

IV. OTHER TRADE ACTIVITIES

A. Manufacturing and Trade

Manufacturing Is a Key Driver of U.S. Economic Growth and U.S. Exports

Manufacturing is a vital sector of the overall U.S. economy, with a gross domestic product (GDP) of \$2.2 trillion in 2016, comprising 11.7 percent of U.S. GDP. If the United States manufacturing sector were a country, it would be the seventh largest country in the world (excluding the United States). U.S. manufacturing real GDP and U.S. manufacturing industrial production are both at record or near record levels. The manufacturing sector added 189,000 jobs in 2017 (December 2016 to December 2017), for an average monthly change of nearly 16,000 jobs. These changes reflect a turnaround from manufacturing employment losses of 9,000 jobs in 2016. Accordingly, the unemployment rate for manufacturing workers was under 4.0 percent for most of 2017, with a record low of 2.6 percent in November 2017 (records kept since 2000). Average hourly earnings of production and nonsupervisory manufacturing employees were \$26.59 in 2017.

Manufacturing is a key driver of U.S. exports. U.S. manufacturing exports totaled \$1.3 trillion in 2017, and accounted for 85 percent of total U.S. goods exports to the world. The United States is the second largest country exporter of manufactured goods. U.S. manufactured goods exports have increased by 44 percent since the trough of the recession in 2009.

Pursuing Fair and Reciprocal Trade

The Administration is actively using a broad range of available trade policy tools to leverage more open markets and level the playing field for U.S. manufactured goods exports in countries around the globe. A key overarching objective guiding this work is to improve the U.S. bilateral trade balance for manufactured goods through fair and reciprocal trade.

In 2017, USTR advanced American manufactured goods trade interests through active engagement in an array of trade policy initiatives and activities. Key activities to expand U.S. manufactured goods exports included actions in each of the following issue areas.

NAFTA

USTR is renegotiating the North American Free Trade Agreement (NAFTA) to update its provisions to reflect 21st century standards and rebalance the benefits of the deal. As these negotiations continue into 2018, USTR also is working to expand market access opportunities for U.S. manufactured goods and strengthen disciplines to address non-tariff barriers that constrain U.S. exports to NAFTA countries. USTR also is working to update and strengthen rules of origin, as necessary, to ensure that the benefits of NAFTA go to products genuinely made in the United States and North America, and to ensure that the rules of origin incentivize production in North America as well as specifically in the United States. In addition, USTR is pursuing greater regulatory compatibility in key manufactured goods sectors, including autos, pharmaceuticals, medical devices, and chemicals to reduce burdens associated with unnecessary differences in regulation between NAFTA partners.

KORUS

USTR is working to modify and amend our existing free trade agreement with the Republic of Korea to rebalance and reduce the large trade deficit in manufactured goods, including autos and auto parts. In addition, USTR is engaged in efforts to resolve implementation concerns with the agreement that have hindered U.S. goods export growth and opportunities in Korea.

Bilateral Market Access Barriers

Over the past year, USTR sought to address a broad range of manufactured goods market access barriers and non-tariff barriers through extensive engagement with our trade partners, including through formal Trade and Investment Framework Agreement (TIFA) meetings, FTA meetings, and various bilateral trade policy initiatives and activities. Among such activities in 2017 were efforts to address: Indian barriers to U.S. manufactured goods exports, including medical devices and high-technology products through the Trade Policy Forum (TPF); Vietnamese barriers to U.S. autos exports; and a range of China's industrial policies, such as Made in China 2025, designed to create or accelerate artificially China's ability to become a manufacturing leader in several high technology, high value-added industries, including information technology, aviation, electric vehicles, and medical devices. USTR is utilizing the full range of U.S. trade tools to address China's strategic plans.

Excess Capacity in Key Industrial Sectors

Industrial policies in some trading partners, particularly China, have led to growth in select industry sectors, including steel and aluminum that is far out of line with market realities. These policies have adversely affected U.S. industry and workers as well as global trade. USTR is working with like-minded trading partners to build international consensus on excess capacity by negotiating commitments in the Global Forum on Steel Excess Capacity (GFSEC), OECD Steel Committee, and the North American Steel Trade Committee. The Administration also is working to address the root causes of this problem through mechanisms under U.S. law.

Strong Enforcement

Throughout all these policy activities relating to manufacturing and trade, the Trump Administration is already aggressively standing up for American interests and protecting American economic security by taking tough enforcement action against countries that break the rules, and applying the full range of tools, including WTO rules, negotiations, litigation, and other mechanisms under U.S. law. (*See, Chapter III: Trade Enforcement Activities.*)

B. Protecting Intellectual Property

One of the top trade priorities for the Trump Administration is to use all possible sources of leverage to encourage other countries to open their markets to U.S. exports of goods and services, and provide adequate and effective protection and enforcement of U.S. intellectual property (IP) rights. Toward this end, a key objective for the Administration's trade policy is ensuring that U.S. owners of IP have a full and fair opportunity to use and profit from their IP around the globe. IP rights include copyrights, patents, trademarks, and trade secrets. IP-intensive industries directly or indirectly account for 45.5 million jobs in the United States, nearly one third of all U.S. employment, in 2014.

To protect U.S. innovation and employment, the Administration is prepared to call to account foreign countries and expose the laws, policies, and practices that fail to provide adequate and effective IP

protection and enforcement for U.S. inventors, creators, brands, manufacturers, and service providers. Challenges include copyright piracy, which threatens U.S. exports in media and other creative content. U.S. innovators, including pharmaceutical manufacturers, face unbalanced patent systems and other unfair market access barriers. Counterfeit products undermine U.S. trademark rights and can also pose serious threats to consumer health and safety. According the OECD, data on customs seizures indicates that the country whose goods are most counterfeited and pirated is the United States (almost 20 percent of total seizures around the world are of pirated and counterfeit goods whose rightholders originate in the United States). Inappropriate protection of geographical indications, including the lack of transparency and due process in some systems, limit the scope of trademarks and other IP rights held by U.S. producers and imposes barriers on market access for U.S.-made goods and services that rely on the use of common names, such as “feta” cheese. In addition, the theft of trade secrets—often among a company’s core business assets and key to a company’s competitiveness—hurts American businesses, including SMEs, and the reach of trade secret theft into critical commercial and defense technologies poses threats to U.S. national security interests as well.

USTR deploys a wide range of bilateral and multilateral trade tools to promote strong IP laws and effective enforcement worldwide, reflecting the importance of IP and innovation to the future growth of the U.S. economy. USTR seeks strong protection and enforcement for IP rights during the negotiation, implementation, and monitoring of IP provisions of trade agreements. USTR also presses trading partners on innovation and IP issues through bilateral engagement and other means, including with Algeria, Argentina, Chile, China, Colombia, the Dominican Republic, India, Indonesia, Thailand, Ukraine, and Vietnam. USTR also engages bilaterally and regionally with other countries through the annual “Special 301” review and Notorious Markets report (*for additional information, see Chapter III.A.5*).

To elaborate on endemic concerns in just one of these countries, China is home to widespread infringing activity, including trade secret theft, rampant online piracy and counterfeiting, and high levels of physical pirated and counterfeit exports to markets around the globe. Combined, shipments/goods coming from or through China and Hong Kong in Fiscal Year 2016 accounted for the overwhelming majority (88 percent) of all U.S. Customs border seizures of IPR infringing merchandise. China also requires that U.S. firms localize research and development activities. Structural impediments to civil and criminal IPR enforcement are also problematic, as are impediments to pharmaceutical innovation.

Finally, USTR leads multilateral engagement on IP issues in the World Trade Organization (WTO) through the TRIPS Council. As discussed in greater detail in Chapter V.B.6, the U.S. Government and a number of other countries maintain common positions on the subject of geographical indications—positions that help ensure that overseas markets remain open to a wide array of U.S. agricultural exports. Furthermore, the United States has helped explain the positive contributions of IP to innovation under the 2017 WTO TRIPS Council’s theme of Inclusive Innovation and Micro-, Small-, and Medium-Sized Enterprises (MSMEs) covering key issues over the course of successive meetings of the TRIPS Council. Businesses using IP rights in innovative and creative industries tend to perform better, and MSMEs owning IP rights have often higher revenue per employee than MSMEs that do not. In many cases, they also expand their workforce faster and pay higher salaries. Intellectual property can therefore be considered a key component for smart and sustainable growth for MSMEs, which account for more than 90% of business in most economies around the world.

