

V. THE WORLD TRADE ORGANIZATION

A. Introduction

This chapter outlines the work of the World Trade Organization (WTO) in 2017 – particularly relating to implementing the results of the Ninth Ministerial Conference in Bali and Tenth Ministerial Conference in Nairobi and preparations for the Eleventh WTO Ministerial Conference in Buenos Aires, Argentina in December 2017. This chapter also details work of WTO Standing Committees and their subsidiary bodies, provides an overview of the implementation and enforcement of the WTO Agreement, and discusses accessions of new Members to this rules-based organization.

The WTO provides a forum for enforcing U.S. rights under the various WTO agreements to ensure that the United States receives the full benefits of WTO membership. On a day-to-day basis, the WTO operates through its more than 20 standing committees (not including numerous additional working groups, working parties, and negotiating bodies). These groups meet regularly to permit WTO Members to exchange views, work to resolve questions of Members' compliance with commitments, and develop initiatives aimed at systemic improvements. They are also supposed to promote transparency in WTO Members' trade policies, and they provide a fora for monitoring and resisting market-distorting pressures. Through discussions in these fora, Members sought detailed information on individual Members' trade policy actions and collectively considered them in light of WTO rules and their impact on individual Members and the trading system as a whole. The discussions enabled Members to assess their trade-related actions and policies in light of concerns that other Members raised and to consider and address those concerns in domestic policymaking. The United States also took advantage of opportunities in standing committees to consider how implementation of existing WTO provisions can be enhanced and to discuss areas that may hold potential for developing future rules.

In terms of WTO negotiations, at the WTO's Eleventh Ministerial Conference in Buenos Aires in December 2017, Members agreed to several important outcomes, including a Ministerial decision on fisheries subsidies; a work program on electronic commerce, including an extension of the moratorium on customs duties on electronic transmissions; and the creation of a working party on accession for South Sudan, among others. At the end of the conference, the United States and all Members, except India, were prepared to sign a short Ministerial Declaration reaffirming the principles and objectives set out in the Marrakesh Agreement establishing the WTO. India blocked consensus due to its demands for text to be included in the Declaration regarding special and differential treatment and the conclusion of the Doha Development Agenda (DDA). The United States and others have clearly stated that Members must rethink how development is approached at the WTO, and that it is time to move beyond the outdated, failed framework of the DDA.

If the WTO is to reclaim its credibility as a vibrant negotiating and implementing forum, Members must take advantage of every opportunity to advance work and seize results as they present themselves. In looking ahead to the period before the Twelfth Ministerial Conference in 2019, the United States believes that Members should begin the process of identifying opportunities to achieve accomplishments, even if incremental ones, and avoid buying into the predictable, and often risky, formula of leaving everything to a package of results for Ministerial action. Whether the issue is agriculture or digital economy, the WTO will impress capitals and stakeholders most by simply doing rather than posturing for the next Ministerial Conference.

Further, while “least developed countries” (LDCs) are defined in the WTO using the United Nations criteria, there are no WTO criteria for what designates a “developing country.” Any country may “self-declare” itself as a developing country, thus entitling it to all “special and differential” treatment afforded to developing countries under the WTO Agreements, as well as any new flexibilities afforded to developing countries under current or forthcoming negotiations. In practice, this means that more advanced developing countries like Brazil, China, India, and South Africa receive the same flexibilities as Sub-Saharan African and South Asian non-LDCs, despite their very significant impact in the global economy. It is a challenge to find balance in the application of existing obligations and the development of new commitments when countries that some institutions categorize as high- or high-middle-income countries expect to receive the same flexibilities as low- or low-middle income countries.

To remain a viable institution that can fulfill all facets of its work, the WTO must find a means of achieving trade liberalization between Ministerial Conferences, must adapt to address the challenges faced by traders today, and must ensure that the flexibilities a country may avail itself of are commensurate to that country’s role in the global economy.

B. WTO Negotiating Groups

1. Committee on Agriculture, Special Session

Status

WTO Members agreed to initiate negotiations for continuing the agricultural trade reform process one year before the end of the Uruguay Round implementation period, *i.e.*, by the end of 1999. Talks in the Special Session of the Committee on Agriculture began in early 2000 under the original mandate of Article 20 of the Agreement on Agriculture (Agriculture Agreement). At the Fourth WTO Ministerial Conference in Doha, Qatar in November 2001, the agriculture negotiations became part of the single undertaking, and negotiations in the Special Session of the Committee on Agriculture were conducted under the mandate agreed upon at Doha, which called for: “substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.” This mandate, which called for ambitious results in three areas (so called “pillars”), was augmented with specific provisions for agriculture in the framework agreed by the General Council on August 1, 2004, and at the Hong Kong Ministerial Conference in December 2005. However, at the WTO’s Tenth Ministerial Conference in Nairobi, Kenya in December 2015, Members acknowledged in the Ministerial Declaration that there was no consensus to reaffirm Doha mandates. Since then, Members have been reflecting on what is next for the agriculture negotiations in the WTO. The Nairobi Ministerial package included a new decision adopted by WTO Ministers related to export competition, in which Members agreed to the elimination of all forms of export subsidies, as well as new disciplines on export financing and international food aid. At the WTO’s Eleventh Ministerial Conference (MC11), Members did not agree to a Ministerial Declaration or any decision on agriculture due to Members’ divergent views.

Major Issues in 2017

In 2017, the United States focused agriculture negotiations efforts on improving transparency, particularly with respect to the fulfillment of notification requirements. The Chair of the Agriculture Negotiations held negotiations in formal and informal settings to assess Members’ views on substantive issues on the agriculture negotiations. Other Members submitted a variety of proposals, particularly in the area of domestic support and public stockholding for food security. The United States continued to urge Members to approach the overall agriculture negotiations based on the need to identify current, systemic issues that impact global production, subsidization, and trade in agriculture over the past 15 years. At the November

General Council Meeting, the United States put forward a proposal on transparency to strengthen the effectiveness of the review process of commitments under the Agreement on Agriculture but Members were not ready to reaffirm their commitment to enhance transparency at MC11.

Prospects for 2018

A major focus in 2018 will be to enhance notifications and transparency to inform discussions about the problems that face agricultural trade today and consideration of new ways forward in negotiations on agriculture. The United States expects future negotiations to be comprehensive, recognizing the political balances that Members need but with a focus to support the objective of Article 20 of the Agreement on Agriculture: substantial progressive reductions in agriculture support and protection.

2. Council for Trade in Services, Special Session

Status

The Special Session of the Council for Trade in Services (CTS-SS) was formed in 2000 pursuant to the Uruguay Round mandate of the General Agreement on Trade in Services (GATS) to undertake new multi-sectoral services negotiations. The Doha Declaration of November 2001 recognized the work already undertaken in the services negotiations and set deadlines for initial market access requests and offers. The services negotiations thus became one of the core market access pillars of the Doha Round, along with agriculture and nonagricultural goods. However, at the WTO's Tenth Ministerial Conference in Nairobi, Kenya in December 2015, Members acknowledged in the Ministerial Declaration that there was no consensus to reaffirm Doha mandates. Since then, Members have been reflecting on what is next for the services negotiations in the WTO.

Major Issues in 2017

The CTS-SS met on a few occasions during 2017 to consider possibilities for advancing negotiations on services. No viable options were identified.

Prospects for 2018

The United States will continue to pursue new ideas and approaches to promote free and fair trade in services.

3. Negotiating Group on Non-Agricultural Market Access

Status

The U.S. Government's longstanding objective in WTO Non-Agricultural Market Access (NAMA) negotiations – which cover manufactures, mining, fuels, and fish products – has been to obtain a balanced market access package that provides new export opportunities for U.S. businesses through the liberalization of global tariffs and non-tariff barriers. Trade in industrial goods accounts for more than 90 percent of world merchandise trade⁴⁷ and more than 90 percent of total U.S. goods exports. Meanwhile, 52 percent of developing economies countries' merchandise exports went to other “developing economies” in 2016 - up from 41 percent in 2005. Since developing economies now buy the majority of developing economy

⁴⁷ WTO World Trade Statistical Review 2017

exports,⁴⁸ there is substantial interest in improving market access conditions among developing countries, which would also result in greater market access for U.S. manufacturers and exporters. Yet, many emerging economies still charge very high tariffs on imported industrial goods, with ceiling tariff rates exceeding 150 percent in some cases.

The NAMA negotiations have remained at an impasse since the WTO's Eighth Ministerial Conference in Geneva in 2011. Without significant market-opening commitments from advanced developing economies, it is clear that there is little prospect for achieving robust trade liberalization for industrial goods on a multilateral basis. This reality contributed to the result at the WTO's Tenth Ministerial Conference in Nairobi, Kenya in December 2015, when Members acknowledged in the Ministerial Declaration that there was no consensus to reaffirm the Doha mandates.

Major Issues in 2017

There were a few informal meetings of the Negotiating Group on Market Access in 2017 but no new substantive discussions occurred related to either the tariff or nontariff elements of the NAMA negotiations.

Prospects for 2018

In 2018 the United States, jointly with other like-minded WTO Members, will seek to pursue credible approaches to broad and meaningful trade liberalization for industrial goods.

