

II. AGREEMENTS AND NEGOTIATIONS

A. Agreements Under Negotiation

1. North American Free Trade Agreement

Overview

In 1993, as part of his campaign urging Congress to approve the North American Free Trade Agreement (NAFTA), President Bill Clinton stated that the U.S. trade balance with Mexico had gone from a \$5.7 billion trade deficit in 1987 to a \$5.4 billion surplus in 1992. President Clinton argued that this development had brought “hundreds of thousands of jobs” to the United States.⁴² At the same time, in a 1993 debate on NAFTA with Ross Perot, Vice President Gore went even further, promising that NAFTA would provide “a larger trade surplus with Mexico than with any country in the entire world.”⁴³

On September 14, 1993, President Clinton signed the bill that approved NAFTA. The Clinton Administration sold NAFTA on the grounds that it would generate a significant net surplus for the United States – and that this surplus would lead to hundreds of thousands of new jobs in the United States.

Unfortunately for American workers, the facts proved to be very different.

On January 1, 1994, the NAFTA between the United States, Canada, and Mexico entered into force. Tariffs on nearly all goods were eliminated progressively, with all final duties and quantitative restrictions eliminated, as scheduled, by January 1, 2008. Canada still maintains tariffs on dairy, poultry, and egg products while the United States still maintains tariffs on dairy, sugar, and peanut products from Canada. United States-Mexico trade is fully duty-free. In 2017, the United States exported \$282.5 billion worth of goods to Canada, and imported \$300.0 billion worth of goods from Canada, for a bilateral trade deficit in goods of \$17.5 billion. During the same year, the United States exported \$243.0 billion worth of goods to Mexico, and imported \$314 billion worth of goods from Mexico, for a bilateral trade deficit of \$71.1 billion. The United States has had a trade deficit in goods with both Mexico and Canada in every year since 1994, and a trade surplus in services in every year since 1999 (when data available).⁴⁴

⁴² Clinton Presidential Papers, 1993, Book 2, Page 1487.

⁴³ <http://ggallarotti.web.wesleyan.edu/govt155/goreperot.htm>

⁴⁴ The international shipment of non-U.S. goods through the United States can make standard measures of bilateral trade balances potentially misleading. For example, it is common for goods to be shipped through regional trade hubs without further processing before final shipment to their ultimate destination. This can be seen in data reported by the United States’ two largest trading partners, Canada and Mexico. The U.S. data report an \$11.0 billion goods deficit with Canada in 2016, and a \$64.4 billion goods deficit with Mexico. Both countries report substantially larger U.S. goods surpluses in the same relationship. Canada reports an \$87.5 billion surplus, and Mexico a \$123.1 billion surplus. This reflects the large role of re-exported goods originating in other countries (or originating in one NAFTA partner, arriving in the United States, and then returned or re-exported to the other partner without substantial transformation).

U.S. statistics count goods coming into the U.S. customs territory from third countries and being exported to our trading partners, without substantial transformation, as exports from the United States. Canada and Mexico, however, count these re-exported goods as imports from the actual country of origin. In the same way, Canadian and Mexican

There are many reasons for these declines, including economic factors not directly tied to NAFTA, but it is inaccurate to state that NAFTA played no role. In fact, many provisions in the 1994 agreement further facilitated outsourcing by reducing the costs of moving American production offshore and exposing American workers to harmful Mexican export subsidies, which further accelerated the decline in American manufacturing, particularly in the auto sector.

On May 18, 2017, President Trump notified the Congress of the Administration's intent to renegotiate the NAFTA in order to modernize and rebalance the Agreement. On July 17, USTR publicly released a detailed summary of the objectives the Administration seeks to achieve through this renegotiation. In developing these objectives, USTR held dozens of meetings with Congressional leaders and private sector advisory committees, and held three days of public hearings. In response to a *Federal Register* notice, USTR also received more than 12,000 public comments, which were carefully reviewed and integrated into Administration priorities for the renegotiation. On August 16, 2017, after the 90-day consultation period required by the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, Ambassador Lighthizer formally launched the renegotiation of the NAFTA in Washington D.C. On November 17, 2017, after four rounds of negotiation, USTR released an updated summary of the NAFTA negotiating objectives.

Through the renegotiation, the Administration has two principal objectives: first, to update the agreement with modern provisions representing the best text available. This will bring NAFTA into the 21st century by adding improved provisions to protect intellectual property and facilitate efficient cross-border trade among other updates. The renegotiated agreement will also contain new provisions that did not exist when the original NAFTA was negotiated, such as language to protect digital trade and ensure that labor and environmental chapters that are included in the body of the text and protected by the same enforcement mechanisms as the rest of the agreement.

Second, however, USTR seeks to rebalance NAFTA and reduce the U.S. trade deficit in order to achieve greater benefits for our workers, farmers, ranchers and businesses. USTR is currently seeking to ensure that U.S. investors do not have additional incentives to offshore, that strong labor provisions are made enforceable and brought into the text of the agreement, and that the performance of the Agreement is regularly reviewed to make certain that the agreement remains in the interest of the United States. USTR is also seeking to increase the percentage of the goods traded through this agreement are made by North American workers, particularly those in the United States.

These are common-sense provisions, reasonable updates and new protections to ensure that the North American market operates on the principals of free and fair trade, with minimal market distortions.

The United States is advancing at an unprecedented pace in these negotiations. With continued progress, the Trump Administration looks forward to concluding the agreement and achieving a more balanced deal for all three countries.

Five full negotiating rounds were completed by the end of 2017.

export data may include re-exported products originating in other countries as part of their exports to the United States, whereas U.S. data count these products as imports from the country of origin. These counting methods make each country's bilateral balance data consistent with its overall balance, but yield large discrepancies in national measures of bilateral balance. It is likely that a measure of the U.S. trade deficit with Canada and Mexico excluding re-exports in all accounts would be somewhere in between the values calculated by the United States and by our country trading partners.

Elements of NAFTA

Operation of the Agreement

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

The FTC held its most recent meeting in Washington, D.C. on April 3, 2012. Since October 2012, trade ministers, senior officials, and experts from the United States, Canada, and Mexico have met regularly to expand and deepen trade and investment opportunities in North America, and now meet on a frequent basis to renegotiate the Agreement.

NAFTA and Labor

The North American Agreement on Labor Cooperation (NAALC), a supplemental agreement to the NAFTA, promotes effective enforcement of domestic labor laws. The NAALC established a tri-national Commission for Labor Cooperation, composed of a Ministerial Council and an administrative Secretariat. Each NAFTA Party also established a National Administrative Office (NAO) within its Labor Ministry to serve as a contact point with the other Parties and to provide for the submission and review of public communications on labor law matters. Since 2010, the NAOs have assumed the duties of the NAALC Secretariat, including carrying out cooperative activities. As part of the NAFTA renegotiation, the United States is seeking to bring the labor obligations of the NAALC into the core of the Agreement, and ensure they are subject to the same dispute settlement mechanism that applies to other enforceable obligations of the Agreement.

As of 2017, there are seven pending submissions under the NAALC. Four are pending with the Mexican NAO (three involving the United States and one involving Canada), one with the United States' NAO (involving Mexico), and two with the Canadian NAO (one involving Mexico and one involving the United States). One submission is pending with the United States and Canadian NAOs.

In December 2017, Mexico's Executive submitted legislation to its Congress that would amend the Federal Labor Law to implement landmark constitutional reforms to the labor justice system enacted in February 2017. The reforms would transfer the authority to adjudicate labor disputes from biased tripartite Conciliation and Administrative Boards to new labor courts and the registration of unions and collective bargaining agreements to a new, independent, impartial, and specialized Federal "Institute." The legislation also includes a number of provisions from a previous legislative proposal submitted by Mexico's President Peña Nieto in April 2016 related to the registration of so-called protection contracts, which are collective bargaining agreements entered into by non-representative unions, often without the knowledge of workers, and undermine legitimate collective bargaining and suppress wages.

The Administration is consulting closely with the Mexican Government regarding the content of the reforms, including through the ongoing renegotiation of NAFTA, to ensure the final legislation improves labor standards and the protection of labor rights for Mexican workers. Mexico's Congress is currently considering the implementing legislation related to these reforms.

NAFTA and the Environment

The North American Agreement on Environmental Cooperation (NAAEC), a supplemental agreement to the NAFTA, promotes effective enforcement of environmental laws and supports regional environmental cooperation initiatives. The NAAEC established the Commission for Environmental Cooperation (CEC), comprised of a Council, a Secretariat, and a Joint Public Advisory Committee (JPAC). The Council is the CEC governing body, and is comprised of environmental ministers from the United States, Canada and Mexico. The Secretariat facilitates cooperation activities and receives public submissions. The JPAC advises the Council on matters within the scope of the NAAEC, and serves as a source of information for the Secretariat. As part of the NAFTA renegotiation, the United States is seeking to modernize the existing NAAEC framework by bringing the environmental obligations into the core of the Agreement, and ensure they are subject to the same dispute settlement mechanism that applies to other enforceable obligations of the Agreement.

On June 27-28, 2017, the Council met in Prince Edward Island, Canada. The Council approved the Operational Plan 2017-18 and outlined a new trilateral work program focused on strengthening the nexus between trade and environment, such as projects related to supporting the legal and sustainable trade in select North American species and improving industrial energy efficiency. In 2017, the CEC Parties continued the practice of reporting on actions taken on public submissions on enforcement matters concluded over the previous year.

Since 1993, Mexico and the United States also have helped border communities with environmental infrastructure projects in furtherance of the goals of the NAFTA. 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.

2. Korea-U.S. Free Trade Agreement

Overview

The United States-Korea Free Trade Agreement (KORUS FTA), which came into force on March 15, 2012, has been a major disappointment overall. Since the agreement has been in effect, U.S. imports of goods from Korea rose from \$56.7 billion in 2011 to \$71.2 billion in 2017, while U.S. exports of goods to Korea only rose from \$43.5 billion in 2011 to \$48.3 billion in 2017. Thus, the U.S. trade deficit in goods with Korea increased by 73 percent since the entry-into-force of the Agreement, and the goods and services deficit with Korea nearly tripled between 2011 and 2016 (latest data available).

These statistics are particularly troubling given President Obama's claim that "the tariff reductions in this agreement alone are expected to boost annual exports of American goods by up to \$11 billion. And all told, this agreement ... will contribute significantly to achieving my goal of doubling U.S. exports over the next five years."⁴⁵

The United States did see initial gains from services trade in the early years of implementation; however, services export growth has since stalled. In 2011, the U.S. benefited from \$16.7 billion in services exports, which grew to \$21.0 billion in 2013. But exports have remained virtually flat since then. In 2016, the U.S. only exported \$21.1 billion of services to Korea.

⁴⁵ "Remarks by the President on the U.S.-Korea Free Trade Agreement," President Barack Obama, December 4, 2010, <https://obamawhitehouse.archives.gov/the-press-office/2010/12/04/remarks-president-announcement-a-us-korea-free-trade-agreement>.

While six rounds of tariff cuts have taken place under the KORUS FTA, Korea has still fallen short on faithful implementation of the agreement. As a candidate, President Trump described the KORUS FTA as a “job-killing deal.” As President, he has acted – directing USTR to seek changes to rebalance the KORUS FTA in ways that will be more favorable to American workers and businesses. These efforts are ongoing.

Operation and Improvement of the Agreement

In recent years, stakeholders have voiced increasing concern that Korea has not fully implemented commitments in too many areas or has taken actions that undermined benefits that the United States had expected under the FTA.

On paper, the KORUS FTA resulted in improvements in market access to Korea’s goods and services market. For example, it was supposed to improve market access and regulatory transparency for U.S. service suppliers in Korea’s roughly \$760 billion services market, including in the areas of financial services, business and professional services, telecommunications, and audiovisual services.

Too often, however, Korea has undermined these improvements in access to its market in a number of areas by introducing counter-measures and through other practices. Examples include:

- targeted efforts to provide preferential treatment within Korea’s market to domestic firms,
- the introduction of new non-tariff barriers,
- and the denial of adequate procedural fairness by Korean enforcement authorities for U.S. companies.