Special 301

For a discussion of Special 301, see Chapter III.A.5.

C. Promoting Digital Trade and e-Commerce

The Internet and other digital technologies play a crucial role in strengthening and supporting firms in every sector of the U.S. economy. In 2017, USTR advanced U.S. interests in robust digital trade and electronic commerce across a range of fora, and worked to combat a rising tide of barriers to digital trade around the world. USTR highlighted some of those barriers in a Digital Trade Fact Sheet released in March 2017, concurrent with the release of the annual National Trade Estimate.

In the ongoing renegotiation of the North American Free Trade Agreement (NAFTA), USTR has advanced high-standard digital trade rules that will make this agreement a model moving forward. For example, USTR is working to ensure that data can flow freely across borders without onerous and expensive localization requirements; to guarantee that digital products receive duty-free, non-discriminatory treatment; and to prevent foreign governments from requiring U.S. firms to disclose proprietary source code and algorithms.

At the World Trade Organization's 11th Ministerial Conference in December 2017, the United States was joined by 69 other Members in announcing a commitment to initiate exploratory work on negotiations on electronic commerce. As these discussions begin in early 2018, USTR will work to ensure that they become a productive forum to advance a liberal global environment for digital trade and electronic commerce. The United States also joined a consensus among WTO Members to maintain a moratorium on duties on electronic transmissions and to continue the longstanding Work Program on Electronic Commerce.

USTR raised digital trade issues in many bilateral engagements throughout 2017, including in consultations with FTA partners, in formal Trade and Investment Framework Agreement (TIFA) meetings, and other bilateral engagements. For example, in the 2017 United States-India Bilateral Trade Policy Forum, USTR raised concerns with India's longstanding data localization requirements, and expressed interest in working with the Indian government as it crafts a new data protection law to ensure that the law does not have negative impacts on digital trade. USTR continues to work with the Indian government to encourage more robust bilateral digital trade. The United States also engaged with Colombia in 2017 during that government's implementation of its Data Protection Law to ensure that it was done in a constructive manner that did not have negative impacts on the transfer of data between Colombia and the United States.

Similarly, USTR took the unprecedented step in October 2017, in coordination with several other WTO Members, of using the WTO's Council on Trade in Services to lay out concerns and call for changes to numerous burdensome and discriminatory elements of China's Cybersecurity Law and related implementing measures. These measures severely restrict the ability of foreign firms to offer data-intensive services or integrate data-enabled functionality into goods or production processes.

USTR continued to advocate for U.S. digital trade interests in international fora such as the G20 and the OECD. The OECD increased its focus on digital issues in 2017, and USTR remained engaged in a broad range of discussions in that forum. A 2017 declaration agreed to by G20 digital ministers included an annex dedicated to digital trade priorities. USTR used this opportunity to bring attention to harmful barriers to digital trade, and joined a call for improved measurement of the impact of digital trade on the world economy.

D. Trade and the Environment

Over the course of 2017, the United States made significant progress on a range of trade and environment matters in multiple fora, including through multilateral, regional, and bilateral trade initiatives.

In August 2017, the United States formally launched the renegotiation of the NAFTA in Washington D.C. As part of that effort, the United States is seeking to modernize the existing environmental framework under the North American Agreement on Environmental Cooperation (NAAEC) by bringing the environmental obligations into the core of the Agreement, rather than in a side agreement; updating and streamlining the current institutional structure; and, addressing key environmental challenges such as fisheries subsidies that lead to overfishing and overcapacity, illegal, unreported, and unregulated (IUU) fishing, and trafficking in wildlife, timber, and fishing, and conservation of natural resources. These upgrades will not only benefit the environment, but also help to level the playing field for American workers and industries.

In the WTO, the United States worked to advance negotiations on an agreement to prohibit harmful fisheries subsidies, such as those that contribute to overfishing and overcapacity or which support illegal fishing activities, and advocated for enhanced transparency and reporting regarding existing fisheries support programs.

The United States also continued to prioritize implementation of the free trade agreements (FTAs) currently in force. In particular, in October 2017, the United States took an unprecedented enforcement action pursuant to the Annex on Forest Sector Governance of the United States-Peru Trade Promotion Agreement (PTPA) and blocked future timber imports from a Peruvian exporter based on illegally harvested timber found in its supply chain. In 2017, the United States also met with officials from Central America and the Dominican Republic, Colombia, Korea, Panama, and Singapore to discuss implementation of and monitor progress under the environment chapters of our FTAs.

In 2017, the United States and Trade and Investment Framework Agreement (TIFA) partners, notably Malaysia and Vietnam, consulted on a wide range of issues related to trade and investment, including trade-related environmental issues such as wildlife trafficking and IUU fishing. The United States and Malaysia agreed to continue a dialogue on environmental issues and to launch an environment working group focused on bilateral trade-related environmental issues.

1. Multilateral and Regional Fora

Regional Engagement

In APEC, the United States worked with other Asia-Pacific economies through the Experts Group on Illegal Logging and Associated Trade to improve the capacity of APEC customs officials to combat illegal logging and associated trade, including by hosting a customs officials workshop held in Ho Chi Minh City, Vietnam on August 18-19, 2017. The United States also led the development of a Customs Best Practices Resource Tool designed to assist APEC customs officials in identifying illegal timber shipments and taking appropriate action. As part of this work, USTR strengthened partnerships with international organizations, such as Interpol and The Nature Conservancy, who play an important role in combating illegal logging and associated trade globally. The United States also concluded an initiative to facilitate trade and investment in sustainable materials management (SMM) solutions under APEC's Regulatory Cooperation Advancement Mechanism in 2017.

WTO and Other Multilateral Engagement

As described in more detail in Chapter V of this report, the United States has continued to explore and advance fresh and innovative approaches to all aspects of the WTO's trade and environment work.

Regarding fisheries subsidies, the United States worked with other like-minded WTO Members to advocate for strong disciplines on harmful fisheries subsidies, such as those that contribute to overfishing and overcapacity or that support IUU fishing activities. The United States also proposed stronger rules to enhance the transparency and reporting of Members' existing subsidy programs. A draft compilation text was developed based on the various text proposals that WTO Members submitted to the WTO's Rules Negotiating Group, and formed the basis of intense negotiations in the second half of 2017. However, consensus could not be reached on even the most basic elements of these text proposals. At the WTO's Ministerial Conference in December 2017, Ministers issued a Ministerial Decision in which Members committed to "continue to engage constructively in the fisheries subsidies negotiations, with a view to adopting, by the Ministerial Conference in 2019, an agreement on comprehensive and effective disciplines that prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to IUU-fishing."

In 2017, USTR participated in the implementation of a number of multilateral environmental agreements to ensure consistency with international trade obligations, including: the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, Strategic Approach to International Chemicals Management, the Stockholm Convention on Persistent Organic Pollutants, the Minamata Convention on Mercury, and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade. USTR is also engaged in and contributes expertise to U.S. fisheries policy development, regional fisheries management organizations, and the International Tropical Timber Organization.

2. Bilateral and Regional Activities

As described below and in Chapter II of this report, USTR secured concrete achievements supporting the Administration's trade and environment objectives during 2017. USTR continued to convene meetings of the TPSC Subcommittee on FTA Environment Chapter Monitoring and Implementation to monitor actions taken by U.S. FTA partners, in accordance with the Subcommittee's plan for monitoring implementation of FTA environment chapter obligations. The monitoring plan forms part of USTR's ongoing efforts to ensure that U.S. trading partners comply with their FTA environmental obligations and to monitor progress achieved.

NAFTA Renegotiation

As part of the NAFTA renegotiation, the United States is seeking to modernize the existing framework under the North American Agreement on Environmental Cooperation (NAAEC) by bringing the environmental obligations into the core of the Agreement, rather than in a side agreement. The United States is also seeking strong and enforceable environmental obligations that are subject to the same dispute settlement mechanism that applies to other enforceable obligations of the Agreement. In addition, the United States is seeking to address specific environmental challenges through obligations to prohibit harmful fisheries subsidies, conserve wild fauna and flora, and combat wildlife trafficking, illegal logging, and IUU fishing.