4. Negotiating Group on Rules

Status

At the Doha Ministerial Conference in 2001, Ministers agreed to negotiations aimed at clarifying and improving disciplines under the Agreement on Implementation of Article VI of the GATT 1994 (the Antidumping Agreement) and the Agreement on Subsidies and Countervailing Measures (the SCM Agreement), while preserving the basic concepts, principles, and effectiveness of these Agreements and their instruments and objectives. Ministers directed that the negotiations take into account the needs of developing and least developed country Members. The Doha Round mandate also called for clarified and improved WTO disciplines on fisheries subsidies.

The Negotiating Group on Rules (the Rules Group) has based its work primarily on written submissions from Members, organizing its work in the following categories: (1) the antidumping remedy, often including procedural and domestic industry injury issues potentially applicable to the countervailing duty remedy; (2) subsidies and the countervailing duty remedy, including fisheries subsidies; and (3) regional trade agreements (RTAs). Over the past years, Members have considered draft texts for antidumping, subsidies, including disciplines on fisheries subsidies, and countervailing measures, yet no consensus was reached. The most recent Chairman's report was issued in 2011.⁴⁹

The Doha Declaration also directed the Rules Group to clarify and improve disciplines and procedures governing RTAs under the existing WTO provisions. To that end, the General Council in December 2006 adopted a decision for the provisional application of the "Transparency Mechanism for Regional Trade Agreements" to improve the transparency of RTAs. A total of 238 RTAs have been considered under the Transparency Mechanism since then. Pursuant to its mandate, in the past, the Rules Group has explored

⁴⁸ WTO World Trade Statistical Review 2017

⁴⁹ TN/RL/W/252, TN/RL/253, TN/RL/W/254, all dated April 21, 2011.

the establishment of further standards governing the relationship of RTAs to the global trading system. However, such discussions failed to produce common ground on how to clarify or improve existing RTA rules and have not been further pursued in the Rules Group.

Major Issues in 2017

The Rules Group met a number of times in 2017 regarding antidumping and horizontal subsidies. These meetings focused on a Chinese proposal and sub-proposals on antidumping and countervailing duty proceedings, and a proposal on horizontal subsidies from the European Union. WTO Members were split with respect to whether these proposals could serve as the basis for work on these issues, and no progress was made on either issue.

Regarding fisheries subsidies, the Rules Group also met on multiple occasions in 2017. Over the course of the year, several Members submitted text proposals focused on disciplines for fisheries subsidies that contribute to illegal, unreported and unregulated (IUU) fishing, overfishing, and overcapacity, and that would enhance transparency and reporting requirements for fisheries subsidies programs. A draft compilation text was developed based on the various text proposals 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 MC11, 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.”

Prospects for 2018

In 2018, the United States will continue to focus on preserving the effectiveness of trade remedy rules, and strengthening existing subsidies rules in a post-Doha environment. In addition, the United States will continue to support stronger disciplines and greater transparency in the WTO with respect to fisheries subsidies.

On RTAs, the United States will continue to advocate for increased transparency and strong substantive standards that support and advance the multilateral trading system. The Transparency Mechanism will continue to be applied in the consideration of additional RTAs.

5. Dispute Settlement Body, Special Session

Status

Following the Doha Ministerial Conference in 2001, the Trade Negotiations Committee (TNC) established the Special Session of the Dispute Settlement Body (DSB-SS) to fulfill the Ministerial mandate found in paragraph 30 of the Doha Declaration, which provides: “We agree to negotiations on improvements and clarifications of the Dispute Settlement Understanding. The negotiations should be based on the work done thus far, as well as any additional proposals by Members, and aim to agree on improvements and clarifications not later than May 2003, at which time we will take steps to ensure that the results enter into force as soon as possible thereafter.” In July 2003, the General Council decided that: (1) the timeframe for conclusion of the negotiations on clarifications and improvements of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) be extended by one year (*i.e.*, to aim to conclude the work by May 2004 at the latest); (2) this continued work will build on the work done to date, and take into account proposals put forward by Members as well as the text put forward by the Chair of the DSB-

SS; and (3) the first meeting of the DSB-SS when it resumed its work be devoted to a discussion of conceptual ideas. Due to complexities in negotiations, deadlines were not met. In August 2004, the General Council decided that Members should continue work toward clarification and improvement of the DSU, without establishing a deadline, and these negotiations have continued since.

Major Issues in 2017

The DSB-SS met fifteen times during 2017. In previous phases of the review of the DSU, Members had engaged in a general discussion of the issues. Following that general discussion, Members tabled proposals to clarify or improve the DSU. Members then reviewed each proposal submitted and requested explanations and posed questions to the Member(s) making the proposal. Members also had an opportunity to discuss each issue raised by the various proposals. The Chair of the review issued a Chair's text in July 2008 "to take stock of" the work to date and to provide a basis for its continuation. In 2017, delegations continued to engage on the basis of the comments received in the previous phase, seeking to advance the work on their proposals.

The United States has advocated two proposals, both of which are reflected in the Chair's text. One would expand transparency and public access to dispute settlement proceedings. The proposal would open WTO dispute settlement proceedings to the public as the norm and give greater public access to submissions and panel reports. In addition to open hearings, public submissions and early public release of panel reports, the U.S. proposal calls on WTO Members to consider rules for "*amicus curiae*" submissions – submissions by nonparties to a dispute. WTO rules currently allow such submissions but do not provide guidelines on how they are to be considered. Guidelines would provide a clearer roadmap for handling such submissions.

In addition, the United States and Chile submitted a proposal to help improve the effectiveness of the WTO dispute settlement system in resolving trade disputes among Members. The joint proposal contained specifications aimed at giving parties to a dispute more control over the process and greater flexibility to settle disputes. Under the present dispute settlement system, parties are encouraged to resolve their disputes, but do not always have all the tools with which to do so. As part of this proposal, the United States has also proposed guidance for WTO Members to provide to WTO adjudicative bodies in particular areas where important questions have arisen in the course of various disputes.

Prospects for 2018

In 2018, Members will continue to work to complete the review of the DSU. Members will be meeting a number of times over the course of 2018.

6. Council for Trade-Related Aspects of Intellectual Property Rights, Special Session

Status

The Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS Council) Special Session met briefly in 2017 with the purpose of permitting delegations to put on record their views regarding the negotiations on the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits ahead of the 11th WTO Ministerial Conference (MC11). The status had not changed since the previous year's reporting: there was no consensus among Members to continue

engaging in this negotiation until progress was first made in other areas. Ultimately, Members did not reach consensus and there was no Ministerial outcome reflecting TRIPS Council Special Session at MC11.

Major Issues in 2017

In 2017, the United States and a group of other Members continued to maintain their position that the establishment of a multilateral system for notification and registration of geographical indications for wines and spirits must: be voluntary; have no legal effects for non-participating members; be simple and transparent; respect different systems of protection of geographical indications (GIs); respect the principle of territoriality; preserve the balance of the Uruguay Round; and, consistent with the mandate, be limited to the protection of wines and spirits. The United States and this group of Members (the Joint Proposal group) continued to maintain that the mandate of the TRIPS Council Special Session is clearly limited to the establishment of a system of notification and registration of GIs for wines and spirits and that discussions cannot move forward on any other basis. The United States, together with Argentina, Australia, Canada, Chile, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Israel, Japan, Korea, Mexico, New Zealand, Nicaragua, Paraguay, South Africa, and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu support the Joint Proposal under which Members would voluntarily notify the WTO of their GIs for wines and spirits for incorporation into a registration system. During 2011, Israel formally became a cosponsor of the Joint Proposal.

The EU, together with a number of other Members, continued to support their alternative proposal for a binding, multilateral system for the notification and registration of GIs for all products, not only wines and spirits, which all Members would be required to use. The effect of this proposal would be to expand the scope of the negotiations to all GI products and to propose that any GI notified to the EU's proposed register would benefit from a presumption of eligibility for protection as a GI in other WTO Members. Although a third proposal, from Hong Kong, China remains on the table, this proposal has received little support.

The major issue raised in 2017 concerned whether or not the TRIPS Council Special Session could achieve consensus to propose text for an outcome that could be announced at MC11 and how to take forward work following MC11. The United States and many other Members recognized that the lack of consensus among Members forestalled the possibility of a deliverable at MC11. Some Members reiterated their positions on the negotiations. The United States noted the longstanding divergence of views, reminded parties that the mandate of the Special Session is limited to a GI Register for wines and spirits, and noted that the United States did not support intensification of work on GIs in the Special Session. Members belonging to the W/52 coalition continued to advocate for parallel work to be conducted on the three issues of the GI register, TRIPS/Convention on Biological Diversity disclosure, and GI extension.

Prospects for 2018

If discussions resume, Members will discuss whether negotiations are limited to GIs for wines and spirits (the position of the Joint Proposal proponents, based on the unambiguous text of Article 23.4 of the TRIPS Agreement) or whether these negotiations should be extended to cover GIs for goods other than wines and spirits (the position of the EU and certain other WTO members). The United States will continue to aggressively oppose expanding negotiations, will continue to pursue additional support for the Joint Proposal in the coming year, and will seek a more flexible and pragmatic approach from supporters of the EU proposal.

7. Committee on Trade and Development, Special Session

Status

The Special Session of the Committee on Trade and Development (CTD-SS) was established by the TNC in February 2002 to review all WTO special and differential treatments (S&D) with a view to improving them. Under existing S&D provisions, Members provide developing country Members with technical assistance and transitional arrangements toward implementation of WTO agreements. S&D provisions also enable Members to provide developing country Members with better-than-MFN access to markets.