The Agreement’s central oversight body is the Joint Committee, chaired by the U.S. Trade Representative and the Korean Trade Minister. Meetings of Senior Officials are typically held just prior to the Joint Committee meetings to coordinate and report on the activities of the committees and working groups established under the Agreement. The U.S. Government also addresses the KORUS FTA compliance and other trade issues on a continual basis through regular inter-sessional consultations, through respective embassies, and through other engagements with the Korean government (including at senior levels) in order to resolve issues in a timely manner.

Using these FTA committees and working groups, certain issues related to Korea’s implementation of the agreement have been resolved. These include ensuring that Korea established and implemented regulations to allow the outsourcing of data offshore, the inclusion of biologics in Korea’s new patent linkage system, and the resolution of a series of technical automotive regulatory issues, such as testing protocols for vehicle sunroofs.

However, it became clear that traditional engagement with the government of Korea had not been enough. Despite years of effort, Korea failed to adequately address a number of implementation and related concerns that continue to undermine benefits of the agreement that should be available to U.S. exporters and companies.

In July 2017, USTR called for a special session of the Joint Committee under the KORUS FTA to initiate bilateral negotiations to address serious concerns regarding the persistent, significant trade deficit with Korea and the asymmetric benefits that the Agreement has generated. This first-ever special session of the Joint Committee was held on August 22, 2017, in Seoul, Korea. At the second special session of the Joint

Committee, held in Washington, D.C. on October 4, 2017, USTR continued to seek improvements to the Agreement to achieve more reciprocal benefits for American exporters, as well as resolution of a number of outstanding implementation concerns, including in the areas of customs, competition policy, automobiles, medical device and pharmaceutical pricing, labor and services.

Following the special session of the Joint Committee on October 4, 2017, Korea initiated its domestic procedures to allow the Korean government to engage in negotiations with the United States on potential amendments to the Agreement. Korea completed these procedures in December, and the United States and Korea held negotiations on amendments and modifications to improve the Agreement on January 5 and again on January 31-February 1, 2018.

In addition to these efforts, throughout last year, committees and working groups established under the KORUS FTA met to discuss issues related to the Agreement. These included the Automobiles Working Group, the Committee on Sanitary and Phytosanitary Matters, the Committee on Services and Investment, the Committee on Trade in Goods, the Committee on Technical Barriers to Trade, the Professional Services Working Group, and the Committee on Trade Remedies. USTR consults closely with Congress and stakeholders regarding the work of the KORUS FTA committees.

For a discussion of environment related activities in 2017, see chapter IV.D.2.

B. Free Trade Agreements

1. Australia

The United States-Australia Free Trade Agreement (FTA) entered into force on January 1, 2005. The United States met regularly with Australia throughout the year to review the FTA, which was described by the Vice President during his April 2017 visit to Australia as a model for what a mutually beneficial trade agreement can be. The United States and Australia held a meeting of the United States-Australia Joint Committee in December 2017 to review the operation of the FTA and to address priority issues related to goods, services, investment, plant and animal health, and intellectual property. Since the FTA entered into force, U.S.-Australia goods and services trade have increased, with bilateral U.S.-Australia trade in services nearly tripling. In 2017, the United States had a \$14.6 billion goods trade surplus with Australia and in 2016, a \$14.7 billion services trade surplus, relative to \$12.6 billion and \$15.1 billion, respectively, in the year before. In 2017, the United States had a \$1.8 billion deficit in agricultural trade with Australia.

2. Bahrain

The United States-Bahrain Free Trade Agreement (FTA), which entered into force on August 1, 2006, continues to generate export opportunities for the United States. Upon entry into force of the Agreement, 100 percent of the two-way trade in industrial and consumer products, and trade in most agricultural products, immediately became duty free. Duties on other products were phased out gradually over the first ten years of the Agreement. In 2017, the United States exported \$907 million worth of goods to Bahrain, relative to \$899 million the year before, and imported \$996 million worth of goods from Bahrain, relative to \$768 million the year before. In addition, Bahrain opened its services market, creating important new opportunities for U.S. financial services providers and U.S. companies that offer telecommunication, audiovisual, express delivery, distribution, health care, architecture, and engineering services. The United States-Bahrain Bilateral Investment Treaty, 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. Meetings of the JC have addressed 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 Middle East and North Africa (MENA) region; and additional cooperative efforts related to labor rights and environmental protection.

During 2017, U.S. Government officials continued to engage with officials from Bahrain's Ministries of Labor, Industry and Commerce, and Foreign Affairs, and with labor unions and business representatives, to address labor rights concerns highlighted during consultations that began in 2013 under the United States-Bahrain FTA. Areas of discussion included: improving Bahrain's capacity to respond to cases of employment discrimination, considering legal amendments to improve the consistency of Bahraini labor laws with international labor standards, enhancing outreach and enforcement of labor laws on freedom of association and collective bargaining, and encouraging regular tripartite dialogue on labor matters. The government of Bahrain signed an agreement during 2014 with the General Federation of Bahrain Trade Unions and the Bahrain Chamber of Commerce and Industry to address many of these concerns, including employment discrimination. That agreement led to the closing of a complaint filed with the International Labor Organization by Bahrain's unions. However, challenges remain in fulfilling the terms of the agreement, particularly in the area of employment discrimination and freedom of association. USTR and the U.S. Departments of Labor and State met with the Bahraini Ministers of Labor and of Industry and Commerce in December 2017 in Washington and discussed potential initiatives by the government of Bahrain to address remaining concerns. The United States and Bahrain agreed to continue these discussions in 2018.

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

3. Central America and the Dominican Republic

Overview

On August 5, 2004, the United States signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR or Agreement) with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic. CAFTA-DR eliminates tariffs, opens markets, reduces barriers to services, and promotes transparency.

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 \$30.7 billion in 2016, compared to \$28.7 billion in the year before. Combined total two-way trade in 2017 between the United States and CAFTA-DR Parties was \$54.4 billion, compared to \$52.1 billion in the year before. The United States had a \$7.1 billion trade surplus with the CAFTA-DR countries, compared to \$5.4 billion in the year before.

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

Elements of the CAFTA-DR

Operation of the Agreement

The central oversight body for the CAFTA-DR is the Free Trade Commission (FTC), composed of the U.S. Trade Representative and the trade ministers of the other CAFTA-DR Parties or their designees. The CAFTA-DR Coordinators, who are technical level staff of the Parties, maintain ongoing communication to follow up on agreements reached by the FTC, to advance technical and administrative implementation issues under the CAFTA-DR, and to define the agenda for meetings of the FTC.

U.S. export and investment opportunities with Central America and the Dominican Republic have continued to grow under the CAFTA-DR. All of the CAFTA-DR partners have committed to strengthening trade facilitation, regional supply chains, and implementation of the Agreement. All U.S. consumer and industrial goods may enter duty free in all of the other CAFTA-DR countries' markets. Nearly all U.S. textile and apparel goods meeting the Agreement's rules of origin enter the other CAFTA-DR countries' markets duty free and quota free, promoting regional integration and opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies. Under the CAFTA-DR, exports of sensitive products under tariff rate quotas constitute two-thirds of U.S. agricultural exports to the region. These quotas will continue to increase annually until all tariffs are eliminated by no later than 2025.

Labor

Labor Capacity Building

Ongoing labor capacity building activities are supporting efforts to promote workers' rights and improve the effective enforcement of labor laws in the CAFTA-DR countries. This includes ongoing support from USAID for efforts to protect the rights of workers in the informal economy and to lift barriers to formalization, for building the capacity of workers and their organizations to constructively advocate for workers' rights with public authorities and employers, and for ensuring that workers and employers develop skills and expertise to resolve disputes. In 2017, USAID continued to support these activities as part of its Global Labor Program, and the U.S. Department of State continued funding a program to combat labor violence in Honduras and Guatemala.

Guatemala

Closing a process that began in 2008, the arbitral panel, which was convened to review the labor enforcement case brought by the United States against Guatemala under the CAFTA-DR, issued its final report on June 26, 2017. While the panel determined that Guatemala failed to effectively enforce its labor laws, it ultimately concluded that the United States did not prove that any noncompliance by Guatemala affected trade. USTR strongly disagrees with some of the interpretations developed by the panel and notes that no FTA panel can set "precedent" for future panels. For additional information, visit <https://ustr.gov/issue-areas/labor/bilateral-and-regional-trade-agreements/guatemala-submission-under-cafta-dr>.

In June 2017, the government of Guatemala restored administrative sanction authority to the Ministry of Labor and, in November 2017, the government, employers, and workers signed an agreement on a way to address a 2012 complaint submitted to the International Labor Organization (ILO) related to freedom of association and collective bargaining. Restoring sanction authority to the Ministry of Labor has been a key element of U.S. Government engagement with Guatemala, including as part of the CAFTA-DR labor enforcement case. It was also an element of the ILO complaint. To date, implementation of the new sanction authority has been slow, with little evidence of concrete progress on effective enforcement of labor

law on the ground. In addition, violence against labor union activists continues to be reported by the ILO, labor stakeholders and international NGOs as a concern.

Dominican Republic

In September 2013, the DOL issued a report in response to a public communication received in December 2011 that alleged that the government of the Dominican Republic failed to effectively enforce labor laws in the Dominican sugar sector. The 2013 DOL report highlighted concerns about potential and apparent violations of Dominican Republic labor laws in the sugar sector with respect to: (1) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health; (2) a minimum age for the employment of children and the prohibition and elimination of the worst forms of child labor; and (3) a prohibition on the use of any form of forced or compulsory labor. The DOL also noted concerns in the sugar sector with respect to Dominican labor law on freedom of association, the right to organize, and collective bargaining. In addition, the report raised significant concerns about procedural and methodological shortcomings in the inspection process that undermine the government's capacity to identify labor violations. During 2017, the United States has continued to engage with the government of the Dominican Republic, the sugar industry, and civil society groups on the concerns identified in the report. Sugar producers have engaged in the process to varying degrees and have implemented reforms that address some underlying concerns raised in the public communication and DOL report. Nevertheless, procedural and methodological shortcomings in the labor inspections process remain.

Honduras

In March 2012, the American Federation of Labor and Congress of Industrial Organizations and 26 Honduran worker and civil society groups filed a public submission with the DOL alleging that the government of Honduras had failed to effectively enforce its labor laws under the CAFTA-DR labor chapter. In February 2015, the DOL issued a public report with detailed recommendations to improve respect for labor rights in Honduras and address the concerns identified in the submission. Both governments pledged to work together to address the issues raised in the report and issued a joint statement to announce their intention to develop a plan with concrete commitments and timelines to bolster labor enforcement. Subsequently, the DOL and Honduras announced the multi-year Monitoring and Action Plan (MAP) in December 2015, which includes comprehensive commitments by Honduras to address legal and regulatory frameworks for labor rights, undertake institutional improvements, intensify targeted enforcement, and improve transparency. (For additional information on the DOL report and the joint statement, visit <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/february/statement-us-trade-representative>, and <http://www.dol.gov/opa/media/press/ilab/ILAB20150066.htm>.)

Honduras passed a comprehensive new labor inspection law in January 2017, and has made significant progress over the past two years implementing the MAP, including by convening seven tripartite meetings with private sector and labor stakeholders to discuss progress under the MAP.

The U.S. Government is providing a number of technical cooperation projects in Honduras to support employment and labor rights, including programs supported by USAID and by the U.S. Department of State to promote freedom of association, union formation, and labor-management relations and to counter labor violence. The DOL funds an \$8.7 million project to reduce child labor and improve labor rights, in support of the government of Honduras' implementation of MAP commitments, as well as a \$16.5 million project to support vocational training for vulnerable youth in El Salvador and Honduras, including youth at risk of migrating. In 2017, the DOL also facilitated exchanges on enforcement practices between the Honduran Ministry of Labor and DOL's Occupational Safety and Health Administration and Wage and Hour Division.

Environment

For a discussion of environment related activities in 2017, see chapter IV.D.2.

Trade Capacity Building

In addition to the labor and environment programs discussed above, trade capacity building programs and planning in other areas continued throughout 2017 under the Central America Strategy formulated by the Office of the U.S. Trade Representative and other U.S. Government agencies.

The Central America Strategy promotes trade facilitation in the region and directs diplomatic engagement and programs toward increasing trade capacity within the CAFTA-DR countries. USAID and other U.S. Government donors, including agencies such as the U.S. Departments of Agriculture (USDA), State, and Commerce, carried out bilateral and regional projects with the CAFTA-DR partner countries.