The NAFTA renegotiation is also an opportunity to modernize and streamline the Commission for Environmental Cooperation (CEC) established under the NAAEC. The current CEC provides for a Council, a Secretariat, and a Joint Public Advisory Committee. The Council, comprised of the environmental ministers from the United States, Canada and Mexico, met on June 27-28, 2017, 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 through projects

related to supporting the legal and sustainable trade in select North American species and improving industrial energy efficiency. The NAAEC also established a process for nongovernmental individuals or entities residing or established in the United States, Canada, or Mexico to file a public submission asserting that a Party is failing to effectively enforce its environmental law, and the Parties continued to review actions taken on such public submissions concluded over the previous year.

Bahrain Free Trade Agreement

In 2017, U.S. Government officials and experts continued to engage with officials from Bahrain's Supreme Council for Environment to monitor implementation of the FTA Environment Chapter and to develop a revised Plan of Action, pursuant to the United States-Bahrain Memorandum of Understanding on Environmental Cooperation accompanying and supporting implementation of the Environment Chapter under the FTA. The Plan of Action identifies goals and cooperation activities to help Bahrain strengthen its capacity to protect the environment while promoting sustainable development in concert with the trade relationship established under the FTA. The Plan of Action was finalized and approved by the Bahraini cabinet in August 2017. The United States and Bahrain plan to convene an environmental cooperation and implementation meeting in 2018, which is expected to identify priority projects in areas such as air quality, coastal environmental zones and endangered species.

CAFTA-DR

The United States and other Parties to the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) continued efforts to strengthen environmental protection and implement the commitments of the CAFTA-DR Environment Chapter. The officials responsible for trade and environment under CAFTA-DR met twice in 2017 to discuss priorities for environmental cooperation funding, monitoring and implementation of Environment Chapter obligations, and the preparation for senior-level meetings of the Environmental Affairs Council (Council). The Council met on June 21-22 in San Jose, Costa Rica and discussed challenges and progress in implementing the Environment Chapter obligations over the past year with a particular focus on environmental impact assessments and monitoring and enforcement challenges and best practices related to air quality and waste management laws. The Council also exchanged views on potential legislative, institutional, or procedural reforms that can help improve enforcement and promote high levels of environmental protection.

The Council also received an update from the independent Secretariat for Environmental Matters (Secretariat), which has received 38 submissions regarding effective enforcement of environmental laws since its inception in 2007. The Secretariat reported on its fourth factual record, related to the construction of a hydroelectric project in Honduras and the representative from Honduras highlighted steps they are taking to address issues raised in the submission. The Secretariat also presented case studies from past submissions, which provided concrete examples of the results of the submission process, including enhanced public access to environmental information, a 99 percent reduction in the production of endangered sea turtle products in the Dominican Republic, and the issuance of regulations to improve environmental protection in Guatemala.

The United States continued to provide capacity-building support to CAFTA-DR partners. In 2017, the U.S. Department of Interior launched the Vida Silvestre app to raise public awareness and serve as an enforcement tool for CAFTA-DR governments to combat wildlife trafficking. U.S. Government funding also supported 25 binational and national operations on wildlife trafficking resulting in 60 arrests in 2017. Through a small grants program, local NGOs in six CAFTA-DR countries trained 36,802 people and promoted best practices on solid waste management, public participation mechanisms, and the enforcement of environmental laws. The World Conservation Society worked with local partners in the Dominican Republic and Guatemala to improve the land management and protection of national parks. The Council

agreed to focus future efforts on combating trafficking in timber, wildlife, and marine resources, promoting public participation, and reiterating the importance of ensuring high levels of environmental protection and effective enforcement of environmental laws.

The Council also hosted a public session in San Jose, Costa Rica on June 22, which provided the opportunity for an interactive exchange of views between government representatives, environmental groups, academia, and private sector representatives on monitoring and implementation of the chapter and environmental cooperation programs. Non-governmental organizations benefitting from CAFTA-DR environmental cooperation joined the session via video conference from the Dominican Republic, El Salvador, and Nicaragua to share their experiences and participate in the public forum.

Chile Free Trade Agreement

The United States and Chile continued efforts to strengthen environmental protection and implement the commitments of the bilateral FTA Environment Chapter. In 2017, environmental cooperation programs resulted in training of more than 600 people in natural resource management, biodiversity conservation, improved commercial and extracting activities, and environmental enforcement. Our partnership has helped to bring over one million hectares of land and sea under improved natural resource management, including supporting the implementation of five sister site agreements between Chilean and U.S. parks as well as protected area networks, like those between Rapa Nui and Hawaii. The United States also supported environmental education through co-sponsorship of the second Our Ocean Marine Science Camp, which brought together 100 students and high school teachers from across Chile to learn about Ocean Health.

Environmental cooperation also helped to combat wildlife trafficking. In 2017, the Secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) concluded that Chile's new wildlife law fully satisfies Chile's CITES implementation commitments. The United States has long encouraged Chile's efforts to strengthen its CITES implementing legislation as part of our ongoing efforts to promote environmental protection under the bilateral FTA and the environmental cooperation program under the Joint Commission for Environmental Cooperation. The United States also supported a workshop in Chile on best practices for developing and implementing a national strategy to combat wildlife trafficking. Additionally, U.S. support led to a report that identified IUU fishing in the Chilean Hake Fishery, and supported work with artisanal fishers to develop a hake fishery management and recovery plan that will help fishing communities while allowing this fish stock to recover to sustainable levels.

Finally, U.S.-Chile environmental cooperation supports environmental enforcement networks and cooperation between Chile and its neighboring countries to share best practices related to enforcement, air quality management, water resource management, public participation, and protected area management. For example, the United States helped to support a regional criminal investigations course for the Chilean RedSuFiCA environmental enforcement network. Under the scope of protected area management, the U.S. Forest Service (USFS) collaborates with the Chilean National Protected Areas System (SNASPE) to strengthen biodiversity monitoring of key species in protected areas by examining current practices, challenges, and techniques to bolster monitoring in Chilean and U.S. systems. U.S. assistance also advanced the shared goals of the Megacities Partnership for the Santiago Metropolitan Region to enhance, adapt and share air quality management tools in order to improve air quality and provide important public health benefits.

Colombia Trade Promotion Agreement

A U.S. Government interagency delegation traveled to Colombia in December 2017 to engage with representatives from the Colombian government, private sector, and environmental organizations to review implementation of environmental commitments under the United States-Colombia Trade Promotion

Agreement (CTPA) and to discuss the development of a new Environmental Cooperation Work Program. The United States provided capacity building assistance under the United States-Colombia Environmental Cooperation Work Program 2014-2017 in support of Colombia's implementation of its environmental obligations under the CTPA. The U.S. Agency for International Development (USAID) supports the bulk of this environmental cooperation and in 2017 invested more than \$14 million in a broad portfolio of environmental programs throughout Colombia. Activities included support for biodiversity conservation in the Amazon, Orinoquia and Caribbean regions, and sharing of U.S. experience with integrating large-scale private investment in wind and solar energy into the U.S. electrical system. This work was done in close partnership with relevant Colombian government entities, the private sector, and civil society. The State Department's Bureau of International Narcotics and Law Enforcement Affairs also provided over \$1 million in programs to improve the Colombian government's law enforcement capacity to counter illegal mining, wildlife trafficking, and other environmental crimes perpetrated by organized criminal groups.

Jordan Free Trade Agreement

In 2017, USTR officials and other experts continued to engage with officials from Jordan to monitor implementation of the FTA Environment Chapter and, in accordance with the United States-Jordan FTA and the United States-Jordan Joint Statement on Environmental Technical Cooperation, the two governments worked closely together on a range of environmental matters under the 2014-2017 Work Program for Environmental Cooperation, including: institutional strengthening; effective enforcement of environmental laws; conservation; cleaner production processes; and increased public participation and transparency in environmental decision making and enforcement. In 2017, the U.S. Forest Service (USFS) continued to support improved natural resource management, including watershed restoration with native seedlings and tree nursery management for increased seedling survival rates through partnership with Jordan's Ministry of Agriculture-National Center for Agriculture Research and Extension, the International Center for Agricultural Research in Dry Areas, and local communities. Also in 2017, the Environmental Protection Agency (EPA) worked with Jordan's Ministry of Environment, Jordan Valley Authority, and local municipal officials to enhance capacity for integrated solid waste management through training on public participation and management of solid waste including the development of municipal solid waste management strategies and plans for the Jordan Valley. Finally, in 2017 the United States and Jordan began work on preparing a new Work Program for 2018-2021.