As part of the S&D review, developing country Members submitted 88 Agreement-Specific Proposals (ASPs). Thirty-eight of these proposals were referred to other negotiating groups and WTO bodies for consideration (Category II proposals). Members reached an “in principle” agreement on draft decisions for 28 of the remaining 50 proposals at the 2003 Cancun Ministerial Conference (Cancun 28). While these proposals were supposed to be a part of a larger package of agreements, they were never adopted due to the breakdown of the ministerial negotiations.

At the 2005 Hong Kong Ministerial Conference, Members reached agreement on five ASPs: access to WTO waivers; coherence; duty-free and quota-free treatment (DFQF) for LDC Members; Trade-Related Investment Measures (TRIMS); and flexibility for LDC Members that have difficulty implementing their WTO obligations. The decisions on these proposals are contained in Annex F of the Hong Kong Ministerial Declaration. Ministers at Hong Kong also instructed the CTD-SS to expeditiously complete the review of the outstanding ASPs and report to the General Council, with clear recommendations for a decision. With respect to the 38 Category II proposals, Ministers instructed the CTD-SS to continue to coordinate its efforts with relevant bodies to ensure that work was concluded and recommendations for a decision made to the General Council. Ministers also mandated the CTD-SS to resume work on all outstanding issues, including a proposal submitted in 2002 by the African Group to negotiate a Monitoring Mechanism for effective monitoring of S&D provisions.

Following the Hong Kong Ministerial, the CTD-SS conducted a thorough “accounting” of the remaining ASPs, working in conjunction with the relevant Chairs of the negotiating groups and Committees to which they had been referred, but consensus could not be reached on any of them. However, discussions continued on certain proposals that were revised and some of the Chairs of the negotiating bodies indicated that a number of the issues raised in the proposals formed an integral part of the ongoing negotiations.

At the Eighth Ministerial Conference in December 2011, Ministers agreed to expedite work to finalize the Monitoring Mechanism and to take stock of the Cancun 28 proposals. Members reached agreement on the establishment of the Monitoring Mechanism and adopted the corresponding text at the Ninth Ministerial in December 2013. As a result, regular meetings of the newly established Monitoring Mechanisms now take place in dedicated sessions of the Committee on Trade and Development. By contrast, Members did not reach convergence on the Cancun 28 ASPs, despite intensive engagement in 2013.

In July 2015, the G90 submitted new textual proposals on 25 S&D provisions. The CTD-SS worked intensively on these proposals during the fall of 2015. After numerous Members expressed concerns about the proposals, the G90 tabled 16 revised proposals in the lead up to MC10 in Nairobi. However, Members were not able to reach convergence on the revised proposals, based in part on major disagreement over whether the proposals should apply to all developing countries.

In 2016, the Chair consulted Members on possible ways forward. The Chair subsequently reported there was a lack of support for resuming work on the 25 ASPs. The Chair also noted divergent views among

Members on whether to discuss differentiation and whether to utilize the Monitoring Mechanism. A short discussion among Members highlighted strong disagreements regarding prospects for work in the CTD-SS without a real change in approach.

Major Issues in 2017

In July, the G90 tabled 10 ASPs as a potential deliverable at MC11. Eight of the 10 proposals were essentially the same as ASPs that did not gain consensus at MC10. The Chair held nine meetings to examine the ASPs, during which several Members repeatedly raised serious systemic concerns with the proposals. None of the ASPs were acceptable to Members, and a negotiated outcome on them is not possible.

Prospects for 2018

In 2018, the G90 is expected to seek to bring back discussion on its 10 ASPs. However, discussions in the CTD-SS have revealed a profound and often contentious disagreement among Members about the relationship between trade rules and development. This disagreement is further complicated by Members' divergent views on differentiation among the developing country Members. While this disagreement will not be resolved in the CTD-SS, it is certain to impact any attempt to undertake work in this body.

Nonetheless, the United States continues to view the Committee on Trade and Development's Monitoring Mechanism as a potentially useful forum for Members to raise concerns with the implementation of existing S&D provisions, as well as successes. Further, the Mechanism is not precluded from making recommendations to relevant WTO bodies, including recommendations that propose the initiation of negotiations aimed at improving the S&D provision.

C. Work Programs Established in the Doha Development Agenda

1. Working Group on Trade, Debt, and Finance

Status

Ministers at the 2001 Doha Ministerial Conference established the mandate for the Working Group on Trade, Debt, and Finance (WGTDF). Ministers instructed the WGTDF to examine the relationship between trade, debt, and finance and to examine and make recommendations on possible steps, within the mandate and competence of the WTO, to enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least-developed country Members. Ministers further instructed the WGTDF to consider possible steps to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability.

Major Issues in 2017

The WGTDF met twice in 2017, on July 18 and November 8. At the meeting on July 18, 2017, Members reviewed progress reported by the expert group on trade finance. The Chairman also indicated that the Director-General held a private, informal round table on trade finance with senior officials from multilateral development banks (MDBs), on the margins of the 6th Global Aid for Trade Review, which the Secretary reported on. At this roundtable, senior officials from MDBs and the Director-General shared the same diagnosis on trade finance gaps. Many international banks had pulled back from developing countries' markets, which resulted in less access to credit in those countries, especially for small and medium-sized

enterprises (SMEs). As a result, the trade finance gap was very high, with SMEs traders being disproportionately affected. Members reported that SMEs faced challenges similar to those described by the Secretariat. In response to these challenges, some Members had put in place plans to promote financial access for SMEs and improve compliance of international financial rules.

The meeting on November 8, 2017 also focused on recent developments regarding trade finance gaps. The Secretariat mentioned the 2017 survey by the Asian Development Bank and related institutions. The Secretariat described progress in the Director General's initiative, but noted that a regulatory dialogue had become necessary on so-called sanction regulations which had been hindering trade finance supply. There were several comments and questions from Members, such as Brazil, Canada, Colombia, Ecuador and India. The Director-General was working at establishing an improved dialogue with high-level representatives of international regulatory bodies such as the Financial Stability Board. Questions were asked on the scope and content of the Director-General's proposed dialogue. Comments were generally supportive of the Director-General's efforts.

On November 8, 2017, the Working Group adopted its annual report for submission to the General Council.

Prospects for 2018

WGTDf Members are expected to maintain a principal focus on the trade finance aspects of the group's mandate during the course of 2018. The particular relevance of trade finance to the integration of SMEs in global trade appears to be of ongoing interest to a broad range of Members.

2. Working Group on Trade and Transfer of Technology

Status

During the 2001 Doha Ministerial Conference, WTO Ministers agreed to an “examination . . . of the relationship between trade and transfer of technology, and of any possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries.” To fulfill that mandate, the TNC established the Working Group on Trade and Transfer of Technology (WGTTT), under the auspices of the General Council, and tasked the WGTTT to report on its progress to the 2003 Ministerial Conference at Cancun. At that meeting, Ministers extended the time period for the WGTTT's examination. WTO Ministers further continued this work during the 2005 Hong Kong Ministerial Conference and the 2013 Ministerial Conference in Bali.

Major Issues in 2017

The WGTTT met in March, June, and October of 2017. WTO Members continued their consideration of the relationship between trade and transfer of technology. However, there was only a low level of engagement by Members on this issue.

Prospects for 2018

No WGTTT meetings have been scheduled yet for 2018, and the status and future focus of the working group is not clear at this time.

3. Work Program on Electronic Commerce

Status

Throughout 2017, Members engaged in vigorous discussions of e-commerce issues, both in the context of the Work Program and in other fora. At the 11th Ministerial Conference in Buenos Aires in December 2017, Ministers agreed to continue the Work Program and maintain the current practice of not imposing customs duties on electronic transmissions. In addition, 70 Members, including the United States, committed to begin work toward future WTO negotiations on trade-related aspects of electronic commerce.

Major Issues in 2017

A number of WTO Members submitted negotiating proposals and discussion papers addressing various issues related to electronic commerce, but no proposals were ready for multilateral agreement in time for the Ministerial Conference in December. In 2016, the United States contributed a paper offering a range of e-commerce proposals. This paper included proposals to ensure cross-border information flows and to prohibit data localization requirements. The 2016 paper continued to inform U.S. engagement in the Work Program in 2017.

Prospects for 2018

Interested WTO members will begin discussions about potential future negotiations on e-commerce early in 2018. The United States will use these discussions to advance a free and fair environment for electronic commerce. As in the past, the General Council will continue to assess the Work Program's progress and consider any recommendations, including with respect to the status of the customs duties moratorium on electronic transmissions.

D. General Council Activities

The WTO General Council is the highest level decision-making body in the WTO that meets on a regular basis during the year. It exercises all of the authority of the Ministerial Conference, which is required to meet no less than once every two years.

Only the Ministerial Conference and the General Council have the authority to adopt authoritative interpretations of the WTO Agreements, submit amendments to the WTO Agreement for consideration by Members, and grant waivers of obligations. The General Council or the Ministerial Conference must approve the terms for all accessions to the WTO. Technically, both the Dispute Settlement Body (DSB) and the Trade Policy Review Body (TPRB) are General Council meetings that are convened for the purpose of discharging the responsibilities of the DSB and TPRB, respectively.