In 2017, USAID continued implementing the Regional Trade and Market Alliances Project to build trade and institutional capacity in Central America and improve trade facilitation. Through this project, USAID supports Central American governments and businesses in areas related to coordinated border management, including customs administration and other border control agencies, promoting improved information technology and efficient procedures, harmonizing regulations, and other steps to reduce the time and cost to trade across borders. USAID also supported a series of workshops to provide technical assistance to border control agencies like those responsible for customs, agriculture, immigration, and police, to design coordinated border inspection procedures. Additional funds were committed to focus on key commercial border crossings between the Northern Triangle countries of El Salvador, Guatemala and Honduras. USAID also fostered enhanced public-private dialogue regarding trade facilitation, paving the way for the implementation of the WTO Trade Facilitation Agreement. In 2017, a partnership between USAID and the International Finance Corporation (IFC) to implement an information technology (IT) platform for mutual recognition of sanitary registries with Central American Ministries of Health was operational for food and beverage products produced by and traded among Costa Rica, El Salvador, Guatemala, and Honduras. To strengthen this IT mutual registration platform, in 2017 USAID provided IFC with additional funds to develop the national level systems of Guatemala and Honduras to improve procedural, legal and organizational efficiencies. Additional training also was provided to the private sector on how to use the Mutual Recognition IT system.

USAID also has partnered with USDA to continue supporting CAFTA-DR countries so that their private sectors can take advantage of the trade agreement. In FY 2017, USAID, in an interagency agreement with USDA, organized two workshops on the U.S. regulatory system, internal standards, and WTO obligations for CAFTA-DR countries. The purpose of these workshops was to show the CAFTA-DR countries how the U.S. regulatory system operates, introduce them to their counterparts in the U.S. Government, and to begin to resolve a number of outstanding policy issues that disrupt trade with the United States and between CAFTA-DR members. In addition, USDA delivered 11 training sessions in the region on the U.S. Food and Drug Administration Food Safety Modernization Act to inform the private sector and government officers of Central America and the Dominican Republic on the new requirements for exporting food products to the United States. By meeting these international export standards, Central America will be able to increase exports and household income.

Other Implementation Matters

During 2017, the FTC agreed on modifications to the product-specific rules of origin to reflect the 2017 changes to the Harmonized System nomenclature. In December 2017, President Trump proclaimed the implementation of the 2017 modifications for the United States, to be effective on a future date that will be

announced in the *Federal Register*. We anticipate countries will take the necessary domestic actions for the changes to be implemented during 2018.

During 2017, USTR consulted with El Salvador, Guatemala, Honduras, and Nicaragua for the purposes of determining each importing country’s annual tariff-rate quota (TRQ) quantity of chicken leg quarters for the five-year period between January 1, 2018, and January 1, 2023. These consultations were necessary because the TRQ quantity and individual-country quota levels established under the agreement had only been established through December 31, 2017. These newly established TRQ levels will remain in effect through December 31, 2023, after which all U.S. chicken leg quarters will be imported duty free. As a result of these consultations, El Salvador, Guatemala, Honduras, and Nicaragua agreed to establish a total regional duty-free TRQ of 21,810 metric tons (MT) per year, with individual country minimum quota levels, for U.S. chicken leg quarters.

In April 2017, the United States and Guatemala reached an agreement that Guatemala would accelerate the elimination of tariffs on U.S. exports of fresh, frozen, and chilled chicken leg quarters. Under this new agreement, Guatemala’s elimination of tariffs for fresh, frozen and chilled poultry occurred four and a half years earlier than originally planned; U.S. poultry exports would have faced an out-of-quota tariff of 12.5 percent in 2017, but instead were duty free. Guatemala and the United States also reached a bilateral agreement for Guatemala to establish a TRQ allowing imports of 1,000 metric tons of processed chicken leg quarters to enter duty free each year through December 31, 2021. The tariffs and TRQ will be eliminated effective January 1, 2022.

The United States held poultry TRQ consultations with El Salvador, Honduras, and Nicaragua on July 24, 2017, and reached agreement, establishing TRQs for chicken leg quarters beginning on January 1, 2018. The new TRQ agreement was established through bilateral exchanges of letters between the United States and each respective country and through a Decision of the FTC. The agreed TRQ levels – which represent increases from current TRQ levels – are set out in the table below.

COUNTRY	2017 TRQ (MTs)	AGREED TRQs (MTs)					2023
		2018	2019	2020	2021	2022	
Honduras	5,344	5,477	5,587	5,810	6,043	6,284	Unlimited
El Salvador	4,638	4,858	4,955	5,153	5,359	5,574	Unlimited
Nicaragua	3,174	3,582	3,654	3,800	3,953	4,111	Unlimited
TOTAL	13,156	13,917	14,196	14,763	15,355	15,969	Unlimited

In 2017, the United States also continued to work closely with its CAFTA-DR partners on bilateral matters related to proper implementation of the Agreement. For example, the U.S. Government continued to work with several CAFTA-DR partners on implementation of agricultural trade matters. The U.S. Government worked to improve the transparency and effectiveness of TRQ administration procedures, which has resulted in improved access for U.S. exporters of several agricultural products including rice, onions, and potatoes.

The U.S. Government also worked with several countries to ensure implementation of the Agreement's provisions on intellectual property (IP), including those related to the protection of geographical indications, plant varieties, certain undisclosed test and other data, and other IP enforcement efforts.

The FTC committed to addressing inefficiencies and obstacles to cross-border trade in the region to increase the transparency and predictability of trade and doing business. The CAFTA-DR countries are poised to benefit from trade facilitation, including reforms to customs practices that reduce the costs and time of transporting goods across borders within highly integrated manufacturing and supply chain networks that exist throughout the region.

The FTC further emphasized the need for greater regional integration and agreed to support supply chain systems in the region through several project initiatives. These initiatives include efforts to support the U.S. textile and apparel industry by strengthening utilization of the Agreement.

4. Chile

Overview

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004 and, as of January 1, 2015, all originating goods exports can now enter the United States and Chile duty free under the FTA.

The FTA is a comprehensive free trade agreement that has significantly liberalized trade in goods and services between the United States and Chile. The U.S. goods and services trade surplus with Chile totaled \$6.7 billion in 2016, compared to \$9.2 billion in the year before.

The FTA eliminates tariffs and opens markets, reduces barriers for trade in services, provides protection for intellectual property, promotes regulatory transparency, guarantees nondiscrimination in the trade of digital products, commits the Parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective enforcement of the Parties' respective labor and environmental laws. In 2016, U.S. goods exports to Chile increased by 5.3 percent to \$13.6 billion and up 401 percent since 2003 (pre-FTA). While U.S. goods imports from Chile increased by 20 percent to \$10.6 billion and are up 185 percent since 2003. Chile is currently the United States' 29th largest goods trading partner with \$24.2 billion in total (two-way) goods trade during 2017. The U.S. goods trade surplus with Chile was \$3.1 billion in 2017. The United States had a services trade surplus of \$2.6 billion with Chile in 2016, up 5.5 percent from 2015.

U.S. foreign direct investment in Chile (stock) was \$29.4 billion in 2016, a 3.1 percent increase since 2015. U.S. direct investment in Chile is led by mining, finance, insurance and manufacturing sectors.

Elements of the United States-Chile FTA

Operation of the Agreement

The central oversight body for the FTA is the United States-Chile Free Trade Commission (FTC), comprised of the U.S. Trade Representative and Chile's Director General of International Economic Affairs, or their respective designees. The United States has worked effectively with the government of Chile through the FTC to address U.S. priority issues, including trade in table grapes, beef grade labeling, technical barriers to trade (e.g., cell phones and phone chargers, car seats, etc.), and environmental

protection for endangered species. The United States also continues to press in the FTC for Chile to resolve U.S. concerns with implementing FTA commitments concerning intellectual property rights protections.

The United States and Chile plan to hold the next meeting of the FTC in 2018.

Labor

Chile's most recent labor reform went into effect in April 2017. The reform made a variety of changes related to collective bargaining, including limiting the ability of employers to replace striking workers, expanding collective bargaining rights to some temporary workers and apprentices, and removing obstacles that previously inhibited bargaining beyond the individual enterprise level. In its 2016 annual report on Findings on the Worst Forms of Child Labor, the U.S. Department of Labor (DOL) recognized Chile as having made "significant advancement" in its efforts to eliminate the worst forms of child labor, and noted positive measures taken in the areas of legal framework, labor and criminal law enforcement, coordination of government efforts, government policies, and social programs.

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

5. Colombia

Overview

The United States-Colombia Trade Promotion Agreement (CTPA) entered into force on May 15, 2012. U.S. two-way goods trade with Colombia totaled \$26.8 billion in 2017, with U.S. goods exports to Colombia totaling \$13.3 billion. The seventh set of annual tariff reductions under the CTPA took effect on January 1, 2018. Duties on over 80 percent of U.S. exports of consumer and industrial products to Colombia were eliminated immediately upon entry into force of the CTPA, with remaining tariffs phased out over 10 years. More than half of U.S. agricultural exports to Colombia became duty free immediately upon entry into force, with virtually all remaining tariffs to be eliminated within 15 years. Tariffs on a few most sensitive agricultural products will be phased out in 17 to 19 years. In addition, with limited exceptions, U.S. services suppliers gained access to Colombia's services market, estimated at \$156 billion in 2016 (last data available). Colombia also agreed to important new disciplines in investment, government procurement, intellectual property rights, labor, and environmental protection.

Elements of the United States-Colombia TPA

Operation of the Agreement

The CTPA's central oversight body is the United States-Colombia Free Trade Commission (FTC), composed of the U.S. Trade Representative and the Colombian Minister of Trade, Industry, and Tourism or their designees. The FTC is responsible for overseeing implementation and operation of the CTPA. In 2017, the United States and Colombia continued to work together to carry out certain initiatives launched at the November 19, 2012, FTC meeting, including establishment of certain elements related to the dispute settlement mechanism established under the CTPA, and updates to the Agreement's rules of origin. In 2017, the CTPA Committees on Agriculture and Sanitary and Phytosanitary Measures also met, which led to an August 2017 exchange of letters, which expanded market access for U.S. paddy rice in Colombia by removing temporary mitigation measures agreed to in a 2012 exchange of letters. Also in 2017, the United States and Colombia concluded work to update the Agreement's rules of origin to reflect 2007 and 2012 changes to the Harmonized System (HS) nomenclature, and agreed to develop the appropriate modifications to reflect the 2017 changes to the Harmonized System. The United States and Colombia expect to complete

this work in 2018, and to implement all three sets of updates at the same time. In addition, to ensure that U.S. exports receive the intended preferential tariff treatment under the CTPA, in 2017, the FTC took two decisions, one in November, clarifying the tariff treatment for U.S. yellow corn entering Colombia under a tariff rate quota (TRQ) and the other in December, clarifying product coverage of the Colombian TRQ for U.S. variety meats. The corn TRQ decision allows U.S. corn exports to continue to receive the duty-free treatment under the TRQ, and the variety meats decision is expected to increase the U.S. share of Colombia's imports for variety meats in 2018. USTR expects to hold the second FTC meeting to review implementation of the CTPA in 2018.

Labor

The CTPA Labor Chapter includes commitments requiring both countries to adopt and maintain in laws and practices the fundamental labor rights as stated in the 1998 Declaration of Fundamental Principles and Rights at Work of the International Labor Organization, and not to fail to effectively enforce their labor laws or waive or derogate from those laws in a manner affecting trade or investment. The obligations of the Labor Chapter are subject to the same dispute settlement provisions as the rest of the CTPA and are subject to the same remedies. The entry into force of the CTPA was accompanied by progress by Colombia under the Action Plan Related to Labor Rights (Action Plan), which was developed jointly by the Parties and launched in 2011, and includes specific commitments by the Colombian government to address key areas of concern.

The United States engaged with the Colombian government on labor issues throughout 2017. This included supporting its ongoing efforts to implement the commitments made in the Action Plan, as well as reviewing its progress on the recommendations made in the U.S. Department of Labor's (DOL) January 2017 report on the submission received in July 2016 under the Labor Chapter of the CTPA. The report included 19 recommendations made to the government of Colombia on improving the labor law inspection system, improving the application and collection of fines for employers who violate labor laws, combating abusive subcontracting and collective pacts, and improving the investigation and prosecution of cases of violence and threats against unionists. In addition, the report recommended that the U.S. Government initiate consultations between the contact points of the two governments under the Labor Chapter of the trade agreement to discuss the questions and concerns identified in the review and explore options for implementing the report's recommendations.