Korea Free Trade Agreement

The United States and Korea continued efforts to strengthen environmental protection and review implementation of the KORUS Environment Chapter. In accordance with the United States-Republic of Korea FTA and the United States-Republic of Korea Environmental Cooperation Agreement, the United States and South Korea have worked closely together on a range of environmental matters under the 2016-2018 Work Program, which includes cooperation on strengthening implementation and enforcement of environmental laws, protecting wildlife and sustainably managing ecosystems and natural resources, promoting sustainable cities, and sharing best practices on the development and application of cleaner sources of energy and the use of innovative environmental technology. In 2017, the United States also reviewed and provided input on the implementation of amendments to Korea's Act on the Sustainable Use of Timber, which includes provisions to prevent the import of illegally logged timber products.

In May 2017, the National Oceanic and Atmospheric Administration's (NOAA) Office of Law Enforcement held a workshop and peer exchange for personnel from South Korea's Ministry of Oceans and Fisheries, Coast Guard, and National Police, and the nongovernmental organization Environmental Justice Foundation at the NOAA Western Regional Center in Seattle, Washington on effective means to combat IUU fishing using monitoring, control, and surveillance tools or technologies. The U.S. Fish and Wildlife Service, Washington State Department of Fish and Wildlife, and the U.S. Coast Guard were also in attendance.

In July 2017, the Korean National Institute of Environmental Research (NIER) and the U.S. National Aeronautics and Space Administration presented the preliminary scientific results of a joint study on air quality based on data collected during a six-week field study during the summer of 2016. The study included air quality testing, ground aerial observation, air quality modeling, and satellite data analysis, and the joint study identified strategies for South Korea to reduce ozone and particulate matter levels in the Seoul metropolitan area and rural sections of the country. NIER and South Korea's Ministry of Environment expect that the information derived from the joint research will help South Korea to improve its air pollution analysis and policy formulation.

Morocco Free Trade Agreement

The United States and Morocco met under the Joint Cooperation Committee under the FTA to discuss a range of issues, including environment, signaling a mutual interest in continuing to enhance bilateral environmental cooperation and affirm a commitment to environmental protection through free and fair trade. The United States and Morocco are planning a meeting of the Subcommittee on Environmental Affairs, chaired by USTR, to review implementation of the FTA environment chapter, and of the Working Group on Environmental Cooperation, chaired by the U.S. Department of State, in early 2018. The United States and Morocco have begun working on preparation of a new Plan of Action for 2018-2021, which will be reviewed in early 2018.

In accordance with the United States-Morocco FTA and the United States-Morocco Joint Statement on Environmental Cooperation, the United States and Morocco worked closely together in 2017 on a range of environmental matters under the 2014-2017 Plan of Action. A key accomplishment in 2017 under the U.S. – Morocco Joint Statement on Environmental Cooperation was the establishment of protocols for implementing Morocco's new legislation to support CITES. The CITES Secretariat concluded that the new law fully satisfies Morocco's CITES implementation commitments.

The USFS continued to work with the High Commission for Water and Forests and the Fight Against Desertification (HCEFLCD) to provide technical assistance and training on improved fire management coordination and response. The USFS assisted in establishing a national fire training center in Rabat to provide training on incident command systems. The USFS also provided technical support to the High Commission on tree nursery management and training for High Commission experts on forest landscape restoration and disaster management.

Also in 2017, the U.S. EPA worked with the Moroccan Ministry of Energy, Mines, Water and Environment and the Ministry of Interior to improve solid waste management through capacity building on municipal solid waste management planning, public participation, and crisis communication. In addition, the NOAA worked with the Moroccan National Agency for Development of Aquaculture (ANDA) in 2017 to review the aquaculture siting guidelines, environmental models, and monitoring standards that were prepared through support and training to a Moroccan expert. NOAA also provided technical assistance to ANDA and aquaculture cooperative members on the operation of the mussel longline demonstration farms.

Oman Free Trade Agreement

USTR has continued to review implementation of the U.S.-Oman FTA Environment Chapter, and in accordance with the FTA and the United States-Oman Memorandum of Understanding (MOU) on Environmental Cooperation, the United States and Oman have worked closely together on a range of environmental matters, such as the priority areas for cooperation identified in the 2014-2017 Plan of Action. As a part of this effort, the U.S. Department of Interior provided training and technical assistance to build capacity in the Oman Ministry of Climate Affairs (MECA) on protected area management, understanding

and implementation of the CITES, and wildlife protection through a sea turtle population monitoring program with the goal of increasing endangered species awareness and improving conservation efforts. Finally, in 2017, the United States and Oman began preparing a new Plan of Action for 2018-2021.

Panama Trade Promotion Agreement

The United States and Panama continued efforts to strengthen environmental protection and review implementation of the TPA Environment Chapter. During 2017, the United States and Panama made further progress in implementing an independent secretariat for environmental matters, which is intended to promote public participation in the identification and resolution of environmental enforcement issues and receive and consider submissions from the public on matters regarding enforcement of environmental laws. The Secretariat is housed in the Water Center for the Humid Tropics of Latin America and the Caribbean, an international environmental organization for the region located in Panama City, Panama. In 2017, the Council hired an Executive Director and agreed on an outreach plan for the Secretariat.

The Department of State continued to support EPA-led environmental cooperation focused on Environmental Law implementation and enforcement in Panama. Current focus areas include: environmental inspections, judicial training, and wastewater regulation implementation. Additionally, EPA helped facilitate Panama's membership in the Latin America Enforcement and Compliance Network, which shares environmental enforcement and compliance best practices across the region. EPA also led a Trash Free Waters workshop in Panama City focused on marine litter prevention and reduction.

Peru Trade Promotion Agreement

The United States and Peru held multiple meetings to discuss and monitor implementation of obligations under the PTPA's Environment Chapter and Forest Annex, with broad participation from a range of bilateral government agencies and stakeholders. This regular engagement provided important opportunities to monitor implementation and gather information about new laws, regulations, and policies that Peru is implementing, particularly in the forestry sector, and gain a better understanding of their environmental and trade impacts.

While the Forest Annex has catalyzed significant reforms in Peru's forest sector, Peru continues to face serious challenges in combating illegal logging. Throughout 2017, the United States monitored Peru's implementation of a set of reform actions that Peru agreed to take to address on-going challenges to illegal logging in response to the results of the 2016 timber verification exercise, which revealed significant levels of illegally harvested timber in an earlier timber shipment from Peru to the United States. Such reform actions include amending Peru's export documentation to improve traceability throughout the supply chain, risk-based measures to improve timely detection of illegally harvested timber, and steps to improve the accuracy of Peru's annual timber harvest plans.

In 2017, the Interagency Committee on Trade in Timber Products from Peru (Timber Committee) determined that Peru had made insufficient progress in implementing these agreed upon and necessary reforms, and on October 10, 2017, USTR took unprecedented action on behalf of the Timber Committee by instructing the U.S. Customs and Border Protection (CBP) to deny entry of future timber shipments from the exporter subject to the 2016 verification request, Inversiones Oroza, for a period of three years, or until the Timber Committee determines that Oroza has complied with all applicable laws, regulations, and other measures of Peru governing the harvest of and trade in timber products, whichever is shorter.

Despite these setbacks, the United States and Peru continued to make progress implementing the Environmental Cooperation Agreement Work Program (2015-2018), including through the signing and implementation of a Memorandum of Understanding between the U.S. EPA and the Peruvian Organization

of Evaluation and Environmental Inspection (OEFA) to support Peru's efforts to strengthen enforcement of and compliance with Peruvian environmental laws. EPA conducted trainings on environmental compliance inspections, environmental case adjudication, and mercury management and storage, among other activities. The United States, through USAID, also continued to support the implementation of an electronic system to verify and track the legal origin and proper chain of custody of timber (MC-SNIFFS) including a pilot launch in March 2017. USAID supported the training of regional authorities in using the system and uploading more than 130 forestry concessions in the timber corridor. USAID and USFS completed land use and mapping information for natural resource management and land use decision-making and the analysis and publication of near real time deforestation information, including detection of illegal logging activities. USAID and USFS also assisted with the training and certification of Forest Regents, who will serve as one of the first points of control in the development of forest management plans, and supported sustainable forest management for local communities. To support improved prosecution of environmental cases, USAID and USFS helped develop a public investment project for environmental prosecutors to provide long-term resources for the satellite monitoring units, which will allow prosecutors to build stronger cases against illegal logging. The U.N. Office of Drugs and Crime, the U.S. Department of Justice, and the USFS also delivered a workshop in Puerto Maldonado, Peru to train regional prosecutors and investigators in combating illegal logging and timber crimes.