Four major bodies report directly to the General Council: the Council for Trade in Goods, the Council for Trade in Services, the Council for Trade-Related Aspects of Intellectual Property Rights, and the Trade Negotiations Committee. In addition, the Committee on Trade and Environment, the Committee on Trade and Development, the Committee on Balance of Payments Restrictions, the Committee on Budget, Finance and Administration, and the Committee on Regional Trade Agreements report directly to the General Council. The Working Groups established at the First Ministerial Conference in Singapore in 1996 to examine investment, trade and competition policy, and transparency in government procurement also report directly to the General Council, although these groups have been inactive since the Cancun Ministerial Conference in 2003. A number of subsidiary bodies report to the General Council through the Council for

Trade in Goods or the Council for Trade in Services. The Doha Ministerial Declaration approved a number of new work programs and working groups with mandates to report to the General Council, such as the Working Group on Trade, Debt, and Finance and the Working Group on Trade and Transfer of Technology.

The General Council uses both formal and informal processes to conduct the business of the WTO. Informal groupings, which generally include the United States, play an important role in consensus building. Throughout 2017, the Chairman of the General Council, together with the WTO Director General, conducted informal consultations with large groupings comprising the Heads of Delegation of the entire WTO Membership and as well as a wide variety of smaller groupings of WTO Members at various levels. The Chairman and Director General convened these consultations with a view to resolving outstanding issues on the General Council's agenda.

Major Issues in 2017

Activities of the General Council in 2017 included the following.

Implementation of the Bali and Nairobi Outcomes: The General Council discussed the status of implementation in each area agreed at the Ninth and Tenth WTO Ministerial Conferences in Bali and Nairobi in December 2013 and 2015, respectively.

Preparation for the MC11: In the fall of 2017, the major focus of the General Council was to prepare for MC11 in Buenos Aires, which took place December 10-13, 2017. This included both practical considerations, as well as extensive discussions on the possible negotiated outcomes for MC11.

Work begun under the Doha Work Program: The General Council continued its discussions, first established under the Doha agenda, related to small economies, LDCs, Aid for Trade, and the development assistance aspects of cotton and e-commerce.

WTO Accessions: A new chairperson was named by the General Council to lead discussions on Bosnia and Herzegovina's accession to the WTO.

Waivers of Obligations: The General Council adopted decisions concerning the introduction of Harmonized System 2002, 2007, 2012 and 2017 nomenclature changes into WTO schedules of tariff concessions. The General Council also reviewed a number of previously agreed waivers, including the U.S. waiver related to the African Growth and Opportunity Act. Annex II of this report contains a detailed list of Article IX waivers currently in force.

Trade Restrictions: The United States raised the African Union levy proposal and the need for it to be implemented in a transparent and WTO consistent manner.

Prospects for 2018

In addition to its management of the WTO and oversight of implementation of the WTO Agreement, the General Council will have detailed discussions throughout the year to implement the decisions taken at MC11 in Buenos Aires.

E. Council for Trade in Goods

Status

The WTO Council for Trade in Goods (CTG) oversees the activities of 12 committees (Agriculture, Antidumping Practices, Customs Valuation, Import Licensing, Information Technology, Market Access, Rules of Origin, Safeguards, Sanitary and Phytosanitary Measures, Subsidies and Countervailing Measures, Technical Barriers to Trade, and Trade-Related Investment Measures) and the Working Party on State Trading Enterprises.

The CTG is the central oversight body in the WTO for all agreements related to trade in goods and the forum for discussing issues and decisions that may ultimately require the attention of the General Council for resolution or a higher-level discussion, and for putting issues in a broader context of the rules and disciplines that apply to trade in goods.

Major Issues in 2017

In 2017 the CTG held four formal meetings, in April, May, June, and November. The CTG devoted its attention primarily to providing formal approval of decisions and recommendations proposed by its subsidiary bodies. The CTG also served as a forum for raising concerns regarding actions that individual Members had taken with respect to the operation of goods-related WTO agreements. In 2017, this included extensive discussions initiated by the United States and other WTO Members on Indonesia's policies restricting imports and exports; the Russian Federation's trade restricting measures; Nigeria's import restrictions, bans, and local content requirements; China's trade distorting measures; and India's import restricting practices, among other serious market access issues. In addition, three other major issues were discussed in the CTG in 2017:

Waivers: In light of the introduction of Harmonized System (HS) 2002, 2007, 2012, and 2017 changes to the Schedules of Tariff Concessions, the CTG approved four collective requests for extensions of waivers related to the implementation of the Harmonized Tariff System. The CTG forwarded these approvals to the General Council for adoption.

EU Enlargement: In accordance with procedures under Article XXVIII:3 of the GATT 1994, the CTG considered and approved the EU's requests to extend the time period for the withdrawal of concessions regarding the 2013 enlargement to include Croatia.

EAEU Enlargement: In accordance with procedures under Article XXVIII:3 of the GATT 1994, the CTG considered and approved Armenia and the Kyrgyz Republic's requests to extend the time period for the withdrawal of concessions regarding their respective accessions to the Eurasian Economic Union (EAEU).

Prospects for 2018

The CTG will continue to be the focal point for discussing agreements in the WTO dealing with trade in goods. Waiver requests and goods-specific market access concerns are likely to continue to be prominent issues on the CTG agenda.

1. Committee on Agriculture

Status

The WTO Committee on Agriculture oversees the implementation of the Agriculture Agreement and provides a forum for Members to consult on matters related to provisions of the Agreement. In many cases, the Agriculture Committee resolves problems of implementation, permitting Members to avoid invoking dispute settlement procedures. The Agriculture Committee also has responsibility for monitoring the possible negative effects of agricultural reform on least developed countries (LDC) and net food importing developing country (NFIDC) Members.

Since its inception, the Agriculture Committee has proven to be a vital instrument for the United States to monitor and enforce the agricultural trade commitments undertaken by Members in the Uruguay Round. Under the Agriculture Agreement, Members agreed to provide annual notifications of progress in meeting their commitments in agriculture, and the Agriculture Committee has met frequently to review the notifications and monitor activities of Members to ensure that trading partners honor their commitments.

Major Issues in 2017

The Agriculture Committee held three formal meetings, in March, June, and October 2017, to review progress on the implementation of commitments negotiated in the Uruguay Round. At the meetings, Members undertook reviews based on notifications by Members in the areas of market access, domestic support, export subsidies, export prohibitions and restrictions, and general matters relevant to the implementation of commitments.

In total, 140 notifications were subject to review during 2017. The United States participated actively in the review process and raised specific issues concerning the operation of Members' agricultural policies. For example, the United States regularly raised points with respect to domestic support of many Members, including Argentina, Brazil, Canada, Chile, Costa Rica, the European Union, India, Israel, Panama, Peru, the Russian Federation, Japan, Turkey, Zambia, and the United Arab Emirates. The United States used the review process to question Canada's dairy and wine policies; India's price support policies; Brazil's Program for Product Flow (PEP – *Prêmio para Escoamento do Produto*) and Program for Producer-paid Equalization Subsidy (PEPRO – *Prêmio de Equalização pago ao Produtor*) for rice, wheat, and corn; Indonesia's dairy policies; Thailand's rice policies and feed wheat regulation; Russia's subsidy program; and the Philippines' rice waiver. The United States raised questions with respect to tariff-rate-quota fill issues with Norway and Iceland. Finally, the United States raised questions with South Africa's food aid notification to ensure it was consistent with WTO practices, and encouraged countries including India, Thailand, and Turkey to bring their notifications up to date.

During 2017, the Agriculture Committee addressed a number of other issues related to the implementation of the Agreement on Agriculture, including convening the fourth annual dedicated discussion on export competition, as follow-up to the Bali and Nairobi Ministerial outcomes. The United States used this process to question export credit programs of Argentina, Australia, Brazil, Canada, China, the EU, and India, and international food aid policies of Canada and the EU to ensure that Member's policies are aligned with the Bali and Nairobi export competition outcomes.

Prospects for 2018

The United States will continue to make full use of the Agriculture Committee to promote transparency through timely notification by Members and to enhance surveillance of Uruguay Round commitments as

they relate to export subsidies, market access, domestic support, and trade-distorting practices of WTO Members. The United States will also work with other Members as the Agriculture Committee continues to implement Bali and Nairobi Ministerial decisions. In addition, the United States will continue to work closely with the Agriculture Committee Chair and Secretariat to find ways to improve the timeliness and completeness of notifications and to increase the effectiveness of the Committee overall.

The Agriculture Committee will continue to monitor and analyze the impact of Measures Concerning the Possible Negative Effects of the Reform Program on LDCs and NFIDCs in accordance with the Agriculture Agreement. The Committee agreed to hold regular meetings in February, June, September, and November of 2018.

2. Committee on Market Access

Status

In January 1995, WTO Members established the Committee on Market Access (MA Committee), which is responsible for the implementation of concessions related to tariffs and non-tariff measures that are not explicitly covered by another WTO body, as well as for verification of new concessions on market access in the goods area. The Committee reports to the WTO Council on Trade in Goods.