The Colombian government took some steps to make progress on labor issues, including applying three sanctions for illegal subcontracting in the Action Plan priority sectors and mandating the use by labor inspectors of an electronic case management system. The United States will continue to work closely with Colombia on remaining challenges, including the collection of assessed fines for illegal subcontracting and inspections in priority sectors.

To address the issue of violence, Colombia's Prosecutor General's Office has 18 prosecutors who work on cases of violence against unionists and 83 investigators to support the work of the prosecutors. The United States has worked with Colombia to increase the number of resolved cases of violence and threats against unionists. In cases of employers violating certain workers' rights under Article 200 of the criminal code, the Prosecutor General's Office reported 103 case conciliations through November 2017. Conciliations involve voluntary agreements between workers and employers to settle alleged violations of Article 200. Hundreds of cases under Article 200 remain under investigation, and to date no case has completed the trial phase and resulted in a conviction.

In 2017, the United States worked closely with Colombia to follow up on the DOL's report on the 2016 public submission under the Labor Chapter of the United States-Colombia Trade Promotion Agreement and to continue implementation of the Colombian Action Plan, which culminated in a report by the DOL

released on January 11, 2017. Engagement with Colombian officials in 2017 included three meetings of the contact points under the Labor Chapter, a videoconference in April, a meeting in Washington, DC in July, and a meeting in Bogota in September. High-level engagement occurred during a meeting between Colombia's new Minister of Labor and the U.S. Secretary of Labor R. Alexander Acosta in July, and a follow-up meeting between the Minister of Labor and the Deputy Undersecretary of International Affairs at the DOL in October. Officials from USTR and the DOL also held meetings with Colombian labor stakeholders, business representatives, and the Prosecutor General's Office. In addition, during 2017, the U.S. Agency for International Development funded technical assistance in Colombia that aimed to: improve the government's capacity to enforce workers' rights, as well as workers' access to information on their rights and their ability to protect and assert them.

In December 2017, the DOL continued its labor attaché program by posting a labor attaché to the U.S. Embassy in Bogotá. Colombia is the only country where the DOL currently has a labor attaché, highlighting the Administration's commitment to ensuring close engagement with Colombia on labor rights.

Environment

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

6. Jordan

The United States – Jordan partnership remained strong in 2017. 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. The United States – Jordan FTA further benefits from Qualifying Industrial Zones (QIZs), as established by Congress in 1996. The QIZ program allows products with a specified amount of Israeli content to enter the United States duty free if manufactured in Jordan, Egypt, or the West Bank and Gaza.

U.S. goods exports to Jordan were an estimated \$2.0 billion in 2017, up 34.5 percent from 2016. QIZ products account for about one percent of Jordanian exports to the United States. The QIZ share of these exports is declining relative to the share of exports shipped to the United States under provisions of the FTA.

At the Joint Committee's most recent meeting, which was held in May 2016, the United States and Jordan discussed labor, agriculture, current technical barriers to agricultural trade, acceptance of the WTO Trade Facilitation Agreement, and accession to the WTO Government Procurement Agreement. The parties opened a dialogue to outline concrete steps to boost trade and investment bilaterally, and between Jordan and other countries in the Middle East region. After the meetings concluded, the United States and Jordan resolved the issue regarding import licensing of poultry from the United States to allow the importation of U.S. poultry into Jordan. Poultry imports of \$8 million were exported to Jordan in 2017.

The United States also continued to work with Jordan in the area of labor standards. In 2016, the Department of Labor (DOL) removed Jordanian garments from its List of Goods Produced by Child Labor or Forced Labor because there had been a significant reduction in the incidence of forced labor in Jordan's garment sector. The United States and Jordan sought to build on this success through ongoing efforts under the Implementation Plan Related to Working and Living Conditions of Workers in Jordan, signed in 2013. The Plan addresses labor concerns in Jordan's garment factories including those regarding anti-union discrimination against foreign workers, conditions of accommodations for foreign workers, and gender discrimination and harassment. In 2016, the Jordanian Ministries of Health and Labor signed an agreement that purports to ensure that labor inspections include garment dormitories, thereby addressing one of the pending commitments in the Implementation Plan; inspections

began in 2017. During 2017, the United States and Jordan continued to work towards completion of the Implementation Plan.

The Ministry of Labor (MOL) is working with the DOL funded International Labor Organization (ILO) Better Work program to improve understanding of internationally recognized labor standards and the process for conducting audits in the garment sector, including by assigning labor inspectors to the project. Ongoing engagement focuses on internalizing lessons learned from Better Work to build labor inspector capacity, conducting inspections that include dormitories in the QIZs, and continuing outreach efforts to ensure that stakeholders understand their legal rights to participate in unions and enjoy workplaces free of discrimination and harassment. Jordan also worked with Better Work Jordan to ensure that factory-level audits were publicly available in 2017.

Following the May 2016 Joint Committee meeting, the MOL and the DOL have explored cooperative activities to support Jordan's efforts to improve labor law enforcement and compliance. In 2017, the DOL provided technical assistance to the MOL to strengthen mediation capacity and improve its ability to support collective bargaining. The DOL also awarded funding in 2017 to the ILO to build central and regional government capacity to address child labor.

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

7. Morocco

The United States-Morocco Free Trade Agreement (FTA) entered into force on January 1, 2006. The FTA supports the ongoing economic and political reforms in Morocco and lays the groundwork for improved commercial opportunities for U.S. exports to Morocco in the agriculture and automotive sectors.

Since the entry into force of the FTA, two-way U.S.-Morocco trade in goods has grown from \$927 million in 2005 (the year prior to entry into force) to \$3.3 billion in 2017. U.S. goods exports to Morocco in 2017 were \$2.1 billion, up 9.5 percent from the previous year. Corresponding U.S. imports from Morocco in 2017 were \$1.2 billion, up 20.4 percent from 2016. Services trade in 2016 (the most recent year available) included \$569 million in exports and \$625 million in imports.

The United States and Morocco held the fifth meeting of the FTA Joint Committee (JC) on October 18, 2017, in Washington, D.C. During the JC meeting, U.S. and Moroccan officials highlighted bilateral progress in the areas of agriculture, labor and environment (*see below and Chapter IV.D*). They also noted Morocco's commitment to ensure unimpeded access for U.S. exports of automobiles manufactured to U.S. safety standards. The two sides agreed to further discuss the concerns of some U.S. pharmaceutical companies regarding access to the Moroccan market for their products.

The United States continued to raise questions from previous meetings regarding Morocco's July 2014 implementation of an export and harvest quota for Gigartina seaweed, a key input for a U.S. processor. The United States also questioned Morocco regarding its planned implementation of a pending Moroccan-European Union agreement on the protection of geographical indications for EU products in the Moroccan market and expressed concerns that the agreement might limit U.S. rights holders' ability to enforce their existing trademarks for generic names and the Moroccan government pledged to come up with a solution. The Moroccan delegation emphasized its interest in expanding access to the U.S. market for Moroccan textile and apparel products and renewed earlier requests for assistance in promoting cooperation between U.S. and Moroccan investment promotion entities.

Agriculture and SPS Issues

U.S. and Moroccan officials also held Agriculture and SPS FTA Subcommittee meetings in October 2017 in Washington, D.C. The two-day meetings covered a full range of bilateral agricultural and SPS issues and provided opportunities for technical consultations. At the Agriculture Subcommittee meetings and later at the JC meeting, Morocco agreed to ensure that Moroccan wheat tariff rate quota (TRQ) amounts under the FTA would be fully tendered each calendar year. Morocco agreed that, if there were unassigned or unshipped volumes from the first tender of the calendar year or an additional calendar year quota above 400,000 metric tons (MT) following the summer harvest, it would ensure that the remaining balance (total volume owed minus volume shipped) would be retendered. Furthermore, Morocco also agreed to retender unused TRQ volumes if the duty was lowered mid-season. Following this meeting, the Moroccan authorities reissued a common wheat tender and, as a result, 2017 marked the first year under the FTA that the U.S. common wheat TRQ was fully allocated. Also, at the Joint Committee meeting, Morocco committed to accelerate the tariff phase out of approximately 40 tariff lines of wheat, beef, and poultry products in cases where Morocco was applying a lower duty to EU products.

Morocco continues to be the only U.S. FTA partner not to allow imports of U.S. beef or poultry products, due to various animal and public health concerns. However, at the October 2017 FTA SPS Subcommittee meeting, Morocco removed the ban on beef product imports from the United States due to *bovine spongiform encephalopathy* (BSE) and agreed to further engagement aimed at finalizing export certificates for U.S. beef and poultry products. Morocco also committed to not permanently adopt threshold alerts for Deoxynivalenol (DON) levels in wheat imports, which Moroccan authorities temporarily had set at levels stricter than Codex Alimentarius guidance.

Labor Issues

With regard to activities related to the FTA's labor chapter, in 2017 the U.S. Department of Labor continued to fund two projects under the FTA labor cooperation mechanism. One, which concluded during the year, helped reduce child labor and build the capacity of relevant government agencies to combat child labor, and another supported the development and implementation of gender parity in employment policies. USAID supported activities with women workers in agriculture that partnered with the DOL-supported work on gender parity. In August 2017, the government of Morocco began implementing a domestic worker law that addresses an area of concern raised by the United States during the 2014 FTA Labor Subcommittee meeting. The law, when fully implemented, will extend protections and benefits to domestic workers by setting a minimum wage, establishing a minimum age for employment, limiting weekly hours of work, and providing such workers with a day of rest.

Environment Issues

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

8. Oman

The United States-Oman Free Trade Agreement (FTA), which entered into force on January 1, 2009, complements other U.S. FTAs in the MENA region to promote economic reform and openness throughout the region. Under the FTA, Oman provided immediate duty-free access on virtually all industrial and consumer products. Duties on other products are phased out gradually over the first ten years of the Agreement. Since the entry into force of the FTA, two-way U.S.-Oman trade in goods has grown from \$2.2 million in 2008 (the year prior to entry into force) to \$3.2 billion in 2017. In 2017, the United States

exported \$2.1 billion worth of goods to Oman, up 16.2 percent from the year before, and imported \$1.1 billion worth of goods from Oman, down 5.0 percent from 2016.

To manage implementation of the FTA, the agreement establishes a central oversight body, the United States-Oman Joint Committee (JC), chaired jointly by USTR and Oman's Ministry of Commerce and Industry. Meetings of the JC have addressed 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.

The Oman trade union federation was formed in 2006, as a result of major labor reforms by the government of Oman enacted in the context of entry into force of the FTA, which allowed independent unions in Oman for the first time. Oman has since seen an increase in unionization with over 200 enterprise-level unions and several sectoral sub-federations for trade unions established, including in the oil and gas sectors. The government signed a Memorandum of Understanding with the ILO in June 2017 to jointly develop a new Decent Work Country Program that would build on successes of the program that ended in 2016. The parties anticipate that the new program will structure activities through 2019 and focus on three priorities: social protection; employment, skills, and entrepreneurship development; and international labor standards and labor governance.

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

9. Panama

Overview

The United States-Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012. Under the TPA, tariffs on 86 percent of U.S. consumer and industrial goods exports to Panama (based on 2011 trade flows) were eliminated upon entry into force, with any remaining tariffs phased out within 10 years. Additionally, nearly half of U.S. agricultural exports immediately became duty free, with most remaining tariffs to be phased out within 15 years. Tariffs on a few of the most sensitive agricultural products will be phased out in 18 to 20 years. Following the first tariff reduction under the TPA on October 31, 2012, subsequent tariff reductions occur on January 1 of each year; the seventh round of tariff reductions took place on January 1, 2018. The TPA also provides new access to Panama's estimated over \$36 billion services market (2016 data; most recent available) and includes 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. The United States' two-way goods trade with Panama was \$6.9 billion in 2017, with U.S. goods exports to Panama totaling \$6.4 billion. As of 2016 (latest data available), U.S. services trade with Panama included \$1.5 billion in exports and \$1.3 billion in imports.

