specific issues. USTR also spoke at several SME events around the country and abroad in 2013, including at the American Association of Small Business Development Centers annual conference in Orlando, Florida; the Dallas Ft. Worth Asian-American Citizens Council in Dallas, Texas; a T-TIP roundtable in Boston, Massachusetts, organized by SBA and the Massachusetts Export Center; the National Association of Professional Asian American Women in Washington, D.C.; the Small Technology Business Summit in Washington, D.C.; the U.S. Chamber and National District Export Council SME Trade Barriers Workshop in Washington, D.C.; the Bahrain SME Society and Global Entrepreneurship Week sponsored by the U.S. Embassy in Bahrain; the Third Inter-American Dialogue of High-Level Micro, Small, and Medium-sized Enterprises Authorities sponsored by the Organization of American States and the State Department in Brasilia, Brazil; and other events aimed at apprising small businesses of international trade opportunities and encouraging them to begin or expand their exports.

## **D. Import Food Safety**

On January 4, 2011, President Obama signed the Food Safety Modernization Act. This legislation includes numerous provisions to strengthen the U.S. food safety system for both domestic and imported products. Several key regulations and programs that the Act provides have been published as proposed rules and notified to the WTO SPS Committee for comment. In addition, several other proposed rules and guidance documents are currently under development. The FDA's new regulations aim to improve the safety of the U.S. food supply, including food that is imported from foreign producers.

The United States has continued to address the safety of imported products through its work on SPS chapters in U.S. FTAs. These chapters establish standing committees of the parties to the FTA to enhance cooperation and consultation on SPS matters and improve the parties' understanding of each other's SPS requirements, as well as to identify appropriate areas for capacity building and technical assistance.

The WTO SPS Committee provides an important forum for the United States to exchange information with its trading partners on countries' respective health and safety requirements and address concerns about the implementation of those requirements. These capacity building efforts provide an opportunity for the United States to work with its trading partners to ensure that food safety requirements are based on scientific principles and sound evidence.

### **1. APEC Food Safety Cooperation Forum and Partnership Training Institute Network**

Trade in food and agricultural products in the Asia-Pacific region is vital to U.S. interests, yet concerns about food safety in the region spiked in recent years following a series of high-profile food safety incidents. These incidents prompted APEC economies to agree to strengthen food safety standards and practices in the region and encourage adherence to international science-based standards to facilitate trade in the region and enhance food safety. In response, the APEC Subcommittee on Standards and Conformance established the Food Safety Cooperation Forum (FSCF) in 2007 with the goal of improving food safety regulatory systems in APEC economies in line with WTO Members' rights and obligations under both the SPS and TBT Agreements. In 2008, APEC economies called for increased capacity building to improve technical competence and understanding of food safety management among

stakeholders in the food supply chain through the public-private partnership initiative, the Partnership Training Institute Network (PTIN).

Since 2007, over \$6 million of public and private sector funds have been contributed for FSCF and PTIN activities. The FSCF and PTIN have identified priority capacity building needs and delivered over 30 programs in key areas (supply chain management, food safety incident management, laboratory competency, risk analysis, food safety regulatory systems) since their inception.

2013 marked the first year of implementation of an APEC multiyear project: Building Convergence in Food Safety Standards and Regulatory Systems for 2013-2015. APEC awarded the United States \$1.8 million to serve as the project sponsor for this work. In April 2013 at the second APEC Senior Officials Meeting (SOM 2), project implementation began. Initial activities included a workshop on best practices for SMEs, development of an incident management network for the region, and meetings of the FSCF and PTIN Steering Groups. The FSCF agreed to endorse new work on FSCF Regulatory Cooperation Roadmaps on Export Certificates and Pesticide Maximum Residue Limits at this meeting. Also in 2013, the PTIN conducted two laboratory capacity building needs assessment pilot projects with Chile and China. For Chile, this project included training for the detection of salmonella in seafood and the detection of veterinary drug residues. In addition to the two pilot projects USDA, in partnership with the Joint Institute for Food Safety and Applied Nutrition, sponsored a workshop on laboratory capacity building priority setting for APEC member economies in College Park, Maryland in December 2013.

Lastly, the PTIN continued to work closely with the World Bank through the newly established Global Food Safety Partnership (GFSP) which includes an initial three year plan of close collaboration in food safety capacity building. The GFSP released APEC PTIN modules on supply chain management in China, Vietnam, and Malaysia in May/June 2013 and an APEC PTIN module on aquaculture was delivered by the GFSP in Indonesia in June 2013.