Major Issues in 2017

The MA Committee held two formal meetings, in May and September 2017, and four informal sessions or consultations, to discuss the following topics: (1) ongoing and future work on WTO Members' tariff schedules to reflect changes to the HS tariff nomenclature and any other tariff modifications; (2) the WTO Integrated Data Base (IDB) and Consolidated Tariff Schedules (CTS) database; (3) Member notifications of quantitative restrictions; and (4) other market access issues and specific trade concerns as raised by Members.

Updates to the HS nomenclature: The MA Committee examines issues related to the transposition and renegotiation of the schedules of Members that adopted the HS in the years following its introduction on January 1, 1988. Since then, the World Customs Organization has amended the HS tariff classification system relating to tariff nomenclature in 1996, 2002, 2007, 2012, and 2017. Using agreed examination procedures, WTO Members have the right to object to modifications in another Member's tariff schedule that result from changes in the HS nomenclature, if such modifications affect the Member's bound tariff commitments. Members may pursue unresolved objections under Article XXVIII of GATT 1994. Given the technical nature of this work, these reviews are often time-consuming, but this is an important aspect of enforcing WTO Members' trade commitments.

In 2017, the MA Committee continued its work concerning the introduction and verification of HS2002 changes to Members' WTO tariff schedules. Throughout the year, the United States worked closely with other Members and the WTO Secretariat to ensure that all Members' bound tariff commitments are properly reflected in their updated schedule. Following a review process that took many years, the Committee finally approved China's HS2002 bound—the first such update to its WTO schedule following China's Accession. China must still submit its approved schedule to the WTO for certification in early 2018. To date, there are only two HS2002 files outstanding—the Philippines and Venezuela.

Multilateral review of tariff schedules under the HS2007 procedures continued at informal Committee meetings throughout 2017. The multilateral verification process in the Committee will be ongoing through

2018. The U.S. 2007 transposition file was circulated for multilateral review and approved by the Committee during the first half of 2015.

In preparation for the HS2017 nomenclature changes, the Committee adopted a decision (G/MA/W/124, G/MA/W/124/CORR.1) regarding the introduction of HS2017 changes into Members' schedules of concessions. However, that work will not commence for some time in the Committee since the Committee is in the midst of updating Members' bound commitments into HS2007 nomenclature. This lag can create difficulties in determining whether Members' MFN duties – which were applied in HS2017 nomenclature beginning January 1, 2017 – are consistent with their WTO bound commitments. The United States submitted its tariff schedule in HS2017 nomenclature to the WTO Secretariat in September 2017.

Integrated Data Base (IDB): Members are required to notify information on annual tariffs and trade data, linked at the level of tariff lines, to the IDB as a result of a General Council Decision adopted in July 1997. On the tariff side, the IDB contains MFN current bound duties and MFN current applied duties. Additional information covering preferential duties is also included if provided by Members. On the trade side, it contains value and quantity data on imports by country of origin by tariff line. The WTO Secretariat periodically reports on the status of Member submissions to the IDB, the most recent of which can be found in WTO document G/MA/IDB/2/Rev.43 and 44. The United States notifies this data in a timely fashion every year. However, several other WTO Members are not up to date in their submissions. The public can access tariff and trade data notified to the IDB through the WTO's Tariff Online Analysis (TAO) facility at <https://tariffanalysis.wto.org>.

Consolidated Tariff Schedules (CTS) database: The MA Committee continued work on implementing an electronic structure for tariff and trade data. The CTS database includes tariff bindings for each WTO Member that reflect its Uruguay Round tariff concessions, HS 1996, 2002, and 2007 amendments to tariff nomenclature and bindings, and any other Member rectifications/modifications to its WTO schedule (*e.g.*, participation in the Information Technology Agreement). The database also includes agricultural support tables.

Notification Procedures for Quantitative Restrictions (QRs): On December 1, 1995, the Council for Trade in Goods adopted a revised Decision on Notification Procedures for Quantitative Restrictions. On 3 July 2012, the Council for Trade in Goods adopted a Decision on Notification Procedures for Quantitative Restrictions (G/L/59/Rev.1), which provides that WTO Members should make complete notifications of the quantitative restrictions (QRs), which they maintain at two-year intervals thereafter, and shall notify changes to their QRs when these changes occur.

Under the revised notification procedures for quantitative restrictions, the Committee continued to examine the quantitative restrictions notifications submitted by Members (G/MA/QR/4). The United States most recently notified its quantitative restrictions for the 2016-2018 cycle. In 2017, the United States reiterated questions on Brazil's QR notification given the existence of non-notified measures that may qualify as quantitative restrictions. The United States also urged Members to comply with their QR notification commitments, as the absence of timely notifications by Members has become a concern. The Committee dedicated a session to discuss ways to improve the QR notifications process and to improve compliance with the notification obligations.

Other Market Access Issues: Working with other Members, the United States raised strong concerns in the Committee regarding India's decision to impose import tariffs on certain telecommunication products covered under the Information Technology Agreement (ITA), as well as India's tariff increases in a number of sectors that impact U.S. exports to India. The United States also raised concerns regarding Chinese duties on integrated circuits and an Argentinian law on auto parts.

Prospects for 2018

The ongoing work program of the MA Committee, while highly technical, aims to ensure that all WTO Members are honoring and implementing their WTO market access commitments, and that their schedules of tariff commitments are up to date and available in electronic spreadsheet format. The Committee will continue its work to finalize Members' amended schedules based on the HS2002 amendments, continue work on the transposition of Members' tariff schedules to HS2007 nomenclature, and begin work on 2012 and possibly 2017 schedules.

3. Committee on the Application of Sanitary and Phytosanitary Measures

Status

The Committee on the Application of Sanitary and Phytosanitary Measures (the SPS Committee) provides a forum for review of the implementation and administration of the Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS Agreement), consultation on Members' existing and proposed SPS measures, technical assistance, other informational exchanges, and the participation of the international standard setting bodies recognized in the SPS Agreement. These international standard setting bodies are: for food safety, the Codex Alimentarius Commission (Codex); for animal health, the World Organization for Animal Health (OIE); and for plant health, the International Plant Protection Convention (IPPC).

The SPS Committee also discusses and provides guidelines on specific provisions of the SPS Agreement. These discussions provide an opportunity to develop procedures to assist Members in meeting specific SPS obligations. For example, the SPS Committee has issued procedures or guidelines regarding: notification of SPS measures; the "consistency" provision of Article 5.5 of the SPS Agreement; equivalence; transparency regarding the provisions for S&D; and regionalization. Participation in the SPS Committee, which operates by consensus, is open to all WTO Members. Governments negotiating accession to the WTO may attend Committee meetings as observers. In addition, representatives from a number of international organizations attend Committee meetings as observers on an *ad hoc* basis, including: the Food and Agriculture Organization; the World Health Organization; Codex; the IPPC; the OIE; the International Trade Center; the Inter-American Institute for Cooperation on Agriculture; and the World Bank.

Major Issues in 2017

In 2017, the SPS Committee held meetings in March, July, and November. In these meetings, Members exchanged views regarding the implementation of key SPS Agreement provisions such as risk assessment, transparency, use of international standards, equivalence, and regionalization. Further, the United States, with a view to transparency, informed the SPS Committee of U.S. measures, both new and proposed.

The United States views these exchanges as useful, as they facilitate ongoing familiarity with the provisions of the SPS Agreement and increased recognition of the value of the SPS Committee as a forum for Members to discuss SPS-related trade issues. Many Members, including the United States, utilized these meetings to raise concerns regarding new and existing SPS measures of other Members. In 2017, the United States raised a number of trade concerns with existing or proposed measures of other Members, including proposed changes by China relating to official certification requirements for imported food, China's restrictions on U.S. poultry exports ostensibly related to Highly Pathogenic Avian Influenza (HPAI), India's methyl bromide fumigation requirements, France's ban on U.S. exports of cherries, and the EU's hazard-based pesticide policies, particularly its proposal to assess, classify and regulate chemicals classified as endocrine disruptors.

The United States continued to use the standing agenda item “Monitoring the Use of International Standards” to raise concerns with the trade consequences of the failure to use international standards. In 2017, the United States encouraged the use of the international standards to avoid burdensome requirements for official export certification imposing unjustified trade restrictions (e.g., those imposed for HPAI, Bovine Spongiform Encephalopathy (BSE), and the use of the herbicide Glyphosate.)

The SPS Committee also regularly holds thematic sessions and workshops on the margins of its formal meetings to afford the opportunity for Members to explore specific topics in-depth, including with national and international subject matter experts. In March 2017, the Committee held a thematic discussion on national experiences regarding implementation of the Committee’s 2008 recommendation on notification of “trade-facilitating measures” contained in G/SPS/7/Rev.3. In July 2017, the Committee held a thematic discussion on regionalization relating to animal diseases. In November 2017, the Committee held a workshop on transparency, including a focus on national mechanisms for public consultation.

Following the workshop on the trade impact of issues related to the establishment and use of maximum residue limits (MRLs) for pesticides held by the Committee on the margins of its October 2016 meeting, pesticide-related trade issues continued to feature prominently in the Committee’s discussions in 2017. These discussions centered on recommendations for voluntary actions to address missing and misaligned MRLs contained in the joint submission from the United States, Kenya and Uganda, G/SPS/W/292. Given the broad support for these recommendations in discussions at the March and July Committee meetings, in October 2017, the United States, Kenya and Uganda proposed to submit the recommendations to the Eleventh Ministerial Conference (MC11) for adoption as a decision (G/SPS/W/292/Rev.1). Despite strong support in the Committee for the proposed ministerial decision at its November meeting, consensus to forward the decision to MC11 was blocked by the European Union, India and the Russian Federation. Instead, 17 ministers issued a joint statement at MC11 in WT/MIN(17)/52. In the joint statement, these ministers noted that farmers’ access to tools and technologies should not be undermined by non-science based SPS measures and supported the MRL-related recommendations as put forward by Kenya, Uganda and the United States in G/SPS/W/292/Rev.1.