The United States and Peru are planning to hold the next senior level Environmental Affairs Council meeting to review implementation of the PTPA Environment Chapter in Lima, Peru in 2018.

Singapore Free Trade Agreement

In October 2017, USTR and Singaporean counterparts met in Singapore to review the implementation of the Environment chapter of the United States-Singapore FTA. This senior-level bilateral meeting served as an important opportunity to enhance and continue the robust and longstanding bilateral relationship and strategic partnership between the United States and Singapore, and highlighted a shared commitment to environmental protection through free and fair trade. The co-chairs provided overviews of progress since their last meeting in 2015 and outlined their respective priorities and future plans. Discussions focused primarily on enforcement of environmental laws, particularly to combat wildlife and timber trafficking in the region, recognizing Singapore's efforts in combating the illegal trade in wildlife. Both sides affirmed a commitment to fostering close bilateral and international cooperation on enforcement efforts. Additionally, the parties discussed issues such as those related to conservation and CITES enforcement, as well as exchanging views on environmental laws and utilizing environmental technology. Both sides affirmed their common interests in advancing trade and environmental priorities under the United States-Singapore FTA, APEC, and the WTO. A public session with the environmental and business communities also was held to exchange views related to the implementation of the Environment chapter.

In accordance with the United States-Singapore FTA and the United States-Singapore Memorandum of Intent on Cooperation in Environmental Matters, the United States and Singapore have worked closely together on a range of environmental matters under the 2016-2017 Plan of Action for Environmental Cooperation. Notable achievements in 2017 include cooperative investigations with Singapore authorities and U.S. Immigration and Customs Enforcement and Homeland Security Investigations to help facilitate Singapore's interdiction of illegal wildlife products, as well as cooperation with the U.S. Fish and Wildlife Service to analyze seized samples. In July 2017, the Agri-Food and Veterinary Authority of Singapore was awarded the CITES Secretary-General's Certificate of Commendation in recognition of its enforcement actions in securing convictions for the illegal import of a shipment of 3,235 metric tons of CITES-listed rosewood logs in March 2014.

E. Trade and Labor

In 2017, the U.S. Government engaged with trade partners on labor rights through the formal mechanisms of trade agreements and trade preference programs, as well as through country-specific initiatives, capacity building, and technical assistance. Throughout the year, labor issues were an aspect of trade and investment negotiations and dialogue with Asia-Pacific, Central Asia Latin American, and European countries, including through Labor Affairs Council or labor affairs subcommittee meetings under existing trade agreements, Trade and Investment Framework Agreements (TIFAs), and multilateral fora, such as the International Labor Organization (ILO), the Asia Pacific Economic Cooperation (APEC), and the Organization for Economic Co-operation and Development (OECD).

The United States has used available trade policy tools to improve labor rights in trading partners, including by restoring trade benefits for Swaziland after that country completed specific labor reforms, placing a labor expert full-time in Colombia, and working closely with the governments of Mexico and Honduras regarding extensive legislative reform initiatives in those countries to improve respect for labor rights.

The Administration also has supported the Trade Adjustment Assistance (TAA) program, which assists American workers adversely affected by global competition and helps to ensure that they are given the best opportunity to acquire skills and credentials to get good jobs, as an essential component of trade policy (*for additional information, see Chapter III.A.10*).

1. Bilateral Agreements and Preference Programs

FTAs

Since 2007, U.S. trade agreements have included obligations to ensure the consistency of each party's labor laws with fundamental labor rights as stated in the 1998 ILO *Declaration on Fundamental Principles and Rights at Work*. These agreements include obligations not to fail to effectively enforce each party's labor laws and not to waive or derogate from those laws in a manner affecting trade or investment. The agreements also provide for the receipt and consideration of submissions from the public on matters related their labor chapters, which can be submitted through the Department of Labor's (DOL) Bureau of International Labor Affairs (*for additional information on public submissions and the process for filing, visit <https://www.dol.gov/agencies/ilab/our-work/trade/fta-submissions>*).

As part of the ongoing effort to monitor and implement existing U.S. trade agreements, the United States has worked with trading partners to advance labor rights through technical cooperation and other efforts, including in the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) countries, Morocco, Jordan, Peru, Korea, Mexico, and Colombia (*for additional information, see Chapter II.B*). In 2017, consultations continued with Bahrain under the Labor Chapter of the United States-Bahrain Free Trade Agreement on concerns about freedom of association and employment discrimination. In 2017, USTR officials met with government officials and stakeholders to follow up on the labor commitments under the United States-Korea (KORUS) Free Trade Agreement. In particular, discussions were held with respect to Korea's commitments to adopt and maintain the rights to freedom of association and collective bargaining, and the elimination of discrimination in employment (*for additional information see Chapter II.A.2*).

NAFTA Renegotiation

As part of the Administration's effort to renegotiate NAFTA, USTR, the DOL and the Department of State (State) have worked closely with Mexican trade and labor officials to ensure effective implementation of a landmark constitutional reform initiative that the government of Mexico introduced in 2016 to mandate the creation of new labor courts as part of a complete overhaul of Mexico's system of labor justice administration. In February 2017, Mexico's Congress enacted the constitutional reforms after the legislation was approved by a majority of Mexican states. In December, Mexico introduced a comprehensive package of legislation that would implement the constitutional reforms by a target date of November 2018, and includes detailed provisions intended to address longstanding concerns regarding the registration of collective bargaining agreements, as well as the voting process to decide union representation challenges. The Administration will continue to work to ensure that Mexico strengthens its labor standards by monitoring the reform effort and negotiating strong labor obligations in the new NAFTA, so that American workers and businesses truly benefit from a modernized NAFTA agreement (*for additional information, see Chapter II.A.1*).

CAFTA-DR

In 2017, the United States continued to monitor and assess progress towards addressing the labor concerns identified in a 2013 public report issued by the DOL. These concerns were initially raised in a public submission received in 2011 concerning labor rights in the Dominican Republic. The United States has engaged with the government of the Dominican Republic as well as with the sugar industry and civil society on the concerns identified in this report, including through seven visits to the Dominican Republic, most recently in December 2017. In October 2016, the DOL, in consultation with USTR and State, issued a public update on its findings, noting a number of positive steps taken by the government and by industry designed to address the labor issues identified in the 2013 report and pointing to areas of potential collaboration. The United States continues to discuss areas for implementing the 2013 report's recommendations for improving labor inspections with the Ministry of Labor of the Dominican Republic (*for additional information, see Chapter II.B.3*). In March 2017, a DOL staff member concluded a six-month detail to the Guatemala's Ministry of Labor, where he provided advice on Ministry of Labor initiatives, including on draft legislation that restored sanction authority to the Ministry and new inspection protocols.

In February 2015, the DOL released a report on labor issues in Honduras based on a 2012 submission by the American Federation of Labor and Congress of Industrial Organizations and 26 Honduran labor unions, pursuant to the CAFTA-DR Labor Chapter. The report addressed allegations that the government of Honduras (GOH) failed to effectively enforce its labor laws, and included recommendations for actions by the GOH to improve enforcement efforts in the agriculture, manufacturing, and port sectors. Pursuant to the report's recommendations, in December 2015, the United States and Honduras signed a labor Monitoring and Action Plan (MAP) that includes comprehensive commitments by Honduras to address legal and regulatory frameworks for labor rights, undertake institutional improvements, intensify targeted enforcement, and improve transparency. The GOH took important steps to implement the MAP in 2017, including by passing a comprehensive new inspection law in January 2017 and convening three tripartite meetings with private sector and labor stakeholders to discuss progress under the MAP (*for additional information, see Chapter II.B.3*).