## **E. Organization for Economic Cooperation and Development**

Thirty-four democracies in Europe, the Americas, the Middle East, and the Pacific Rim comprise the Organization for Economic Cooperation and Development (OECD), established in 1961 and headquartered in Paris. The OECD is a grouping of economically significant countries and serves as a policy forum covering a broad spectrum of economic, social, environmental, and scientific areas, from macroeconomic analysis to education to biotechnology. The OECD helps countries, both OECD Members and non-Members, reap the benefits and confront the challenges of a global economy by promoting economic growth, free markets, and the efficient use of resources. A committee of Member government officials, supported by Secretariat staff, covers each substantive area. The emphasis is on discussion and peer review rather than negotiation. However, some OECD instruments, such as the Anti-Bribery Convention, are legally binding. Most OECD decisions require consensus among Member governments. The like-mindedness of the OECD's membership on the core values of democratic institutions, the rule of law, and open markets uniquely positions the OECD to serve as a valuable policy forum to address issues relevant to the global economy and the multilateral trading system. In the past analysis of issues in the OECD often has been instrumental in forging a consensus among OECD countries to pursue specific negotiating goals in other international fora, such as the WTO.

The United States has a longstanding interest in trade issues studied by the OECD. On trade and trade policy the OECD engages in meaningful research, provides a forum in which OECD Members can discuss complex and sometimes difficult issues, and communicates to the wider public the benefits that trade and open economies generate. Through its multi-disciplinary approach, the OECD offers a distinct advantage in analyzing the complex economic effects of trade liberalization. In recent years, *inter alia*

using economic modeling, OECD research and analysis has shown that trade liberalization is an engine for job creation in all countries, especially as the world moves toward economic recovery. The Trade Committee's work developing trade facilitation indicators provided powerful analytical evidence supporting the conclusion of the WTO negotiations on trade facilitation, demonstrating that the trade cost savings from implementing the agreement ranged between 10 percent for developed countries to 15 percent for developing countries. The OECD is also active in warning against the dangers of protectionist measures and how imports help firms to cut costs and improve efficiency.

## 1. Trade Committee Work Program

In 2013, the OECD Trade Committee, its subsidiary Working Party, and its joint working parties on environment and agriculture, continued to address a number of issues of significance to the multilateral trading system. The Trade Committee met in May and November 2013, and its Working Party met in March, June, October, and December. Members asked the Secretariat to focus its analytical resources on work that would advocate freer trade and deepen understanding of the rationale for progressive trade liberalization in a rules-based environment. The Trade Committee and its subsidiary groups paid significant attention to trade facilitation, global value chains, services trade, export restrictions, state owned enterprises, regional trade agreements, and export credits. The Trade page on the OECD website (<http://www.oecd.org/trade>) contains up-to-date information on published analytical work and other trade-related activities.

Several major analytical pieces were developed or completed under the Trade Committee during 2013, including:

- *Mapping Global Value Chains*, Koen De Backer, Sébastien Miroudot
- *Assessing the Trade-Related Sources of Productivity Growth in Emerging Economies*, Przemyslaw Kowalski, Max Büge
- *The Costs and Challenges of Implementing Trade Facilitation Measures*, Evdokia Moïsé
- *Global Value Chains and Developing Country Employment*, Ben Shepherd
- *Economics of Export Restrictions as Applied to Industrial Raw Materials*, K.C. Fung, Jane Korinek
- *Global Production Networks and Employment*, Ben Shepherd, Susan Stone
- *Quantitative Evidence on Transparency in Regional Trade Agreements*, Iza Lejárraga, Ben Shepherd
- *Multilateralising Regionalism*, Iza Lejárraga
- *Multilateralising Regionalism on Government Procurement*, Asako Ueno
- *Trade Costs - What Have We Learned?*, Evdokia Moïsé, Florian Le Bris
- *Different Partners, Different Patterns: Trade and Labour Market Dynamics in Brazil's Post-Liberalisation Period*, David Kupfer, Marta Castilho, Esther Dweck, Marcelo Nicoll
- *The Role of Services for Competitiveness in Manufacturing*, Hildegunn Kyvik Nordås, Yunhee Kim
- *State-Owned Enterprises*, Przemyslaw Kowalski, Max Büge, Monika Sztajerowska,
- *Export Restrictions*, Osvaldo R. Agatiello, Barbara Fliess
- *Mineral Resource Trade in Chile*, Jane Korinek
- *Trade Facilitation Indicators*, Evdokia Moïsé, Silvia Sorescu
- *Trade and Labour Market Adjustment*, Susan Stone, Patricia Sourdin, Clarisse Legendre
- *Estimating the Constraints to Agricultural Trade of Developing Countries*, Evdokia Moïsé, Claire Delpeuch, Silvia Sorescu, Novella Bottini, Arthur Foch