Following nearly four years of stalemate on recommendations relating the role of the SPS Committee with respect to private and commercial standards, the Committee finally concluded work in 2017 on its report of the SPS Committee’s fourth review of the implementation of the SPS Agreement. The United States facilitated the Committee’s conclusion and adoption of this report through a submission outlining various options in G/SPS/W/291.

Notifications: Because it is critical for trading partners to know and understand each other’s laws and regulations, the SPS notification process, with the Committee’s consistent encouragement, is a significant mechanism in the facilitation of international trade. The process also provides a means for Members to report on determinations of equivalence and S&D. The United States made 84 SPS notifications to the WTO Secretariat in 2017, and submitted comments on 128 SPS measures notified by other Members.

Prospects for 2018

The SPS Committee will hold three meetings in 2018 with informal sessions and thematic sessions anticipated to be held in advance of each meeting. The Committee has a standing agenda for meetings that can be amended to accommodate new or special issues. The SPS Committee will continue to monitor Members’ implementation activities, and the discussion of specific trade concerns will continue to be an important part of the Committee’s activities.

In 2018, the SPS Committee will also continue to monitor the use by Members, and development by Codex, the OIE, and the IPPC, of international standards, guidelines, and recommendations. We expect the Committee to continue its work on trade issues related to pesticide MRLs in 2018.

4. Committee on Trade-Related Investment Measures

Status

The Agreement on Trade-Related Investment Measures (the TRIMS Agreement) prohibits investment measures that are inconsistent with national treatment obligations under Article III:4 of the GATT 1994 and reinforces the prohibitions on quantitative restrictions set out in Article XI:1 of the GATT 1994. The TRIMS Agreement requires the elimination of certain measures imposing requirements on, or linking advantages to, certain actions of foreign investors, such as measures that require, or provide benefits for, the use of local inputs (local content requirements) or measures that restrict a firm's imports to an amount related to the quantity of its exports or foreign exchange earnings (trade balancing requirements). The Agreement includes an illustrative list of measures that are inconsistent with Articles III:4 and XI:1 of the GATT 1994.

Developments relating to the TRIMS Agreement are monitored and discussed both in the Council for Trade in Goods and in the Committee on Trade-Related Investment Measures (TRIMS Committee). Since its establishment in 1995, the TRIMS Committee has been a forum for the United States and other Members to address concerns, gather information, and raise questions about the maintenance, introduction, or modification of trade-related investment measures by Members.

Major Issues in 2017

The TRIMS Committee held two formal meetings during 2017, in May and November, during which the United States and other Members continued to discuss particular local content measures of concern to the United States. The United States explored these concerns through questions to certain countries to seek a better understanding of a variety of potentially trade-distortive local content requirements.

The United States raised three new issues in the TRIMS Committee during 2017: Indonesia's apparent local content requirements related to the importation and distribution of dairy products; Nigeria's guidelines on local content for information and communications technology; and recent measures by Turkey apparently requiring localization in the pharmaceutical sector.

Other local content measures discussed by the Committee remain in place despite having been raised in the Committee for several years. For example, the United States, joined by Japan, the EU, and other Members, continued to raise longstanding concerns about possible local content requirements in Indonesia's measures pertaining to 4G LTE equipment, mineral and coal mining and oil and gas exploration, and the telecommunications sector. The United States also posed questions to the Russian Federation on programs related to SOE purchases generally, and to SOE purchases of agricultural equipment specifically, in order to determine whether these programs are conditioned on use of local content. Finally, the United States also raised concerns about a proposal by China that would appear to require acquisition of domestically produced technology and software by investors in the insurance sector.

Prospects for 2018

The United States will continue to engage other Members in efforts to promote compliance with the TRIMS Agreement.

5. Committee on Subsidies and Countervailing Measures

Status

The SCM Agreement provides rules and disciplines for the use of government subsidies and the application of remedies – through either WTO dispute settlement or countervailing duty action taken by individual WTO Members – to address subsidized trade that causes harmful commercial effects. Subsidies contingent upon export performance or the use of domestic over imported goods are prohibited. All other subsidies are permitted but are actionable (through countervailing duty or WTO dispute settlement actions) if they are (i) “specific”, *i.e.*, limited to a firm, industry, or group thereof within the territory of a WTO Member, and (ii) found to cause adverse trade effects, such as material injury to a domestic industry or serious prejudice to the trade interests of another Member.

Major Issues in 2017

The Committee on Subsidies and Countervailing Measures (the SCM Committee) held two regular meetings and two special meetings in 2017, in April and October. The SCM Committee continued to review the consistency of Members’ domestic laws, regulations, and actions with the SCM Agreement’s requirements, as well as Members’ notifications of their subsidy programs to the SCM Committee. Other items addressed in the course of the year included: the fifth “counter notification” by the United States of unreported subsidy measures in China and questions to China on potential subsidies to its steel industry; examination of ways to improve the timeliness and completeness of subsidy notifications; the “export competitiveness” of India’s textile and apparel sector; “graduation” of certain developing countries from Annex VII(b) of the SCM Agreement; a second submission by the European Union, Japan, Mexico and the United States on contributing factors to overcapacity in a number of industrial sectors; a U.S. proposal to enhance the transparency of fisheries subsidies notifications; review of the export subsidy program extension mechanism for certain small economy developing country Members; and an opening on the five-member Permanent Group of Experts. Further information on these various activities is provided below.

Review and Discussion of Notifications: Throughout the year, Members submitted notifications of: (1) new or amended countervailing duty legislation and regulations; (2) countervailing duty investigations initiated and decisions taken; and (3) Members’ subsidy programs. Notifications of countervailing duty legislation and actions, as well as subsidy notifications, were reviewed and discussed by the SCM Committee at its April and October meetings.

In reviewing notified countervailing duty legislation and subsidies, SCM Committee procedures provide for the exchange in advance of written questions and answers in order to clarify the operation of the notified measures and their relationship to the obligations of the SCM Agreement. As of October 2017, 110 WTO Members (counting the EU as a single Member) have notified their countervailing duty legislation or lack thereof, and 26 Members have so far failed to make a legislative notification.⁵⁰ In 2017, the SCM Committee reviewed notifications of new or amended countervailing duty laws and regulations from Armenia, Brazil, Cameroon, El Salvador, the European Union, India, Japan, Kyrgyz Republic, New Zealand, and the Russian Federation.

As for countervailing duty measures, 12 Members notified countervailing duty actions they took during the latter half of 2016, and 11 Members notified actions they took in the first half of 2017. The SCM Committee

⁵⁰ These notifications do not include notifications submitted by Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, and Slovenia before these Members acceded to the European Community.

reviewed actions taken by: Armenia, Australia, Brazil, Canada, China, Egypt, the European Union, Kazakhstan, Kyrgyz Republic, Pakistan, Peru, the Russian Federation, Turkey, and the United States.

In 2017, the SCM Committee examined dozens of new and full subsidy notifications covering various time periods. Unfortunately, numerous Members have not submitted a notification in many years or have yet to make even an initial subsidy notification to the WTO, although many of them are least-developed country Members.

Counter notifications and questions to China: Under Article 25.1 of the SCM Agreement, Members are obligated to regularly provide a subsidy notification to the SCM Committee. Prior to October 2011, China had only submitted a single subsidy notification, in 2006 (covering the years 2001 – 2004). The United States and other Members have repeatedly expressed deep concern about the notification record of China and India (among others). During the 2010 fall meeting of the SCM Committee, the United States foreshadowed potential resort to the counter notification mechanism under Article 25.10 of the SCM Agreement. This provision states that when a Member fails to notify a subsidy, any other Member may bring the matter to the attention of the Member failing to notify.

Pursuant to Article 25.10, the United States filed counter notifications in October 2011 with respect to over 200 unreported subsidy measures in China and 50 unreported subsidy measures in India – the first counter notifications ever filed by the United States. Although not required by the SCM Agreement, included as part of the counter notification of China was access to translations of each measure in the counter notifications. While China submitted its second subsidy notification (covering 2005 – 2008) shortly after the U.S. counter notification, it covered very few of the subsidy programs referenced in the U.S. counter notification.

In the fall of 2014, the United States submitted its second counter notification of subsidy measures in China. This counter notification was based on the Article 25.8 questions submitted to China in October 2012. Because China did not respond to these questions after two years, the United States was compelled to counter notify the measures at issue. This counter notification included 110 subsidy measures, covering, *inter alia*, steel, semiconductors, non-ferrous metals, textiles, fish, and various sector-specific stimulus initiatives. As part of this counter notification, the United States provided hyperlinks in its submission to complete translations of each measure counter notified.