Colombia Trade Promotion Agreement

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

focuses on improving protection of labor rights, preventing violence against trade unionists, and prosecuting perpetrators of such violence. The submission, filed in 2016, alleged that the government of Colombia failed to effectively enforce its labor laws and to adopt and maintain laws that protect fundamental labor rights. The DOL issued a public report based on its review in January 2017, which recommended undertaking consultations between the contact points designated under the Labor Chapter to address concerns raised in the report, including with respect to labor inspections and improving labor law enforcement. The Colombian government continued to take steps to improve labor law enforcement and address areas of concern in both the submission report and the 2011 Action Plan. The Ministry of Labor levied large fines against various employers found to have violated laws against illegal subcontracting, and the Prosecutor General's Office (Fiscalía) successfully completed numerous conciliations in criminal cases of employers infringing on certain workers' rights. The DOL and USTR held three consultations of the contact points during the year: a videoconference in April, a meeting in Washington, DC in July, and a meeting in Bogotá in September. During the September trip to Colombia, USTR met with the Minister of Labor, as well as other high-level government officials and various stakeholders. Officials from USTR and the DOL also met with the Deputy Attorney General and her team to discuss ongoing initiatives to prosecute perpetrators of violence against trade unionists (*for additional information, see Chapter II.B.5*).

Morocco Free Trade Agreement

Labor officials from the United States and Morocco continued to strengthen areas of cooperation under the United States-Morocco Free Trade Agreement. The DOL continued to oversee two technical assistance projects during the year designed to address child labor and gender equity, and to explore areas of continued cooperation. In response to concerns raised by the United States, the government of Morocco passed a domestic worker law, which took effect in August 2017, that extends 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 (*for additional information, see Chapter II.B.7*).

Peru Trade Promotion Agreement

USTR and the DOL continued to engage with the government of Peru on concerns that were raised in a 2016 DOL public submission report under the United States-Peru Trade Promotion Agreement. The DOL's report on the Peru submission recommended that the government of Peru take steps to address problems with temporary contracts in special export regimes, primarily textiles and agriculture, where there were ongoing concerns that employers use these arrangements to undermine the free exercise of labor rights. In 2017, USTR and DOL officials traveled to Peru and held three videoconferences with trade and labor officials to discuss Peru's efforts to increase resources for labor inspections and enforcement initiatives in special export sectors and throughout the country (*for additional information, see Chapter II.B.10*).

Other Bilateral Agreements and Preference Programs

U.S. trade preference programs, including the Africa Growth and Opportunity Act (AGOA), the Caribbean Basin Trade Partnership Act, trade preferences for Haiti and Nepal, and the Generalized System of Preferences (GSP), require beneficiaries to meet statutory eligibility criteria pertaining to worker rights and child labor. During 2017, USTR renewed its engagement with governments and stakeholders involved in ongoing GSP worker rights reviews of Georgia, Iraq, Thailand, and Uzbekistan. USTR also announced a self-initiated review of worker rights for Bolivia based on child labor laws and received a new petition relating to worker rights in Kazakhstan. The U.S. Government has provided technical assistance to a number of countries to help them address the concerns raised under GSP worker rights reviews. For example, the DOL provided technical assistance to Georgia during the year to help re-establish a labor inspectorate in that country and funded a labor rights program in Uzbekistan to help address forced and child labor in the cotton sector. During the year, USTR engaged closely with both countries, noting some

progress in the effort to re-establish a labor inspectorate in Georgia, and noting significant advances in the government of Uzbekistan's effort to eradicate forced child labor and combat forced adult labor in the fall cotton harvest. Near the end of 2017, the government of Thailand expressed that it planned to pass reforms to its labor law that could help address certain concerns identified in the GSP review. In October, the AFL-CIO submitted a petition for USTR to review the eligibility criteria of Kazakhstan, alleging violations of fundamental trade union rights and the harassment and arrest of independent trade union leaders. An assessment of whether to accept the Kazakhstan petition for review is currently under way (*for additional information, see Chapter III.A.11*).

The United States continued to engage with African countries on AGOA worker rights criteria through the AGOA annual eligibility review and bilateral and multilateral fora. In addition, a labor breakout session on integrating labor standards into trade and investment policies, was part of the annual AGOA Forum held in Lomé, Togo in August 2017. At the close of the year, USTR also announced the restoration of AGOA benefits for Swaziland. The United States previously withdrew benefits under the preference program from Swaziland based on a failure to meet AGOA eligibility criteria with respect to worker rights. During the year, the government of Swaziland completed a number of important reforms in law and practice that had been identified by USTR as necessary to regaining trade benefits. Following a review of those reforms and consultations with stakeholders, USTR determined that Government had successfully completed the identified benchmarks and announced the restoration of benefits at the end of the year. USTR also received, in June, a public comment from the AFL-CIO urging a review of labor rights in Mauritania, alleging violations of AGOA eligibility criteria with respect to forced labor (*for additional information, see Chapter III.A.11*).

Pursuant to requirements of the Haitian Hemispheric Opportunity through the Partnership Encouragement Act of 2008 (HOPE II), producers eligible for duty-free treatment under HOPE II must comply with core labor standards. The DOL, in consultation with USTR, is charged with publically identifying noncompliant producers on a biennial basis and providing assistance to such producers to come into compliance. In addition, the DOL provides support to at-risk producers to help ensure that they do not fall out of compliance. A new biennial reporting period started in 2016, during which the DOL continued to provide support to at-risk producers. During 2016 and 2017, the DOL worked with several producers to address concerns related to industrial relations and sexual harassment in order to ensure continued compliance with HOPE II labor requirements. USTR and the DOL also continued to work closely with the government of Haiti, the ILO, and other U.S. Government agencies on implementation of the Technical Assistance Improvement and Compliance Needs Assessment and Remediation (TAICNAR) program to monitor factories' compliance with core labor standards (*for additional information, view the 2016 USTR Annual Report on the Implementation of the TAICNAR program at: <https://ustr.gov/sites/default/files/assets/reports/USTR-Report-Haiti-HOPE-II-2017-%28final%29.pdf>*).

U.S. engagement with Bangladesh, which was suspended from GSP eligibility in June 2013 based on worker rights concerns, continued under Bangladesh's GSP Action Plan as well as through the Sustainability Compact for continuous improvements in labor rights and factor safety. At the time of Bangladesh's GSP suspension, USTR provided Bangladesh with an Action Plan which, if implemented, could provide a basis for the restoration of benefits. In July 2013, the United States also joined the Sustainability Compact, a public declaration of commitments that now includes the governments of Bangladesh, the European Union, the United States, Canada, and the ILO, that was substantially similar to the GSP Action Plan. In May 2017, USTR led an interagency delegation to Bangladesh as part of bilateral trade discussions and the multi-party Sustainability Compact. Both discussions were used to assess progress towards the goals of the Sustainability Compact and GSP Action Plan and to reiterate the expectations of international partners. In June 2017, the government of Bangladesh made specific and public commitments to afford greater rights of association in the country's export processing zones and to better provide internationally recognized worker rights. However, at the end of the year, the government

of Bangladesh had not advanced any legislative reforms. USAID continued to support multiple initiatives designed to strengthen workers' ability to organize and register unions under the current legal framework, and in 2017 several new unions were able to register with the government, while the ILO and other donors continued to work to strengthen government capacity to handle registrations. USTR also continued to coordinate with the two private sector safety initiatives, the Alliance and the Accord, in their efforts to ensure worker safety and factory remediation. During 2017, both initiatives made significant progress ensuring the safety of factories in their supply chains. Both also continued to work with the government of Bangladesh and stakeholders to ensure that private sector efforts could continue and become sustainable when the initial five year commitment of both initiatives sunsets in 2018 (*for additional information, see Chapter III.A.11*).

The United States and China committed to a dialogue on labor and employment issues in 2009 during the first United States-China Strategic and Economic Dialogue. In October 2017, the DOL and the China Ministry of Human Resources and Social Security (MOHRSS) held this annual dialogue, and discussed topics such as labor and employment challenges at the national level, vocational training and apprenticeships, job creation, youth employment, protection of non-standard and other vulnerable categories of workers and strategic enforcement of labor laws.