The Trade Committee continued its work developing the Services Trade Restrictiveness Index (STRI), a tool to measure the restrictiveness of barriers affecting trade in services. During 2013, the STRI Steering Group reviewed Secretariat and Member country inputs for populating the STRI dataset, and services experts meetings took place to review specific sectors. Consultations with non-Members also took place, and there is an active effort to include non-Member data in the STRI to ensure that it is a comprehensive tool for trade policy experts. Members have identified the STRI as a key deliverable for the 2014 Ministerial Conference. As of the end of 2013, work was completed or is nearing completion for the following key services sectors: computer, professional (legal, accounting, engineering, architectural), telecommunications, construction, distribution, transportation, audiovisual, and financial.

The OECD Trade Committee also focused work on export restrictions. It continued work on the *Inventory of restrictions of the export of minerals, metals and wood* and expects to pursue a final project in early 2014. This work focuses on identifying alternatives to export restrictions and documenting best practices for transparency with respect to export restrictions.

At the request of both the G20 and OECD Members, the Trade Committee continued its work on global value chains and measuring trade in terms of value-added content. Recent Trade Committee discussions focused on the productivity and employment aspects of global value chains, as well as how developing countries can better integrate into global value chains.

The OECD Ministerial Council Meeting took place in May 2013 in Paris. Deputy U.S. Trade Representative Ambassador Michael Punke participated in the Trade Session which focused on trade and jobs, trade facilitation, services trade, and fighting protectionism. OECD Members, Key Partners, accession candidate Russia, and Trade Committee observers Argentina and Hong Kong participated in the session. Participants underscored the importance of trade for job creation and focused on the need for progress in the WTO negotiations on a package of results at the 9th Ministerial Conference in Bali. Members encouraged on-going work concerning the STRI and measuring trade in value-added terms.

## **2. Trade Committee Dialogue with Non-OECD Members**

The OECD conducts wide-ranging activities to reach out to non-Member countries, business, and civil society, in particular through its series of workshops and “Global Forum” events held around the world each year. Non-Members may participate as committee observers when Members believe that participation will be mutually beneficial. Key Partners, Brazil, China, India, Indonesia, and South Africa, participate to varying degrees in OECD activities through the Enhanced Engagement program which seeks to establish a more structured and coherent partnership, based on mutual interest, between these five major economies and OECD Members. Argentina, Brazil, and Hong Kong (China) are regular invitees to the Trade Committee and its Working Party. The OECD also carries out a number of regional and bilateral cooperation programs with non-Members.

The OECD Trade Committee continued its contacts with non-Member countries in 2013. The Trade Committee invited Key Partners and G-20 countries to participate in special sessions of the May 2013 committee meeting discussions related to global value chains and measuring trade in value-added terms. This engagement facilitated discussions promoting the functioning and deepening of the multilateral trading system and increasing transparency of trade policies. OECD accession candidate Russia also continued trade-related work on its OECD accession process throughout 2013. Moreover, the Trade Committee approved accession road maps for both Colombia and Latvia.

In addition, the Trade Committee continued its dialogue with civil society and discussed aspects of its work and issues of concern with representatives of civil society, including Members of the OECD's Business and Industry Advisory Council (BIAC) and Trade Union Advisory Council (TUAC).