Elements of the United States-Panama TPA

Operation of the Agreement

The TPA's central oversight body is the United States-Panama Free Trade Commission (FTC), composed of the U.S. Trade Representative and the Panamanian Minister of Trade and Industry or their designees. The FTC is responsible for overseeing implementation and operation of the TPA. The United States and Panama continued to work cooperatively during 2017 to continue to implement the provisions of the TPA and to address the few issues of concern that arose during the year. The United States and Panama last held

an FTC meeting on November 22, 2016, to review progress on implementation of the TPA. The FTC also discussed Panama's next steps on outstanding intellectual property commitments such as Internet Service Provider Liability (Article 15.11.27) and pre-established damages (Article 15.11.8), and bilateral concerns related to trade in agricultural products. Both sides agreed that implementation was proceeding and providing new opportunities for traders and investors, and agreed on next steps on ongoing issues. USTR expects to hold the third FTC meeting to review implementation of the TPA in 2018.

Recognizing the importance of an effective dispute settlement procedure to ensuring both countries' rights and benefits under the Agreement, in 2017, both sides continued to work to establish four rosters of potential panelists for disputes that may arise under the TPA concerning general matters, as well as under the Labor, Environment, and Financial Services chapters of the TPA. The finalization of the rosters will complete the establishment of the dispute settlement infrastructure for the Agreement, building on the 2014 FTC decisions establishing model rules of procedures for the settlement of disputes, a code of conduct for panelists, remuneration of panelists, assistants, and experts, and the payment of their expenses. In December 2016, the United States and Panama agreed to modify the TPA's rules of origin to reflect the 2007 and 2012 changes to the Harmonized System (HS) nomenclature through an FTC decision, and are working to modify the rules of origin to reflect the 2017 HS nomenclature changes.

Labor

U.S. Government officials from the Department of Labor (DOL) met with officials from the Panamanian Ministry of Labor and Maritime Authority in August 2017 and discussed labor law enforcement issues in the areas of child labor, wage-and-hour protections, union registration, subcontracting and short-term contracts, and occupational safety and health. In addition, DOL funded three active technical assistance projects to combat child labor in Panama and an independent research project to collect data on the prevalence, nature, and possible effects on workers of a variety of working conditions and health issues, including work-related violence, in Panama and five other countries in Central America. These actions were subsequent to Panama's undertaking a series of major legislative and administrative actions between 2009 and 2016 to further strengthen its labor laws and labor enforcement, including new laws to protect the right to strike, eliminate restrictions on collective bargaining, update the list of hazardous occupations prohibited for children, and protect the rights of temporary workers. Some of these administrative actions included addressing 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.

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

10. Peru

Overview

The United States-Peru Trade Promotion Agreement (PTPA) entered into force on February 1, 2009. Customs duties for PTPA qualifying U.S. goods have been eliminated on substantially all Peruvian tariff lines. Peru will remove all remaining tariffs, which apply only to select agricultural products, by 2026.

The PTPA is a comprehensive free trade agreement that resulted in the significant liberalization of trade in goods and services between the United States and Peru. The U.S. goods and services trade surplus with Peru totaled \$2.8 billion in 2016.

The PTPA eliminates tariffs, removes barriers to U.S. goods and services, and includes important disciplines with respect to customs administration and trade facilitation, technical barriers to trade, government procurement, services, investment, telecommunications, electronic commerce, intellectual property rights, transparency, and labor and environmental protections. In 2017, U.S. goods exports to Peru totaled \$8.7 billion, up 9.2 percent from the year before, while U.S. goods imports from Peru totaled \$7.3 billion, up 16.5 percent from 2016. Peru was the United States' 35th largest goods trading partner with \$16.0 billion in total (two-way) goods trade in 2017. U.S. exports of agricultural products to Peru totaled \$1.2 billion in 2017. Leading product categories include corn (\$224 million), wheat (\$87 million), cotton (\$84 million), soybean meal (\$82 million), and dairy products (\$80 million). The United States had a services trade surplus of \$1.1 billion in 2016.

U.S. foreign direct investment in Peru (stock), primarily in the mining sector, was \$6.2 billion in 2016, a 7.7 percent increase from 2015.

Elements of the PTPA

Operation of the Agreement

The central oversight body for the PTPA is the United States-Peru Free Trade Commission (FTC), which supervises the implementation of the agreement. The United States has worked effectively with Peru through the FTC process to address U.S. priority issues, including the removal of remaining Peruvian bovine spongiform encephalopathy-related (BSE) trade restrictions on U.S. beef and beef products, and the continued elimination of child and forced labor. In addition, the United States has continued to work with Peru on logging issues under the Annex on Forest Sector Governance (Forest Annex). (*See Chapter IV.D.2. for a discussion of environment related activities in 2017*). The Forest Annex includes concrete steps to be taken to strengthen forest sector governance and combat illegal logging and illegal trade in timber and wildlife products. The Forest Annex also includes monitoring tools such as a requirement that Peru conduct audits and verifications of particular producers and exporters upon request from the United States.

The United States and Peru plan to hold the next meeting of the FTC in 2018.

Agriculture (SPS)

Since the PTPA entered into force, Peru has become one of the fastest growing markets for U.S. beef in Latin America, with growth accelerating after U.S. engagement to lift market access restrictions related to BSE, which resulted in full market access for U.S. beef exports in March 2016. U.S. exports of beef and beef products to Peru were valued at \$22.2 million in 2017, more than tripling the \$6.4 million posted in pre-PTPA 2008.

Labor

Throughout 2017, the U.S. Government engaged with the government of Peru on the issues identified in the Department of Labor's (DOL) March 2016 report in response to a public communication under the PTPA Labor Chapter received in July 2015. The communication raised issues related to Peru's adoption and maintenance of laws and practices that protect fundamental labor rights and the effective enforcement of labor laws, particularly with regard to Peru's laws on non-traditional exports and the use of temporary contracts in the textiles sector and agricultural industry. The DOL report that reviewed those issues recognized a number of positive steps taken by the Peruvian government to improve its labor law enforcement since signing the PTPA in 2007, but raised some questions about the effectiveness of the country's labor law enforcement, and provided six recommendations to the government of Peru aimed at addressing questions and concerns mentioned in the report. DOL's nine-month review statement, published

in December 2016, noted steps and commitments by Peru in the area of labor inspections that would represent progress if fully implemented, but also identified remaining concerns regarding enforcement of labor laws and the right to freedom of association in Peru's non-traditional export sectors. USTR, DOL, and the State Department continue to engage with the government of Peru to review progress on addressing the issues identified in the report. USTR and DOL officials traveled to Lima in June 2017 and met with Peruvian government, worker, business and civil society representatives. USTR and DOL also had two videoconferences with Peruvian government officials during the year. Further information on the Peru labor public communication is available at: <http://www.dol.gov/ilab/trade/agreements/fta-subst.htm>.

In addition, DOL has funded over \$22 million in programming to help improve Peru's enforcement of labor laws and compliance with the PTPA Labor Chapter. The six technical assistance projects active in 2017 included one that supported the activities of the National Superintendence of Labor Inspection (SUNAFIL) in its enforcement of laws, regulations, and other legal instruments governing subcontracting, outsourcing, and the use of short-term employment contracts, especially in the textile and apparel and agricultural export sectors. Another project helped worker organizations identify labor law violations and trigger SUNAFIL enforcement actions, supplementing labor inspection capacity building efforts. A third project carried out an exchange program between Brazil and Peru on good practices to address forced labor. As part of the program, Brazilian and Peruvian law enforcement officials, including SUNAFIL representatives, conducted joint forced-labor inspections in Brazil and Peru and developed and piloted tools to investigate forced labor cases in Peru.

Environment

For a discussion of environment related activities in 2017, see Chapter IV.D.2.

11. Singapore

The United States met regularly with Singapore in 2017 to discuss priority bilateral and regional issues and to evaluate the performance of the United States-Singapore Free Trade Agreement (FTA), which has been in force since January 1, 2004. The joint statement from the President's meeting with Prime Minister Lee of Singapore on October 23, 2017 noted the success of the FTA in expanding trade, enhancing joint prosperity, and promoting broader relations for the benefit of both countries. Other key meetings between the United States and Singapore on FTA matters in 2017 included a review of the FTA environment provisions in October, discussions with Singapore labor officials in March and December, and a comprehensive review of the FTA in Singapore in July. Since entry into force of the FTA, U.S.-Singapore trade maintained consistent trade surpluses in both goods and services with Singapore (in 2017 the goods surplus was \$10.4 billion, and the services surplus in 2016 was \$9.7 billion).

C. Other Negotiating Initiatives

1. The Americas

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 enterprises (SMEs) and resolving trade issues with those governments. The United States has Trade and Investment Framework Agreements (TIFAs) with Argentina, signed in March 2016; with Uruguay, signed in January 2007; and with the Caribbean Community, signed in May 2013 (to update and enhance a prior TIFA signed in 1991). The

United States and Paraguay established a Bilateral Council on Trade and Investment in 2004. The United States and Ecuador signed a Trade and Investment Council agreement in 1990. The United States and Brazil signed the Agreement on Trade and Economic Cooperation in 2011.

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 2017. Highlights of USTR's other priority activities in the region include:

Argentina

In March 2016, the United States and Argentina signed a TIFA, which established the United States–Argentina Council on Trade and Investment. The Council serves as a forum for engagement on a broad range of bilateral trade issues, such as market access, intellectual property rights protection, and cooperation on shared objectives in the World Trade Organization and other multilateral fora. The second meeting of the Council was held in Buenos Aires in October 2017. The Council established the Innovation and Creativity Forum for Economic Development (the Forum) in 2016 to discuss issues of mutual interest, including geographical indications, industrial designs, and the importance of intellectual property protections for small and medium sized enterprises. The first meeting of the Forum was held in December 2016 in Buenos Aires, and the second meeting was held in Washington in July 2017. The Council and the Forum will meet again in 2018.

Brazil

Bilateral dialogue with Brazil is conducted through the United States–Brazil Commission on Economic and Trade Relations (the Commission) established by the Agreement on Trade and Economic Cooperation (ATEC), which was signed in 2011. The ATEC was intended to deepen U.S. engagement with Brazil and expand the trade and investment relationship on a broad range of issues including trade facilitation, intellectual property rights and innovation, and technical barriers to trade. The most recent Commission meeting under the ATEC was held in March 2016 at the ministerial level. The next Commission meeting will be held in 2018 in Brazil.

Canada

Trade tensions over softwood lumber are longstanding and deeply-rooted. In the United States, most of the fiber used to make softwood lumber is privately owned and sold; in Canada, provincial governments own and control most of the fiber supply and most set the price for harvesting timber rather than allowing the market to determine such prices.

On June 29, 2016, the two countries released a statement that a new softwood lumber agreement would be designed to maintain Canadian exports at or below an agreed market share. On November 25, 2016, the U.S. Lumber Coalition initiated actions under U.S. trade remedy laws challenging the harmful effects of “dumped” and unfairly subsidized Canadian lumber in the U.S. market. This marked the fifth time in approximately 30 years that U.S. industry has availed itself of U.S. trade remedy laws to address this imbalance, often resulting in bilateral softwood lumber dispute settlement agreements. The most recent agreement expired in 2015. On November 8, 2017, the United States Department of Commerce published the final rates for antidumping (AD) and countervailing duties (CVD) on U.S. imports of softwood lumber from Canada. On December 7, 2017, the U.S. International Trade Commission voted unanimously that imports of softwood lumber from Canada materially injured U.S. softwood lumber producers. The applicable duty rates range from 3.20 to 7.28 percent for AD and 3.34 to 17.99 percent for CVD. Taken

together, the generally applicable “all others” rate for AD and CVD totals to 20.23 percent. Canada has initiated dispute settlement proceedings to challenge these duties under NAFTA and at the World Trade Organization.

Paraguay

In June 2015, the United States and Paraguay signed a Memorandum of Understanding on Intellectual Property Rights, under which Paraguay committed to take specific steps to improve its IPR protection and enforcement environment, and USTR removed Paraguay from the Special 301 Watch List. In November 2015, Paraguay hosted the twelfth meeting of the Bilateral Council on Trade and Investment. The United States and Paraguay discussed a broad range of bilateral trade and investment issues, including increased collaboration to expand economic opportunities for businesses and investors, implementation of the MOU on IPR, and market access issues. On January 13, 2017, the United States and Paraguay signed a TIFA, which will enter into force once the parties notify each other in writing that they have completed any necessary internal procedures. The first meeting of the Trade and Investment Council established under the TIFA is expected to be held in Washington in 2018.