In the fall of 2015, the United States submitted its third counter notification of subsidy measures in China. All of the measures in this counter notification pertain to China's policy of promoting its "strategic, emerging industries" (SEI). This counter notification was based on the Article 25.8 questions submitted to China in the spring of 2014. Once again, because China did not respond to these questions, the United States was compelled to counter notify the measures at issue. Over 60 subsidy measures were included in the counter notification. The specific sectors China has selected as SEIs include the following: (1) new energy vehicles, (2) new materials (a category that includes textile products), (3) biotechnology, (4) high-end equipment manufacturing, (5) new energy, (6) next generation information technology, and (7) energy conservation and environmental protection. As with other industrial planning measures in China, sub-central governments appear to play an important role in implementing China's SEI policy. While China submitted its third subsidy notification (covering 2009 – 2014) shortly after the third U.S. counter notification, it covered very few of the subsidy programs referenced in the U.S. counter notifications.⁵¹

⁵¹ In the summer of 2016, China submitted its first subsidy notification covering sub-central government subsidy programs since becoming a WTO Member in 2001. While this is a positive development, the number and range of programs covered appears to be a tiny fraction of the programs administered at the sub-central levels of government. Some subsidy programs in this notification were first raised in WTO dispute settlement cases brought by the United States, or one or more of the counter notifications submitted by the United States.

In the spring of 2016, the United States submitted its fourth counter notification of subsidy measures in China. All of the measures in this counter notification pertain to China's fisheries subsidies. This counter notification was based on Article 25.8 questions submitted to China in the spring of 2015. Once again, because China did not respond to these questions, the United States was compelled to counter notify the measures at issue. The measures counter notified included measures to support fishing vessel acquisition and renovation; a 100 percent corporate income tax exemption; grants for new fishing equipment; subsidies for insurance; subsidized loans for processing facilities; fuel subsidies; preferential provision of water, electricity, and land; grants to explore new offshore fishing grounds; grants for establishing famous brands; and special funds for strategic emerging industries in the marine economy. Over 40 subsidy measures were included in the counter notification. Full translations of each measure, though not required under the Subsidies Agreement, were included in the counter notification.

In April 2017, the United States submitted its fifth counter notification of subsidy measures in China pertaining to China's Internationally Well-Known Brand program. This program appears to be the successor program to China's Famous Export Brand program, which China effectively agreed to terminate in the context of a dispute brought by the United States alleging that the program provided export subsidies to large exporters. To provide a more comprehensive perspective of China's "brand" programs, and to establish the facts surrounding the successor program, the United States submitted its counter notification under Article 25.10 of the SCM Agreement. The submission contained eighty measures, including translations of all the implementing measures.

Taking all five counter notifications into account, the United States has now counter notified nearly 500 Chinese subsidy measures. As noted, China has included in its subsidy notifications only a small number of programs identified by the United States in its counter notifications, and has argued that other measures counter notified have, in fact, previously been notified or did not provide any financial support or have been terminated. However, China has refused to engage in bilateral technical discussions to address any of these issues.

Finally, in April 2017, the United States and the European Union jointly submitted Article 25.8 questions to China on potential subsidies provided to its steel industry. In prior meetings of the SCM Committee, China stated that it only provided subsidies to its steel companies under three broadly available (*i.e.*, non-specific) programs. In light of this statement, the United States, along with the European Union, requested information on nearly 160 apparent subsidy programs maintained by the government of China. All of these programs were listed in the annual reports of several steel companies and many appear to meet the notification requirements set forth under Article 25 of the Subsidies Agreement. Given the worldwide overcapacity in the steel industry, the United States believes that it is critical for China to respond to this request for information and appropriately notify all subsidies received by its steel industry in accordance with China's obligations.

Notification improvements: In March 2009, the Chairman of the Trade Policy Review Body, acting through the Chairman of the General Council, requested that all committees discuss "ways to improve the timeliness and completeness of notifications and other information flows on trade measures." The United States fully supported the continuation of this initiative in 2016 in light of Members' poor record in meeting their subsidy notification obligations. In 2010, the United States took the initiative under this agenda item to review the subsidy notification record of several large exporters in failing to provide complete and timely subsidy notifications. Of primary concern in this regard was China. As noted above, the United States continues to devote significant time and resources to researching, monitoring, and analyzing China's subsidy practices. The United States has also been working with several other larger exporting countries bilaterally to assist and encourage them to meet their subsidy notification obligations.

In 2011, the United States submitted a specific proposal under Article 25.8 of the SCM Agreement to strengthen and improve the notification procedures of the SCM Committee. As noted above, under Article 25.8, any Member may make a written request for information on the nature and extent of a subsidy subject to the requirement of notification. Unfortunately, many requests under Article 25.8 have not been answered or are only partially answered orally after significant delay. To address this problem, the United States proposed that the SCM Committee establish deadlines for the submission of written answers to Article 25.8 questions and include all unanswered Article 25.8 questions on the bi-annual agendas of the SCM Committee until the questions are answered.⁵² In 2016, the United States continued to advocate for a revised proposal, which sets out specific deadlines for responses to questions.⁵³ Many Members supported the proposal, while several other Members, such as China, India, South Africa, and Brazil, voiced concerns. In recognition of the concern raised by some developing country Members that strict deadlines for responding to 25.8 questions would be overly burdensome, in 2017, the United States submitted a revised proposal that would allow Members to mutually agree to an appropriate timeframe to respond to such questions.⁵⁴ Notably, far fewer Members raised concerns with the revised proposal than had previously done so, with only one Member expressing outright opposition.

The “export competitiveness” of India’s textile and apparel sector: Under the SCM Agreement, developing countries receive special and differential treatment with respect to certain subsidy disciplines under Article 27. For developing countries listed in Annex VII of the SCM Agreement, which includes India, the general prohibition on export subsidies does not apply until: (1) per capita GNP reaches a designated threshold of \$1,000 per annum, or (2) eight years after the country achieves “export competitiveness” for a particular product. Article 27.6 of the SCM Agreement defines export competitiveness as the point when an exported product reaches a share of 3.25 percent of world trade for two consecutive calendar years. Export competitiveness is determined to exist either via notification by the Annex VII developing country having reached export competitiveness or on the basis of a computation undertaken by the WTO SCM Committee Secretariat at the request of any Member.

In February 2010, the United States formally requested the Secretariat, pursuant to Article 27.6 of the SCM Agreement, to compute the export competitiveness of India’s textile and apparel sector. The Secretariat submitted its results to the Committee in March 2010. The calculations appear to support the conclusion that India has reached export competitiveness in the textile and apparel sector. In light of the Secretariat’s calculations, the United States continues to press India to identify the current export subsidy programs that benefit the textile and apparel sector and commit to end all such programs to the extent they benefit the textile and apparel sector. In response, India has raised certain technical questions as to the appropriate definition of “product” and the precise starting point of the phase-out period under Articles 27.5 and 27.6 of the SCM Agreement. The United States will continue to pursue this issue.

“Graduation” from Annex VII (b) of the SCM Agreement: Annex VII of the SCM Agreement identifies certain lesser developed country Members that are eligible for particular special and differential treatment. Specifically, the export subsidies of these Members are not prohibited, and therefore, are not actionable as prohibited subsidies under the dispute settlement process. The Members identified in Annex VII include those WTO Members designated by the United Nations as “least-developed countries” (Annex VII(a)) as well as countries that had, at the time of the negotiation of the SCM Agreement, a per capita GNP under \$1,000 per annum and are specifically listed in Annex VII(b).⁵⁵ A country automatically “graduates” from

⁵² G/SCM/W/555; 21 October 2011.

⁵³ G/SCM/W/557/Rev.1; September 22, 2014.

⁵⁴ G/SCM/W/557/Rev.2; October 19, 2017.

⁵⁵ Members initially listed in Annex VII(b) were: Bolivia, Cameroon, Congo, Cote d’Ivoire, Dominican Republic, Egypt, Ghana, Guatemala, Guyana, India, Indonesia, Kenya, Morocco, Nicaragua, Nigeria, Pakistan, Philippines,

Annex VII(b) status when its per capita GNP rises above the \$1,000 threshold. In 2001, at the WTO Fourth Ministerial Conference in Doha, decisions were made, which, *inter alia*, led to the adoption of an approach to calculate the \$1,000 threshold in constant 1990 dollars and to require that a Member be above this threshold for three consecutive years before graduation. The WTO Secretariat updated these calculations in 2017.⁵⁶ Importantly, these latest calculations show that India has now “graduated” from Annex VII(b) and should now terminate all of its export subsidies in all sectors (not just textiles and apparel, as discussed above).⁵⁷

Extension of the transition period for the phase out of export subsidies: Under the SCM Agreement, most developing country Members were obligated to eliminate their export subsidies by December 31, 2002. To address the concerns of certain small economies, a special procedure within the context of Article 27.4 of the SCM Agreement was adopted at the 2001 Doha Ministerial Conference to provide for facilitated annual extensions of the time available to eliminate certain notified export subsidies.⁵⁸ In 2007, the General Council, acting on an SCM Committee recommendation, decided to extend the application of the special procedure. An important outcome of these negotiations, upon which the United States and other developed and developing countries insisted, was that the beneficiaries must eliminate all export subsidy programs no later than 2015 and that they will have no recourse to further extensions beyond 2015. In 2017, the SCM Committee continued its efforts to ensure that all extension recipients either had terminated the programs at issue or were in the process of doing so. As agreed to by Members in 2016, the WTO Secretariat circulated a report indicating the current status of notifications and of actions reported by Members who were given extensions under Article 27.4.⁵⁹

Overcapacity submission: At the spring meeting of the SCM Committee, a follow-up paper on the problem of overcapacity in certain sectors (*e.g.*, steel and aluminum) was submitted by the European Union, Japan and the United States. This paper described in greater detail the role of subsidies in creating overcapacity and discussed options for addressing this issue in the SCM Committee and through possible amendments to the SCM Agreement. It also called upon Members to heed the call of world leaders in the G20 for transparency and collective action to tackle harmful subsidies that contribute to severe overcapacity experienced in several sectors today. Prior to the fall meeting of the SCM Committee, the United States and the EU organized a panel discussion on this topic, which included academics and international trade lawyers. The purpose of the seminar was to have experts address the relationship between subsidies and overcapacity from different perspectives and consider how the SCM Agreement could be strengthened and improved to address the problem.