### 3. Other OECD Work Related to Trade

Representatives of the OECD Member countries meet in specialized committees to advance ideas and review progress in specific policy areas, such as economics, trade, science, employment, education, and financial markets. There are about 200 committees, working groups, and expert groups. Additional information on OECD activities and publications related to trade can be found on the following OECD websites:

- Trade: <http://www.oecd.org/trade>
- Trade and development: <http://www.oecd.org/trade/dev>
- Trade and environment: <http://www.oecd.org/trade/env>
- Trade facilitation: <http://www.oecd.org/trade/facilitation>
- Agricultural trade: <http://www.oecd.org/agriculture/trade>
- Services trade: <http://www.oecd.org/trade/services>
- Anti-Bribery Convention: <http://www.oecd.org/corruption>
- Export credits: <http://www.oecd.org/trade/xcred>
- Employment, Labor and Social Affairs: <http://www.oecd.org/els>
- Fisheries: <http://www.oecd.org/fisheries>
- Regulatory Reform: <http://www.oecd.org/regreform>
- Steel: <http://www.oecd.org/sti/steel>

## F. Localization Barriers to Trade

In the last few years, a growing number of America's trading partners have imposed what are called "localization barriers to trade" - measures designed to protect, favor, or stimulate domestic industries, service providers, and/or intellectual property (IP) at the expense of goods, services, or IP from other countries. Localization barriers are measures that can serve as trade barriers when they unreasonably differentiate between domestic and foreign products, services, IP, or suppliers, and may or may not be consistent with WTO rules. Examples of localization barriers include:

- Local content requirements, *i.e.*, requirements to purchase domestically-manufactured goods or domestically-supplied services;
- Subsidies or other preferences that are only received if producers use local goods, locally-owned service providers, or domestically-owned or developed IP, or IP that is first registered in that country;
- Requirements to provide services using local facilities or infrastructure;
- Measures to force the transfer of technology or IP;
- Requirements to comply with country- or region-specific or design-based standards that create unnecessary obstacles to trade; and,
- Unjustified requirements to conduct or carry out duplicative conformity assessment procedures in-country.

Disadvantaging or excluding foreign goods, services, or IP in a market compared to domestic goods, services, or IP can distort trade, discourage foreign direct investment, and push other trading partners to impose similarly detrimental measures. Consequently, often over the long term, these measures can

actually stand in the way of the economic growth and competitiveness objectives that they were intended to achieve.

For these reasons, it has been longstanding U.S. trade and investment policy to advocate strongly against localization barriers and instead to encourage trading partners to pursue policy approaches that help their economic growth and competitiveness without discriminating against imported goods or services.

In 2013, USTR continued its leadership of the Trade Policy Staff Committee Task Force on Localization Barriers to Trade's work to develop and execute a more strategic and coordinated approach to address localization barriers. Building off the USTR initiatives already underway in this area, the Task Force worked closely with U.S. industry and other stakeholders, along with trading partners around the world, to carry out its mission and reduce market access challenges posed to U.S. goods, services, and IP by localization barriers. Specifically, USTR was successful in obtaining APEC Leaders' endorsement of a trade-enhancing model to create jobs, increase competitiveness, and promote economic growth, as an alternative to localization barriers. USTR also worked closely with OECD staff to launch new research on the impact of localization barriers on trade and investment and economic growth. Finally, the United States created, for the first time ever, a specific group in the T-TIP negotiations to develop concrete ways that the United States and the European Union can cooperate to address these issues bilaterally and multilaterally. In 2014, the United States will seek to build on the APEC and OECD initiatives, continue work on T-TIP, and take additional steps to continue to address localization barriers around the world.

## **G. Trade in Services Agreement**

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

Twenty-three economies are presently participating in TiSA negotiations: Australia, Canada, Chile, Colombia, Costa Rica, the European Union, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, the Republic of Korea, Switzerland, Taiwan, Turkey, and the United States. Negotiations are being held in Geneva, Switzerland, but there is no relationship between TiSA and the World Trade Organization.

TiSA participants represent almost two-thirds of world trade in services and a combined services market exceeding \$30 trillion, or more than half of the global economy. Efficiency gains in the services sector have a profound economic effect, as even a slight reduction in protectionist measures affecting service suppliers could substantially increase global GDP by providing more opportunities to specialize, innovate, and trade.

For the United States, improved access to international services markets offers significant benefits. Services account for three-quarters of U.S. GDP and four out of five jobs in the United States. Thanks to a vibrant and open domestic market, the United States is highly competitive in services trade, routinely recording an annual surplus on the order of \$200 billion. International sales of services by U.S. suppliers exceed \$1.8 trillion per year. With every \$1 billion in services exports supporting an estimated 4,000 U.S. jobs, promoting the expansion of services trade globally will pay dividends for the United States.

Four rounds of negotiations were held in 2013. Significant progress has been achieved in developing the core text of the agreement and initial market access offers. Work on new or improved trade rules is also accelerating, with proposals on topics ranging from e-commerce to financial services and regulatory transparency.