Uruguay

In May 2016, Uruguay hosted the seventh meeting of the United States–Uruguay Trade and Investment Council under the TIFA, which was signed in 2007. The United States and Uruguay discussed a range of bilateral trade and investment issues, including trade facilitation, improving opportunities for SMEs, and market access matters. The next meeting of the Trade and Investment Council will be held in Washington in 2018.

2. Europe and the Middle East

The United States uses Free Trade Agreements (FTAs), Bilateral Investment Treaties (BITs), TIFAs, and other mechanisms to engage with the European Union (EU) and its 28 Member states, non-EU European countries, Russia, certain countries of western Eurasia, the Middle East, and North Africa to eliminate trade barriers, increase U.S. exports, encourage the development of intraregional economic engagement, foster partner country policies grounded in the rule of law, and, where relevant, advance countries’ accessions to the WTO (*see Chapter V.J.6. for more information on WTO accessions*).

During 2017, USTR focused on implementing a plan for engagement with the EU aimed at reducing regulatory and other barriers to U.S. exports and strengthening cooperation on global trade issues and third countries of common concern, especially China. USTR established a new United States-United Kingdom (UK) Trade and Investment Working Group to begin shaping the U.S.-U.K. relationship post Brexit. In 2017, USTR also pressed Russia to implement fully its WTO commitments and promoted policies in Eurasia to open markets to U.S. exports and support economic diversity and independence. USTR’s efforts in the Middle East and North Africa (MENA) region centered on ongoing political and economic reforms, as well as trade and investment integration.

Deepening U.S.-EU Trade and Investment Relations

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

on investment) averaged an estimated \$5.1 billion *each day* of 2017.⁴⁶ The total stock of transatlantic investment was \$5.2 trillion in 2016 (latest data available).

The United States and the EU launched negotiations on the proposed Trans-Atlantic Trade and Investment Partnership (T-TIP) agreement in 2013. By the end of 2016, following 15 negotiating rounds, important differences remained on critical negotiating areas of the agreement.

In May 2017, the President and EU leaders asked senior officials to develop a plan to guide U.S.-EU engagement on reducing trade barriers and strengthening cooperation on global trade issues of shared concern, with particular attention to the increasing challenges posed by China. Thus in 2017, USTR and European Commission Trade Directorate staff met several times, most recently in October in Washington, D.C., to pursue this plan, while experts responsible for specific issues engaged with counterparts on an ongoing basis.

With respect to China, the USTR and Trade Directorate teams have been cooperating on issues including China's WTO challenges against the decision by the United States and the EU not to grant China "market economy status," China's "Made in China 2025" industrial plan, forced technology transfer, steel excess capacity, subsidies and state-owned enterprises, and antidumping duty evasion.

On bilateral trade barriers, the United States has worked with the European Commission to address costly EU regulatory barriers to U.S. exports, building on the bilateral discussions of previous years. These include:

- Technical barriers to trade and sanitary and phytosanitary barriers that impede U.S. exports to the EU of numerous specific products.
- An EU regulatory system that generally does not recognize U.S. standards and other international standards that U.S. manufacturers use.
- The EU's refusal to allow U.S. product testing bodies to assess the conformity of U.S. manufactured goods with EU regulatory requirements, as EU testing bodies do for EU goods bound for the U.S. market.
- Inadequate transparency and opportunity for stakeholder participation in EU regulatory processes.
- The EU's practice of encouraging trade agreement partners to adopt EU standards and to exclude products manufactured to different U.S. and other international standards.

U.S.-UK Trade and Investment Working Group: Following a national referendum in 2016, the UK notified the EU in March 2017 of its intention to leave the European Union (known as "Brexit"), which began a two-year process of negotiating the terms of the UK exit from the EU, as well as their future trade and investment relationship. The UK exit from the EU is likely to have significant effects on U.S.-UK and U.S.-EU trade, including raising the potential of a bilateral U.S.-UK trade agreement once the UK leaves the EU. In July 2017, the United States and the UK established a Trade and Investment Working Group in order to: (1) explore ways to strengthen trade and investment ties prior to Brexit; (2) ensure that existing U.S.-EU agreements are transitioned to U.S.-UK agreements; (3) lay the groundwork for a potential future free trade agreement once the UK has left the EU; and (4) collaborate on global trade issues.

⁴⁶ Based on the first three quarters of 2017.

The Working Group met in July and November 2017, in addition to *ad hoc* meetings of technical specialists throughout the year, and intends to continue to meet quarterly.

Ongoing Engagement with Turkey and the Middle East and North Africa

The revolutions and other changes that swept through the MENA region beginning in 2011 have provided new opportunities and posed new challenges with respect to U.S. trade and investment relations with MENA countries (especially countries in transition such as Tunisia, Morocco, Jordan, Egypt, and Libya). USTR has coordinated with other U.S. federal agencies as well as with outside experts and stakeholders in both the United States and MENA partner countries to explore prospective areas for cooperation that could yield the quickest results in terms of increased trade and investment, in addition to developing longer-term trade and investment objectives with regional trading partners.

In 2017, the United States continued to monitor, implement, and enforce existing U.S. FTAs in the region (Bahrain, Israel, Jordan, Morocco, and Oman) and pursued TIFA consultations with Algeria, Egypt, Saudi Arabia, and Tunisia.

The United States also pursued further engagement with the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) as a group through the U.S.-GCC Framework Agreement for Trade, Economic, Investment and Technical Cooperation. Enhanced U.S. dialogue with the GCC is aimed at ensuring that U.S. interests are fully represented as the GCC develops as a regional organization dedicated to harmonizing standards, import regulations, and conformity assessment systems among its member states.

Recognizing Turkey's continuing importance as a trade and investment partner, the United States in 2017 revived discussions with the Turkish government under the bilateral TIFA process. Key issues of focus were the openness of the digital economy, intellectual property protection and enforcement, and the reduction of various market access barriers for both goods and services.

Promoting Transparent and Rules-Based Economies in Eurasia

Throughout 2017, the United States worked with countries on Europe's eastern periphery and in the Caucasus to reinforce the importance of international trading rules and to promote economic growth.

For example, the United States continued to work with stakeholders and government interlocutors in Ukraine to address market access barriers, advance a stable investment environment, and promote the strong enforcement of intellectual property rights. In October, the United States participated in the seventh meeting of the United States-Ukraine Trade and Investment Council in Kyiv, and identified priority areas in which cooperation could lead to an expanded bilateral trade and investment relationship. Likewise, the United States and Moldova held the second meeting of the United States-Moldova Joint Commercial Commission in Chisinau, Moldova, at which both sides identified concrete steps to promote and protect bilateral market access. The United States also continued discussions with Georgia and Armenia to promote strong market-opening trade and investment policies through the United States-Georgia High-Level Dialogue on Trade and Investment and the United States-Armenia Trade and Investment Framework Agreement.

Russia continues to employ increasingly protectionist policies, discriminating against imports in favor of domestic goods and services. Although the United States continues to restrict its bilateral engagement with Russia as a consequence of Russia's actions in Ukraine, it has not hesitated, where appropriate, to highlight the potential WTO inconsistency of Russia's protectionist trade policies, and has employed various WTO mechanisms to pursue full compliance where Russia appeared to fall short. The United States will continue

to insist that Russia implement its WTO obligations and will use all available tools of the WTO, as appropriate, to enforce those obligations. The United States will also continue to follow and evaluate the actions of the Eurasian Economic Commission (EEC), the administrative arm of the Eurasian Economic Union (EAEU; comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia), on Central Asian states and, where appropriate, work with the individual EAEU member states to ensure compliance with WTO rules.

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

Japan

The Trump Administration is committed to achieving a fair and reciprocal trading relationship with Japan. It seeks equal and reliable access for American exports to Japan's markets in order to address chronic trade barriers, imbalances, and deficits with Japan.

In February 2017, President Trump and Prime Minister Shinzo Abe agreed to the United States-Japan Economic Dialogue when the two leaders met in Washington, D.C. In April 2017, Vice President Mike Pence and Deputy Prime Minister Taro Aso launched the United States-Japan Economic Dialogue in Tokyo, Japan. They agreed to structure the Economic Dialogue along three policy pillars, including one focused on trade and investment rules and issues. In October 2017, Vice President Pence and Deputy Prime Minister Aso met for the second round of the Economic Dialogue, where they affirmed the importance of strengthening bilateral economic, trade, and investment ties.

Some initial progress was achieved on bilateral trade issues in the October meeting, including the lifting of Japan's restrictions on U.S. potatoes from Idaho. In the area of automobiles trade, Japan agreed to streamline noise and emissions testing procedures for U.S. automobile exports certified under Japan's Preferential Handling Procedure (PHP). Japan committed to ensure meaningful transparency and fairness in its system for geographical indications (GIs) in accordance with its domestic law and procedures, including those receiving protection through international agreements. Japan also committed to ensure meaningful transparency continuously with respect to reimbursement policies related to life sciences innovation.

In November 2017, during President Trump's trip to Japan and meeting with Prime Minister Abe, the leaders discussed promoting balanced trade, including by taking additional steps bilaterally to advance these objectives. Building on outcomes under the Economic Dialogue, President Trump recognized further steps taken by Japan in the areas of automotive standards and governmental financial incentives for motor vehicles, as well as efforts to strengthen the transparency of deliberations affecting the life sciences industry, as signs of continuing progress on bilateral trade issues. President Trump and Prime Minister Abe decided to accelerate engagement on trade in ways that expand the potential of the bilateral trade relationship.

The United States continues to engage with Japan to seek further progress on bilateral trade issues, in order to secure better access and fair treatment for U.S. exporters seeking to expand exports and other opportunities in the market of the United States' fourth largest trading partner.

The United States also worked closely with Japan in various fora in 2017 to address trade issues of common interest, including those in third-country markets. This work included closely coordinating on certain World Trade Organization (WTO) dispute settlement cases. In addition, on the sidelines of the WTO ministerial meeting in December 2017, the United States, Japan, and the EU agreed to strengthen their

commitment to ensure a global level playing field by tackling unfair practices which have led to global overcapacity and other unfair market distorting and protectionist practice by third countries. The United States and Japan also worked closely together in the Asia-Pacific Economic Cooperation (APEC) forum to advance issues such as digital trade.

Republic of Korea (Korea)

(See Chapter II.A.2 for discussion of the United States-Korea Free Trade Agreement.)

In addition to close engagement with counterparts in the Korean government through committee meetings and working groups established under the United States-Korea Free Trade Agreement (KORUS FTA), USTR continues to hold bilateral consultations with Korea in a variety of formats to address bilateral trade issues, as well as other emerging issues. These meetings are augmented by senior-level engagement. In 2017, the United States and Korea held a number of bilateral trade consultations, in which the United States addressed a substantial number of outstanding issues, including those related to automobiles, customs, competition policy, medical device/pharmaceutical reimbursement pricing, agriculture, labor, and services.

APEC

Overview

According to its Secretariat, the 21 member economies of the Asia-Pacific Economic Cooperation (APEC) Forum collectively account for approximately 40 percent of the world's population, approximately 57 percent of world GDP and about 45 percent of world trade (if intra-EU trade is included in world trade, or 59 percent if intra-EU trade is excluded). In 2017, United States-APEC total trade in goods was \$2.6 trillion. Total trade in services was \$458 billion in 2016 (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.

Since its founding in 1989, U.S. participation in the APEC forum has substantially contributed to lowering barriers across the Asia-Pacific to U.S. exports.

In 2017, Vietnam hosted APEC under the theme “Creating New Dynamism, Fostering a Shared Future.” At the November APEC Leaders and Ministers’ meetings in Danang, Vietnam, APEC economies reported progress and identified areas for future work in areas such as removing trade barriers, creating more transparent and open regulatory regimes, and reducing trade costs. The activities below describe the key outcomes that advance the U.S. trade and investment agenda in the region.

2017 Activities

Digital Trade: APEC continues to advance a U.S.-led initiative to identify building blocks to facilitate digital trade. These building blocks will promote policies to prevent barriers to digital trade that negatively affect U.S. competitiveness, as well as help APEC economies take advantage of the rapidly growing digital economy. In 2018, APEC will continue development of this initiative through policy dialogues. The United States also will seek to expand participation in its initiative with 11 other APEC economies to support a permanent customs duty moratorium on electronic transmissions, including electronically transmitted content.