The fifteenth meeting of the United States-Vietnam Labor Dialogue took place in December 2017 in Washington, at which the DOL and Vietnam's Ministry of Labor, Invalids, and Social Affairs (MOLISA) discussed DOL's list of goods produced by child labor, ways to cooperate in the future to monitor and enforce laws prohibiting child labor in Vietnam, and ways to enhance U.S. technical assistance to strengthen prohibitions against child labor in Vietnam. Officials also discussed continuation of other U.S. technical assistance projects for Vietnam to address consistency with international labor standards within its system of industrial relations more broadly.

USTR also engaged with several countries in 2017 on labor issues in the context of TIFA meetings and other bilateral trade mechanisms. For example, in June 2017, USTR officials met with the government of Vietnam in Hanoi during the United States-Vietnam TIFA to discuss posted labor reforms and consult on future cooperation. In July, USTR officials requested updates on labor law reforms during the United States-Malaysia TIFA in Kuala Lumpur. During the August 2017 United States-Cambodia TIFA in Washington, DC, USTR officials highlighted concerns with several pieces of draft labor legislation and apparent restrictions on trade union registration. TIFA discussions with the Philippines (July and November 2017), and Thailand (April and June 2017), further highlighted the importance of ensuring that labor laws are compliant with internationally recognized workers' rights and that government agencies have the capacity to enforce domestic labor laws. USTR also led bilateral discussions on labor rights concerns with Uzbekistan and Kazakhstan on the margins of the December 2017 U.S.-Central Asia TIFA Council meeting.

In 2017, USTR continued to coordinate U.S. Government engagement around the *Initiative to Promote Fundamental Labor Rights and Practices in Myanmar*, including through organization of the third multi-stakeholder meeting in Burma. The *Initiative*, an innovative multi-stakeholder effort launched by the government of Burma and USTR in 2014, aims to improve the respect for and protection of labor rights in Burma, with development assistance and advice from interested governments, worker organizations, business interests and civil society. In support of the *Initiative*, the DOL and the Department of State continued to implement technical assistance programs in 2017 aimed at assisting Burma's own comprehensive labor reforms and efforts to establish productive and cooperative industrial relations among social stakeholders.

2. International Organizations

In 2017, the United States furthered its efforts to broaden international consensus on the relationship between trade and labor and the benefit of ensuring protection of labor provisions as part of trade policy. In the Ministerial Declaration adopted during the World Trade Organization (WTO) Ministerial Conference in Singapore (1996) and reaffirmed in Ministerial Declarations adopted during Ministerial Conferences in Doha (2001) and Hong Kong (2005), WTO Members renewed their commitment to observe internationally recognized core labor standards and took note of collaboration between the WTO and the International Labor Organization (ILO) Secretariats. USTR officials attended the ILO's International Labor Conference in June 2017, where various trade-partner governments were called before the ILO to address gaps in implementing labor standards. Following the ILO's revision of its Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, USTR officials met with the responsible ILO officials in May 2017 to discuss the impact of the Declaration on trade and on U.S. enterprises.

The United States also continued to promote labor rights as one of the topics relevant to the effort to strengthen economic integration and to build high quality trade agreements in the Asia-Pacific region. In APEC, the United States has continued to support inclusion by APEC economies of labor and social issues in next generation of trade agreements. In ASEAN, USTR has engaged member states and stakeholders to promote future activities to strengthen prohibitions against human trafficking in the Southeast Asian fishing industry. USAID has invested in significant efforts to address human trafficking in the illegal, unregulated and unreported (IUU) fishing industry, in the context of work with ASEAN governments, industry and other stakeholders. In March 2017, USTR officials participated in the meeting of the Human Resources Development Working Group to support new APEC initiatives to examine the link between trade and workers' rights. In August 2017, USTR officials participated in the APEC Economic Committee to provide concrete feedback concerning the APEC Economic Policy Report on Structural Reform and Human Capital Development, which is anticipated for finalization in 2018. USTR officials also have engaged member states and stakeholders within ASEAN to promote future activities to strengthen prohibitions against human trafficking in the Southeast Asian fishing industry.

F. Small and Medium Size Business Initiative

USTR has implemented a Small Business Initiative to increase export opportunities for U.S. small and medium sized enterprises (SMEs), and has expanded efforts to address the specific export challenges and priorities of SMEs and their workers in our trade policy and enforcement activities. In 2017, USTR continued to engage with its interagency partners and with trading partners to develop and implement new and continuing initiatives that support small business exports.

U.S. small businesses are key engines for our economic growth, jobs, and innovation. USTR is focused on making trade work for the benefit of American SMEs, helping them increase their sales to customers abroad, access and participate in global supply chains, and support jobs at home. USTR seeks to level the playing field for American businesses by negotiating with foreign governments to open their markets and by enforcing our existing trade agreements to ensure a level playing field for U.S. workers and businesses of all sizes. USTR is working to better integrate specific SME issues and priorities into trade policy development, increase outreach to SMEs around the country, and expand collaboration and coordination with our interagency colleagues.

USTR is supporting efforts to help more American companies—especially SMEs—reach overseas markets by improving data, leveraging new technology applications, and empowering local export efforts. USTR works closely with the U.S. Small Business Administration (SBA), the U.S. Department of Commerce, U.S. Department of Agriculture, and other agencies to help provide U.S. SMEs information, assistance, and

counselling on specific export opportunities. In 2017, USTR undertook significant actions in support of our SME objectives.

USTR SME-Related Trade Policy Activities

Tariff barriers, burdensome customs procedures, discriminatory or arbitrary standards, lack of transparency relating to relevant regulations, and insufficient IPR protection in foreign markets present particular challenges for our SMEs in selling abroad. Under the SME Initiative, USTR's small business office, regional offices, and functional offices are pursuing initiatives and advancing efforts to address these issues.

U.S. trade agreements, as well as other trade dialogues and fora, provide a critical opportunity to address specific concerns of U.S. SMEs and facilitate their participation in export markets. For example:

- The Administration is renegotiating NAFTA to get a better deal for American workers, farmers, ranchers, and businesses, including America's small businesses. U.S. objectives for the renegotiation include priorities identified by small business stakeholders, such as *de minimis* shipment value in Canadian and Mexican law comparable to the U.S. *de minimis* shipment value, and eliminating non-tariff barriers that can especially burden small firms. USTR is renegotiating NAFTA to include a small and medium enterprise chapter for the first time, to help ensure that small businesses have the online information tools and resources they need to navigate the Canadian and Mexican markets and to ensure that the NAFTA is working for small business as the Agreement is implemented.
- The United States-UK Trade and Investment Working Group, launched in 2017 to explore ways to strengthen trade and investment ties and provide commercial continuity for U.S. and UK businesses, workers, and consumers as the UK leaves the EU, covers a range of topics including SMEs. Given the significance of small businesses to both economies, the U.S. and UK agreed to establish a U.S.-UK Small and Medium-sized Enterprise Dialogue, to promote closer collaboration and the sharing of best practices on policies and programs to support SME businesses and export opportunities in each country's market. USTR and UK counterparts also are collaborating to develop joint intellectual property rights toolkits to assist small businesses.
- The United States and EU continue to collaborate on small business issues in the Transatlantic Economic Council (TEC). In October 2017, the United States hosted the eighth United States-EU Small and Medium Enterprise Workshop in Wichita, Kansas at Wichita State University Innovation campus, the first time the United States has hosted the SME workshop outside of Washington, DC. The SME Workshop was convened by USTR, the U.S. Department of Commerce, and SBA and the EU's Directorate General for Trade and Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG-GROW), and was hosted with the Chair of the Industry Trade Advisory Committee for Small and Minority Business (ITAC-11). Over 100 SME stakeholders on both sides of the Atlantic attended, with discussions focusing on manufacturing SMEs in transatlantic trade; SMEs startups, innovation and competitiveness; transatlantic skills development for SMEs and best practices in apprenticeships and vocational training; transatlantic FDI in manufacturing; SME export promotion resources; and an update on the U.S. Department of Commerce and EU DG GROW-SME Cooperation Arrangement. The United States had the opportunity to highlight small business advanced manufacturing in the heartland, including U.S. SME aerospace suppliers, robotics and virtual reality engineering and design.
- In the Asia-Pacific Economic Cooperation (APEC) forum, APEC economies continue to advance initiatives to facilitate SME access to global markets, including the U.S.-led Digital Economy

Action Plan for MSMEs. The Action Plan aims to facilitate SMEs access to international markets, as well as enhance the understanding of policy makers on how issues such as the impact of forced localization requirements and blocking cross-border data flows impact SMEs in the digital economy. The United States, through the APEC Alliance for Supply Chain Connectivity (A2C2), continued capacity building activities closely linked to the WTO's Trade Facilitation Agreement, including assistance for economies to further simplify customs procedures and document requirements that will in turn benefit SMEs that often lack the resources necessary to navigate overly complex requirements to deliver their goods to overseas markets in the region. Economies also continue to update the APEC Trade Repository (APECTR) at <http://tr.apec.org> to help SMEs seeking information on tariff rates, customs procedures, and other information for doing business in APEC markets.