Trade Facilitation: In 2017, APEC adopted the second phase of an action plan that aims to continue to improve trade facilitation efforts by APEC economies into 2018, including supply chain performance and implementation of the WTO Trade Facilitation Agreement. APEC’s work in these areas help make it significantly cheaper, easier, and faster for U.S. exporters to access markets across the Asia-Pacific region.

In 2017, APEC member economies participated in a number of projects, including in areas such as pre-arrival processing, advance rulings, expedited shipments, release of goods, and electronic payments. In 2018, APEC will focus on improving transparency with respect to procedures, forms, and documents necessary for import, export, and transit of goods within the region.

Services: APEC economies continue to implement the APEC Services Competitiveness Roadmap (ASCR). The ASCR sets APEC-wide and individual targets to advance services liberalization and domestic regulatory reform to be achieved by 2025. APEC is developing a services trade restrictiveness index to identify areas in which removal of restrictions can improve the overall competitiveness of services markets. This index should be compatible with similar indices prepared by organizations such as the OECD, so that comparisons can be made with non-APEC economies. APEC is also working on developing a non-binding set of principles on domestic regulation, to help improve the transparency and due process of services licensing bodies in APEC economies.

Regulatory Transparency: In 2017, APEC economies built on earlier work related to good regulatory practices (GRP), including regulatory transparency. In August 2017, the United States worked closely with Vietnam to organize the 10th Conference on Good Regulatory Practices, which included panels on transparency, internal coordination of rulemaking activity, enquiry point operations, processing public comments, regulatory impact assessment, and rulemaking in a crisis. The United States also organized a workshop to enhance regulators' expertise on the WTO Technical Barriers to Trade Agreement. This program included presentations on determining when to regulate, developing effective technical regulations, reports in WTO cases, regulatory cooperation, and conformity assessment.

Food and Agricultural Trade: In 2017, the APEC Food Safety Cooperation Forum Partnership Training Institute Network, a U.S.-led effort that strengthens capacity in food safety, held a workshop on export certificates to help attendees determine when such documentation is necessary. Also as of 2017, one APEC economy has implemented the APEC Model Wine Export Certificate developed by the APEC Wine Regulatory Forum in 2016. Greater use of risk-based, scientific principles for food export certificates and the model wine certificate, where appropriate, could reduce administrative burdens on producers and traders. In 2017, the High Level Policy Dialogue for Agricultural Biotechnology continued its work to remove barriers to the use and trade of agricultural biotechnology. The Committee on Trade and Investment held a session on the removal of barriers to trade in agriculture products. An APEC private sector study highlighted that reductions in unwarranted barriers to trade in agricultural goods could increase trade among APEC members and improve food security.

Intellectual Property: In 2017, the United States continued to use APEC to build capacity and raise standards for the protection of intellectual property rights in the Asia-Pacific region. This included U.S.-led initiatives on combating trademark-infringing and counterfeit goods, which often present threats to consumer health and safety, at the border.

Free Trade Area of the Asia-Pacific (FTAAP): In 2017, APEC advanced implementation of the 2016 Lima Declaration on FTAAP. In that regard, economies proposed and considered work streams in areas related to tariffs, services, investment, non-tariff measures, rules of origin, and next generation trade and investment issues. The United States introduced important topics designed to foster free and fair trade in the region, including work in the areas of technology choice, addressing issues presented by state owned enterprises, and trade in remanufactured products. Work related to FTAAP can improve the ability of all APEC economies to participate in bilateral or other free trade agreements that achieve high standards by removing barriers and unfair practices while embracing more open markets.

APEC, in addition, recognized its important role in support of a trading system that is free and open, but also one that is fair and reciprocal. For the first time, APEC leaders recognized the importance of reciprocal

and mutually advantageous trade and investment frameworks, and committed to work together to address unfair trade practices. APEC also acknowledged that the WTO is only able to function properly when all Members follow the rules as negotiated, and committed to improve the functioning of the WTO to address the challenges facing that institution. In the future, APEC's commitment to free and open trade will be tied to APEC's ability to serve as an effective forum to address the barriers that negatively impede our companies from realizing the opportunities in the Asia-Pacific region.

4. China, Hong Kong, Taiwan, and Mongolia

China

See USTR 2017 Report to Congress on China's WTO Compliance: <https://ustr.gov/sites/default/files/files/Press/Reports/China%202017%20WTO%20Report.pdf>.

United States-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. Following a partial market expansion for U.S. beef exports to Hong Kong in 2013 and the World Organization for Animal Health's upgrade of the U.S. risk classification for bovine spongiform encephalopathy to negligible risk, Hong Kong opened its market fully to all U.S. beef and beef products in 2014. However, there are a few pending issues of concern. While Hong Kong generally provides robust protection and enforcement of intellectual property rights, the copyright system has not been updated and is vulnerable to digital copyright piracy. In addition, Hong Kong finalized its Code of Marketing and Quality of Formula Milk and Related Products and Food Products for Infants and Young Children in June 2017. Although this Code is voluntary, there is concern among U.S. stakeholders that it will become *de facto* mandatory if compliance is required by Hong Kong Hospital Authority tenders.

United States-Taiwan Trade Relations

The United States-Taiwan Trade and Investment Framework Agreement (TIFA) Council, which meets under the auspices of the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States, is the key forum for both economies to resolve and make progress on a wide range of issues affecting the United States-Taiwan trade and investment relationship. The most recent TIFA Council meeting was held in October 2016. Prior to this meeting, authorities from both sides convened meetings at the working group level and held expert level discussions on issues including intellectual property rights, agriculture, medical devices, and pharmaceuticals. The TIFA Council meeting itself yielded important concrete results for U.S. stakeholders. The United States welcomed efforts by Taiwan authorities to follow through on prior TIFA commitments related to intellectual property rights (IPR), including with respect to digital piracy; pharmaceuticals; medical devices; and, registration of chemical substances. With respect to IPR, the TIFA talks took stock of progress on pharmaceutical patent protection and committed to strengthen engagement on Taiwan's IPR legislation, promote the use of legitimate educational materials and enhance enforcement cooperation. The two sides also discussed how to deepen exchanges and cooperation in the area of transparency and agreed to continue the exchange of views on pending revisions to Taiwan's Copyright Act.

In July 2017, under the auspices of the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States, the United States and Taiwan held follow-up meetings in which the two sides assessed the progress being made on TIFA commitments. The two sides also held the Second Medical Devices Time-to-Market Dialogue and the Transparency and Procedural Fairness Dialogue.

The United States continues to express serious concerns about Taiwan’s agricultural policies that are not based upon science. Priorities for the United States include removing Taiwan’s bans on U.S. pork products and certain U.S. beef products produced using ractopamine and removing other barriers to U.S. beef offal products. Other key areas of focus include Taiwan’s rice procurement systems, restrictions on potatoes with greening, the regulatory process for setting pesticide maximum residue limits, and market access barriers facing U.S. agricultural biotechnology products and certified U.S. organic products.

The United States will continue to work to address and resolve the broad range of trade and investment issues important to U.S. stakeholders through engagement under the TIFA framework as well as through multilateral fora such as the WTO. The United States will continue to engage on agricultural issues, IPR issues such as those involving Taiwan’s Copyright Act, and issues relating to transparency and predictability in pharmaceutical and medical device pricing and reimbursement. The United States also will continue to utilize the TIFA Investment Working Group for dialogue with Taiwan authorities to address a robust set of priority investment issues and to improve Taiwan’s investment climate. In addition, the United States will continue to conduct exchanges under the TIFA Technical Barriers to Trade Working Group to ensure that technical regulations do not create excessive burdens for the industries that they affect, such as chemicals, cosmetics, and consumer products.

United States-Mongolia Trade Relations

The United States and Mongolia renewed their engagement under the United States-Mongolia Trade and Investment Framework Agreement (TIFA) in 2015, holding a meeting in May of that year. This fifth TIFA meeting was the first one since the two sides launched negotiations over a bilateral agreement on transparency in matters relating to trade and investment in 2009. The two sides reviewed Mongolia’s ongoing efforts to make the legal changes necessary for the entry into force of the bilateral transparency agreement, which was signed by the two sides in 2013 and ratified by the Mongolian Parliament in 2014. The TIFA meeting also provided the opportunity to discuss recent changes to Mongolia’s investment and mining laws aimed at encouraging more foreign investment into Mongolia as well as a range of investor concerns about Mongolia’s investment climate.

In January 2017, the United States and Mongolia exchanged letters enabling their bilateral transparency agreement to enter into force, effective 60 days later. This agreement applies to matters relating to international trade and investment and includes joint commitments to provide opportunities for public comment on proposed laws and regulations and to publish final laws and regulations. This publication commitment includes the obligation to publish final laws and regulations in English, which should make it easier for U.S. and other foreign enterprises to do business in, and invest in, Mongolia. The transparency agreement also commits the two parties to ensure that administrative agencies apply fair, impartial and reasonable procedures and that persons affected by the decisions of administrative agencies have a right to appeal those decisions. Additional commitments address the application of disciplines on bribery and corruption.

5. Southeast Asia and the Pacific

Free Trade Agreements

Throughout the year, the United States continued to monitor and enforce its FTAs with Singapore and Australia (*See Chapter II.B for additional information*).

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

The President's landmark trip to Asia in the fall of 2017 set a new course for U.S. trade policy in the Indo-Pacific. In his speech to the APEC CEO Summit in Danang, Vietnam on November 10, 2017, the President offered a renewed partnership to work together to strengthen the bonds of friendship and commerce in the Indo-Pacific and to promote prosperity and security. In his speech, the President announced that the United States would pursue trade agreements with nations in the Indo-Pacific that want to partner with the United States and that will abide by the principles of fairness and reciprocity.

In support of these objectives, the United States met throughout 2017 with countries in Southeast Asia and the Pacific to pursue trade outcomes that increase U.S. economic growth, promote job creation in the United States, promote reciprocity with U.S. trading partners, and expand U.S. exports. These discussions took place under our bilateral Trade and Investment Framework Agreements (TIFAs) with eight Association of Southeast Asian Nations (Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, and Vietnam) and New Zealand and under our joint FTA Committees with Australia and Singapore.

Removing market access barriers that block U.S. exports and contribute to our trade deficits with Southeast Asian and Pacific countries was a key focus of our TIFA meetings over the past year. Notable engagements include Vietnam, where the United States held two formal TIFA meetings and working group meetings to address issues related to motor vehicles, agriculture, electronic payments, digital trade, intellectual property, and labor reforms. With Indonesia, the United States held a formal TIFA meeting in June 2017 and subsequent discussions in Jakarta and Washington, D.C. to address a number of serious market access restrictions including agricultural import barriers, import licensing restrictions, and localization requirements. In addition, the United States worked to address priority market access issues in TIFA meetings with nearly all other countries in Southeast Asia including the Philippines, Thailand, Malaysia, Burma, Cambodia, and Laos.

The United States also used TIFA meetings in 2017 to encourage important trade policy reforms by partners in Southeast Asia. In line with a bilateral intellectual property work plan agreed in 2016, Thailand adopted several corrective actions that improved its intellectual property regime and resulted in Thailand being moved from the Special 301 Priority Watch List to Watch List in December 2017. With Burma, the United States held a preparatory TIFA meeting to encourage continued economic reforms, particularly in the areas of investment, customs, agriculture, and import licensing, and continued work under the Myanmar Labor Initiative, launched in 2014, including preparations for a labor stakeholder forum that took place in January 2018. Following USTR and Department of State advocacy, in January 2018 the Burmese government renewed two lapsed agreements with the ILO to address the issue of forced labor. In addition, the United States provided training to Indonesia on good regulatory practices and continued to encourage labor-related reforms in Laos and Cambodia.

U.S.-ASEAN Trade and Investment Framework Arrangement

The United States continued to work with ASEAN under the auspices of the ASEAN-United States Trade and Investment Framework Arrangement to further enhance trade and investment ties between the United States and ASEAN, which collectively represents our fourth largest trading partner, to create fairer and more reciprocal trade. The work includes cooperation on trade facilitation initiatives; work on specific standards development and practices; promoting opportunities for small and medium sized enterprises (SMEs); and pursuing initiatives that advance common interests on trade and the environment. Working with Singapore under the Third Country Training Program, the United States has also provided training on digital trade, SMEs, and implementation of the WTO Trade Facilitation Agreement in 2017. After concluding joint principles with ASEAN on investment, and transparency, and good regulatory practices in

2016, USTR continued in 2017 to work on establishing common approaches to digital trade, including the importance of free flow of data and prohibiting localization requirements.