- With the Association of Southeast Asian Nations (ASEAN) countries, USTR participated in the United States-ASEAN Third Country Training Program to apprise ASEAN SME ministry officials and trade officials of potential barriers to digital trade which harm SMEs and best practices to facilitate SME participation in digital trade and e-commerce. Best practices include tariff-free digital trade; promoting the free flow of information; preventing costly computer infrastructure requirements; electronic signatures and online payment methods; electronic customs forms and faster customs procedures; high customs *de minimis* to facilitate SME trade; and protection of intellectual property rights.
- In the WTO context, USTR is exploring the development of further work with other WTO members on issues of interest to SME stakeholders, such as transparency of regulatory processes and implementation of trade facilitation measures.

USTR Interagency SME Activities

USTR participates in the Trade Promotion Coordinating Committee's (TPCC) Small Business Working Group, collaborating with agencies including the U.S. Department of Commerce, SBA, the U.S. Department of State, U.S. Export-Import Bank, the U.S. Department of Agriculture, and others across the U.S. Government to promote small business exports. The TPCC Small Business Working Group connects SMEs to trade information and resources to help them begin or expand their exports and take advantage of existing trade agreements. USTR is participating in the newly established TPCC Small Business Working Group's Digital Client Engagement (DCE) Task Force to improve interagency collaboration on digital outreach and engage more potential small business exporters with online tools. USTR also is participating in SBA's Small Business Exporting Listening Tour organized in conjunction with local Small Business Development Centers to hear firsthand from small businesses about the opportunities and challenges they face in foreign markets. Additionally, the DCE Task Force worked to eliminate registration costs for USA Trade Online, a data tool provided by the U.S. Census Bureau that gives users access to current and cumulative U.S. export and import data. Users can create customized reports and charts detailing international trade data at different levels, which can be especially helpful for small businesses.

USTR's SME Outreach and Consultations

In 2017, USTR participated in engagements around the country to hear from local stakeholders about the trade opportunities and challenges they face. On an interagency basis, USTR is working with the TPCC to improve trade information relevant for SMEs and highlight interagency programs to assist SMEs with their individual export needs.

USTR staff regularly consult with ITAC 11 to seek its advice and input on U.S. trade policy negotiations and initiatives, and meets frequently with individual SMEs and associations representing SME members

on specific issues. USTR spoke at several SME events around the country and abroad in 2017 regarding the U.S. trade agenda, including at the Massachusetts Annual Export Expo in Boston, Massachusetts; the annual Americas Small Business Development Center conference in Nashville, Tennessee; the eighth US-EU SME Workshop in Wichita, Kansas; the National District Export Council meeting in Washington, D.C.; the SBA Advocacy Interagency Working Group NAFTA outreach meeting with SMEs convened in Washington, D.C.; the Bradley University Small Business Development Center SME trade roundtables in Peoria, Illinois; and, other events aimed at apprising small businesses of the Administration's trade agenda and encouraging them to begin or expand their exports.

G. Organization for Economic Cooperation and Development

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

The United States has a longstanding interest in trade issues studied by the OECD. On trade and trade policy, the OECD engages in meaningful research, and provides a forum in which OECD Members can discuss complex and sometimes difficult issues. The OECD is also active in studying the balance between domestic objectives and international trade.

1. Trade Committee Work Program

In 2017, the OECD Trade Committee, its subsidiary Working Party, and its joint working parties on environment and agriculture, continued to address a number of significant issues impacting trade. The Trade Committee met in April and November 2017, and its Working Party met in March, June, October, and December. The Trade Committee and its subsidiary groups paid significant attention to trade facilitation, global value chains and trade in value-added, services trade, digital trade, data localization, local content policies, state-owned enterprises, government procurement, and international regulatory cooperation. The trade page on the OECD website (<http://www.oecd.org/trade>) contains up-to-date information on published analytical work and other trade-related activities.

The Trade Committee continued its analysis and work surrounding barriers affecting trade in services, including an update to the OECD's Services Trade Restrictiveness Index (STRI) and release of an STRI app for iOS and Android. In 2017, the Committee continued two horizontal themes; work on trade policy-making in the digital economy, which dovetailed with the OECD-wide horizontal project on Digital Policy, and work on trade and investment, which included collaboration and coordination with the Investment Committee; the Committee on Industry, Innovation and Entrepreneurship; and the Statistics Directorate. The OECD Trade Facilitation Indicators were updated in 2017 and are being used to support ongoing trade

facilitation efforts in cooperation with the WTO. Looking ahead, the Trade Committee will continue its work on participation in global value chains, trade facilitation, trade in services, digital trade, export credits, barriers to trade, and trade-related international regulatory cooperation, among other areas. The Committee also aims to strengthen its collaboration with the Committee on Agriculture to address issues pertaining to food and agriculture trade, markets and policies.

The OECD Ministerial Council Meeting took place in June 2017 in Paris. USTR participated in the Trade Session, which focused on international trade and investment. As part of this session, ministers recognized the importance of trade as an engine for economic growth, the importance of international investment and free flow of capital, and the need to stimulate trade by focusing on reducing trade barriers and costs without lowering international standards. Ministers welcomed the entry into force of the WTO Trade Facilitation Agreement in February 2017 and called for its full implementation. They also welcomed the establishment of the Global Forum on Steel Excess Capacity and called for urgent, collective and effective action to address overcapacity across all affected sectors. Ministers encouraged the OECD to continue analysis of how the benefits of trade can be increased and spread more widely, and to develop more effective ways of communicating the benefits of trade and open markets.

2. Trade Committee Dialogue with Non-OECD Members

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

The OECD Trade Committee continued its contacts with non-Member countries in 2017. The Committee has embarked on an active outreach effort with G20 countries as well as major economies in Southeast Asia. Contributing to trade-related discussions at the G20 and other relevant international fora (G7, APEC, ASEAN, etc.), through the timely use of the Committee’s evidence-based analysis and policy insights, remains a high priority.

In 2017, the OECD undertook a Strategic Reflection on membership that resulted in the OECD Framework for the Consideration of Prospective Members, a set of objective criteria that Members will use as a basis for deciding whether or not to open accession discussions with a prospective Member. It was adopted by the OECD Council on June 2, 2017 and presented to the 2017 Ministerial Council Meeting. Also in 2017, the Trade Committee continued discussions on the draft Market Openness Review of Colombia, which was finalized in July 2017. At the November 2017 Trade Committee meeting, Members considered a draft Formal Opinion on Colombia. The Formal Opinion of the Trade Committee on the Accession of Costa Rica was adopted on January 18, 2017.

At the 2013 Ministerial Council Meeting, OECD Ministers called for the establishment of a comprehensive OECD Southeast Asia Regional Programme, the main objective of which is to strengthen engagement between the OECD and Southeast Asian countries with a view to supporting regional integration and national reform priorities. The 2017 OECD Southeast Asia Regional Forum and the Steering Group Meeting of the OECD Southeast Asia Regional Programme took place in Bangkok, Thailand on August

24-25, 2017. The forum focused on the opportunities and policy challenges of digital transformation in Southeast Asia.

The Trade Committee also continued its dialogue with civil society and discussed aspects of its work and issues of concern with representatives of civil society, including Members of the OECD's Business and Industry Advisory Council and Trade Union Advisory Council.

3. Other OECD Work Related to Trade

Representatives of the OECD Member countries meet in specialized committees to advance ideas and review progress in specific policy areas, such as economics, trade, science, employment, education, and financial markets. There are about 200 committees, working groups, and expert groups at the OECD.