6. Sub-Saharan Africa

Overview

Throughout the year, USTR maintained an active program to promote U.S. trade and investment interests across sub-Saharan Africa, including by participation in the African Growth and Opportunity Act (AGOA) Forum and bilateral engagement with a range of sub-Saharan African partners, including Kenya, Nigeria, and South Africa.

Total two-way goods trade with Sub-Saharan Africa was \$39 billion in 2017, exports were \$14.1 billion, up 4.6 percent from the year before, while imports were \$24.9 billion, up 23.6 percent from 2016.

President Trump's Working Lunch with African Leaders

On September 20, 2017, President Trump hosted a working lunch in New York with African Heads of State from Cote d'Ivoire, Ethiopia, Ghana, Guinea, Namibia, Nigeria, Senegal, South Africa, and Uganda. At the lunch, the President stated his desire to promote prosperity and peace in the region on a range of economic, humanitarian, and security activities. President Trump expressed a desire to foster opportunities for job creation in both Africa and the United States and to extend economic partnerships to countries that are committed to self-reliance.

AGOA Forum

On August 8-9, 2017, Ambassador Robert E. Lighthizer led a U.S. delegation to the annual AGOA Ministerial Forum in Lomé, Togo (*for more information on AGOA, see Chapter III.A.11*).

Ministerial on Trade, Security, and Governance in Africa

On November 17, 2017, USTR participated in a Ministerial on Trade, Security, and Governance in Africa hosted by Secretary of State Rex Tillerson at the U.S. Department of State. Senior U.S. Government officials, foreign ministers, and representatives from 37 African countries and the African Union Commission, as well as representatives from the U.S. and African private sectors, discussed efforts to reinforce economic partnerships with Africa to facilitate greater growth and prosperity for both Africa and the United States.

U.S.-Nigeria Binational Commission Meeting

On November 20, 2017, USTR participated in the U.S.-Nigeria Binational Commission meeting in Abuja, Nigeria, highlighting key concerns as well as opportunities for cooperation in the bilateral trade relationship.

Trade and Investment Hubs

USAID maintains three Trade and Investment Hubs in sub-Saharan Africa that provide extensive support to deepen the U.S.-Africa economic and commercial relationship - the East Africa Trade and Investment Hub in Nairobi, Kenya; the Southern Africa Trade and Investment Hub in Pretoria, South Africa; and the West Africa Trade and Investment Hub in Accra, Ghana. The Hubs work to boost trade and investment

with and within each region. Each Hub has been working to deepen regional integration, increase the competitiveness of select regional agriculture value chains, and promote two-way trade with the United States under AGOA.

Bilateral Trade Programs

In the summer of 2015, following the U.S.-Africa Leaders Summit, USAID and USTR mobilized to expand trade programs bilaterally in five countries: Cote d'Ivoire, Ghana, Mozambique, Senegal, and Zambia. U.S. officials signed Memoranda of Understanding with the respective governments highlighting the common goals of enhancing two-way trade between the United States and these countries, increasing intra-regional trade, and improving the environment for trade and investment. Activities include implementation of the World Trade Organization's Trade Facilitation Agreement (TFA), Agreement on Technical Barriers to Trade (TBT), and Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures. Trade promotion efforts under this initiative include supporting these governments' development of export and AGOA strategies; strengthening the institutional capacity of trade support institutions like local export-import banks, investment promotion agencies, and standards bureaus; and, working with port authorities and customs agencies to reduce fees, streamline customs procedures, and improve port and border management. Under this initiative, USAID also is supporting regional capacity building on customs and SPS matters through the Economic Community of West African States (ECOWAS).

7. South and Central Asia

India

Two-way U.S.-India trade in goods and services in 1980 was only \$4.8 billion; it grew to an estimated \$114 billion in 2016 (latest data available for goods and services trade) – an annual growth rate over this period of more than 9 percent. Although existing Indian trade and regulatory policies have inhibited an even more robust trade and investment relationship, India's economic growth and development could support significantly more U.S. exports in the future. India's reform of its goods and services tax may help create a common internal market that significantly lowers transaction costs. Additionally, implementation of India's National Intellectual Property Rights policy could protect U.S. innovations. While these reforms are encouraging, there has also been a general trend of tariff increases in India, which reflects an active pursuit of import substitution policies. The United States continues to press India to make meaningful progress in relation to these ambitious goals, primarily through the United States-India Trade Policy Forum (TPF).

In addition to these ongoing concerns, U.S. stakeholders submitted petitions in late 2017 on restrictions on market access for dairy products and medical devices, seeking suspension of India's benefits under the Generalized System of Preferences (GSP) program. The most recent TPF, held on October 26, 2017, in Washington, DC, yielded limited progress on these and other areas of concern. USTR will continue to press for progress across the full range of bilateral trade issues, including intellectual property rights and market access for agriculture, non-agriculture goods, and services. These efforts will include TPF intersessional meetings, which include participation by senior-level officials from key U.S. departments and agencies, and the ministerial-level TPF at the end of 2018. This enhanced bilateral engagement will provide an opportunity to achieve meaningful results on a wide range of trade and investment issues.

Supporting Workers' Rights in Bangladesh

Following the 2013 suspension of Bangladesh's GSP benefits based on shortcomings related to workers' rights, USTR dedicated significant time in 2014 and 2015 to working with the government of Bangladesh

and other stakeholders to monitor Bangladesh's progress in addressing U.S. concerns. Since then, USTR annually has led senior delegations to Bangladesh to assess the status of efforts to address workers' rights and workers' safety issues. USTR also led the U.S. delegation to a meeting of the Sustainability Compact in 2017, which includes Bangladesh, Canada, the European Union, and the International Labor Organization (ILO). Although Bangladesh has made some progress on these issues, especially with respect to workplace safety, more progress is necessary before GSP benefits can be restored, particularly with respect to freedom of association, including cumbersome union registration requirements and the protection of labor leaders from violent reprisals. USTR and the Departments of Labor and State continue to monitor this issue carefully, including situations of labor unrest in 2017.

In May 2017, the United States and Bangladesh met in Dhaka under the United States-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA). The TICFA provides a mechanism for both governments to discuss trade and investment issues and areas of cooperation, and provides an additional opportunity for the U.S. Government to exchange views on Bangladeshi efforts to improve workers' safety and workers' rights.

USTR will continue its efforts to strengthen respect for workers' rights in Bangladesh and address market access and other trade barriers through the TICFA. Additionally, the U.S. Department of State, the U.S. Department of Labor, and USAID continue to implement technical assistance projects aimed at addressing the concerns that led to the withdrawal of GSP benefits. USTR will coordinate efforts to convene a meeting of the Sustainability Compact and work with the governments of Bangladesh, Canada, and the European Union, the ILO, and multi-stakeholder initiatives, such as the Alliance for Bangladesh Worker Safety (the Alliance) and the Bangladesh Accord on Fire and Building Safety (the Accord). The Alliance will terminate its present operations in Bangladesh in June 2018 but is in the process of setting up a successor initiative. USTR will carefully monitor the transition to the new initiative and its implementation.

Advancing U.S. Engagement with Central Asia

In the World Trade Organization (WTO), the United States provided strong support for WTO Membership for the Central Asian countries, playing a critical role in Kazakhstan's accession in 2015 and consulting with Uzbekistan in 2017 on its renewed interest in WTO accession.

Regionally, in 2017, a United States-Central Asia Trade and Investment Framework Agreement (TIFA) Council meeting was convened in Almaty, Kazakhstan, with the five Central Asian countries – Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan – as Members, plus Afghanistan as an Observer. The next TIFA Council meeting will be convened in the fall of 2018 to continue to focus on actions to address regional connectivity, economic cooperation, customs issues, sanitary and phytosanitary measures, standards and technical barriers to trade, intellectual property rights, worker rights, women's economic empowerment, energy trade, and country-specific trade and investment issues. In 2017, USTR proposed and attained consensus for a new working group on Intellectual Property Rights under the United States-Central Asia TIFA. While in Kazakhstan, USTR engaged the government and other stakeholders regarding a GSP petition submitted in 2017 by the American Federation of labor and Congress of Industrial Organizations (AFL-CIO). The petition alleges violations of internationally recognized worker rights, and USTR will lead the interagency process in 2018 to determine whether to accept it for review. USTR also engaged with the new government of Uzbekistan to discuss longstanding concerns regarding labor and intellectual property rights in hopes of deepening trade and economic engagement and addressing concerns raised under the GSP.

Improving Trade and Investment Relations with Sri Lanka, Nepal, and the Maldives

A reform-minded government elected in Sri Lanka in late 2015 has committed to address human rights and accountability for actions taken during the long civil war against Tamil insurgents and to enact wide ranging political and economic reforms. In September 2017, USTR met in Colombo with key Sri Lankan ministers to discuss the U.S. Administration's trade policy priorities. In the first half of 2018, USTR will host the next United States-Sri Lanka TIFA Council meeting to work on concrete steps to increase trade.

Nepal is still recovering from a devastating earthquake that struck the country in 2015. Implemented in 2016, the Nepal preference program provides duty-free treatment through December 31, 2025 for 77 types of products from Nepal, including certain carpets, headgear, shawls, and scarves. This program is designed to improve Nepal's export competitiveness and help Nepal's economic recovery following the earthquake. The United States will continue to work with Nepal and provide technical assistance, aid its recovery, and deepen bilateral trade engagement.

In 2017, to follow-up on the first ever TIFA meeting with the Maldives in 2014, USTR continued to monitor efforts to improve workers' rights in the Maldives, including through U.S. Department of Labor technical assistance and continued discussion on sectors of mutual interest, such as the fishing and tourism industries.

Contributing to Regional Stability

In 2017, the President announced the South Asia strategy, and USTR promoted complementary efforts to strengthen our engagement with South and Central Asia as part of a broader effort to boost trade, trade-fostering investment, employment, poverty reduction, and sustainable development. Working with other U.S. agencies, USTR participated in bilateral and other high-level meetings with officials from South Asia, Afghanistan, Iraq, Pakistan, and Central Asia. Key highlights from 2017 include the following:

- Under the United States-Afghanistan TIFA, USTR led a U.S. delegation to a TIFA Council meeting in March of 2017 in Kabul. Both sides focused on efforts on improving trade and investment flows, as well as the U.S. Government's continuing assistance to Afghanistan in the implementation of the obligations in its accession protocol to the WTO, a milestone that was achieved in 2015. USTR is working with Afghanistan on obtaining its full membership in the United States-Central Asia TIFA as well. This will further Afghanistan's cooperation with Central Asia and further boost its trade and economic ties with the region.
- USTR worked with Iraq to identify ways to address market access barriers to U.S. agricultural exports such as poultry, rice and wheat. USTR continues to review Iraq's eligibility for GSP benefits in response to a petition from the AFL-CIO that alleges violations of internationally recognized worker rights. During 2016, Iraq implemented labor reforms that directly addressed a number of the chief complaints in the GSP petition. USTR met with a high-level Iraqi trade delegation in July 2017 and pushed for market access for U.S. agricultural goods.
- USTR and the Ministry of Commerce of Pakistan held an intersessional meeting of the United States-Pakistan TIFA in June 2017. During the meeting, the U.S. delegation advocated for market access for U.S. beef products, distiller's dried grains, soybeans, pulses, and chickpeas; enhanced engagement on intellectual property rights; and tax predictability for U.S. companies.
- Afghanistan's recent accession to the WTO will provide an impetus to efforts to foster improved transit trade and regional connectivity. Such efforts will create opportunities for U.S. exporters in 2018 by providing increased market access and economies of scale. With Uzbekistan's recent

interest in acceding to the WTO and further ratification of the Trade Facilitation Agreement across the region, transit of goods through the region could become easier. However regional connectivity remains a paramount concern, and regulatory barriers to trade will remain a key concern in bilateral and regional discussions in the coming year.

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

In 2017, the United States continued to work with partner governments in the region, the private sector, think tanks, the media, and U.S. Embassies to explain effectively the economic importance of empowering women entrepreneurs and business owners to better take advantage of trade and investment opportunities.