Enhanced Fisheries Subsidies Notification: In light of the rapid depletion of global fisheries, the role of fishery subsidies in facilitating overfishing and overcapacity, and the difficulty of reaching agreement on stricter rules limiting fishery subsidies at the WTO, the United States has proposed as a realistic and practical first step that WTO Members consider providing additional information (*e.g.*, information beyond that required under the Subsidies Agreement) when notifying their fisheries subsidies. The United States has noted that additional information regarding, for example, the health of the relevant fish stocks and the applicable management regime, could be voluntarily included in a Member’s regular subsidy notification.

Senegal, Sri Lanka, and Zimbabwe. In recognition of the technical error made in the final compilation of this list and pursuant to a General Council decision, Honduras was formally added to Annex VII(b) on January 20, 2001.

⁵⁶ See G/SCM/110/Add.14.

⁵⁷ Excluding India, the other countries that have graduated from Annex VII(b) are: Dominican Republic, Egypt, Guatemala, Morocco, Philippines and Sri Lanka.

⁵⁸ Antigua and Barbuda, Barbados, Belize, Costa Rica, Dominica, the Dominican Republic, El Salvador, Fiji, Grenada, Guatemala, Jamaica, Jordan, Mauritius, Panama, Papua New Guinea, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Uruguay have made yearly requests since 2002 under these special procedures.

⁵⁹ RD/SCM/29/Rev.1, April 24, 2017.

Many Members spoke in favor of developing such an approach, while others, such as China and India expressed reservations.

Permanent Group of Experts: Article 24 of the SCM Agreement directs the SCM Committee to establish a Permanent Group of Experts (PGE), “composed of five independent persons, highly qualified in the fields of subsidies and trade relations” and that “[t]he experts will be elected by the Committee and one of them will be replaced every year.” The SCM Agreement articulates three possible roles for the PGE: (1) to provide, at the request of a dispute settlement panel, a binding ruling on whether a particular practice brought before that panel constitutes a prohibited subsidy within the meaning of Article 3 of the SCM Agreement; (2) to provide, at the request of the SCM Committee, an advisory opinion on the existence and nature of any subsidy; and (3) to provide, at the request of a Member, a “confidential” advisory opinion on the nature of any subsidy proposed to be introduced or currently maintained by that Member. To date, the PGE has not yet been called upon to perform any of the aforementioned duties.

At the beginning of 2017, the members of the Permanent Group of Experts were: Mr. Welber Barral (Brazil), Mr. Chris Parlin (United States), Mr. Subash Pillai (Malaysia), Mr. Ichiro Araki (Japan), and Ms. Luz Elena Reyes de la Torre (Mexico). In the spring of 2017, the term of Mr. Barral expired. However, the SCM Committee was unable to agree on a replacement, so his position remained open. Therefore, at the end of 2016, the four members of the PGE were: Mr. Chris Parlin (until 2018), Mr. Subash Pillai (until 2019), Mr. Ichiro Araki (until 2020) and Ms. Luz Elena Reyes de la Torre (2021).

Prospects for 2018

In 2018, the United States will follow up on the questions submitted to China on possible subsidy programs to its steel industry that China has not notified; continue to analyze the latest subsidy notifications submitted by China, particularly China’s first sub-central notification; and examine new programs being implemented under the 13th Five Year Plan, especially those that may be prohibited under the SCM Agreement. The United States will also continue to engage India bilaterally to commit to the termination of all of its export subsidy programs as it is now obligated to do following its graduation from Annex VII(b). More generally, the SCM Committee will continue to work in 2018 to improve the timeliness and completeness of Members’ subsidy notifications and, in particular, will continue to discuss the proposal made by the United States to improve and strengthen the SCM Committee’s procedures under Article 25.8 of the SCM Agreement. As to the proposal to enhance the transparency of fisheries subsidies, the United States will work with like-minded Members to develop specific elements for inclusion in an enhanced fisheries subsidies notification. Finally, the subsidy notification of the United States, covering fiscal years 2014 and 2015, will be submitted in 2018.

6. Committee on Customs Valuation

Status

The purpose of the Agreement on the Implementation of GATT Article VII (known as the WTO Agreement on Customs Valuation, referred to herein as the “Valuation Agreement”) is to ensure that determinations of the customs value for the application of duty rates to imported goods are conducted in a neutral and uniform manner, precluding the use of arbitrary or fictitious customs values. Adherence to the Valuation Agreement is designed to ensure that market access opportunities achieved through tariff reductions are not negated by unwarranted and unreasonable “uplifts” in the customs value of goods to which tariffs are applied. The use of arbitrary and inappropriate “uplifts” in the valuation of goods by importing countries when applying tariffs can result in an unwarranted doubling or tripling of effective duties.

Major Issues in 2017

The Valuation Agreement is administered by the Committee on Customs Valuation (the Customs Valuation Committee), which held two formal meetings in 2017. The Valuation Agreement also established a Technical Committee on Customs Valuation under the auspices of the World Customs Organization (WCO), with a view to ensuring, at the technical level, uniformity in interpretation and application of the Valuation Agreement. The Technical Committee held two meetings in 2017.

In accordance with a 1999 recommendation of the WTO Working Party on Preshipment Inspection that was adopted by the General Council, the Customs Valuation Committee continued to provide a forum for reviewing the operation of various Members' preshipment inspection regimes and the implementation of the WTO Agreement on Preshipment Inspection.

No Members currently maintain the Special & Differential Treatment (S&D) reservation concerning the use of minimum values, which is a practice inconsistent with the obligations of the Valuation Agreement. However, there are still Members employing these practices, which continue to create concerns for traders.

The United States has used the Customs Valuation Committee to address concerns on behalf of U.S. exporters across all sectors – including agriculture, automotive, textile, steel, and information technology – that have experienced difficulties related to the conduct of customs valuation and preshipment inspection regimes.

Achieving universal acceptance of the Valuation Agreement was an objective of the United States in the Uruguay Round. The Valuation Agreement was initially negotiated in the Tokyo Round, but until entry into force of the WTO Agreement, adherence to it was voluntary. A proper valuation methodology, avoiding arbitrary determinations or officially established minimum import prices, is essential for the realization of market access commitments. Furthermore, the implementation of the Valuation Agreement often is an initial concrete and meaningful step by developing country Members toward reforming their customs administrations, diminishing corruption, and ultimately moving to a rules-based trade facilitation environment.

An important part of the Customs Valuation Committee's work is the examination of customs valuation legislation to implement Valuation Agreement commitments and individual Member practices. As of December 2017, 98 Members had notified their national legislation on customs valuation (these figures do not include the 28 individual EU Member States, which also are WTO Members). In addition, 67 Members have notified or updated its "Implementation and Administration of the Agreement on Customs Valuation" checklist of issues created by the Tokyo Round Committee on May 5, 1981. Thirty-five Members have not yet made any notification of their national legislation on customs valuation. At the Committee's May and November 2017 meetings, the Committee undertook its examination of the customs valuation legislation of: the Kingdom of Bahrain, Belize, the Gambia, Guinea, Honduras, Kazakhstan, Malawi, Nepal, Nigeria, Russian Federation, Rwanda, Solomon Islands, Sri Lanka, and Ukraine. In addition, the Committee concluded the review of the national legislation of Cabo Verde, Colombia, Montenegro, and Nicaragua. Where the Committee's examination of these Members' customs valuation legislation was not concluded because of outstanding responses, or Members have reverted in 2017, the examination will continue in 2018.

Working with information provided by U.S. exporters, the United States played a leading role in these examinations, submitting in some cases detailed questions as well as suggestions for improved implementation. In addition to its examination of Members' customs valuation legislation, the United States submitted and is still awaiting replies to questions to Indonesia and Egypt requesting notification of its preshipment inspection program to the Committee.

The Customs Valuation Committee's work throughout 2017 continued to reflect a cooperative focus among all Members to ensure implementation of the Valuation Agreement. The Committee also took note of technical assistance activities carried out by the Secretariat of the WCO and its Members related to customs valuation. The Committee also noted that technical assistance in the area of customs valuation is now incorporated into the WTO-wide technical assistance program, which encompasses regional activities on market access issues, including customs valuation.

Prospects for 2018

The Customs Valuation Committee's work in 2018 will include reviewing the relevant implementing legislation and regulations notified by Members, along with addressing any further requests by other Members concerning implementation deadlines. The Committee will monitor progress by Members with regard to their respective work programs that were included in the decisions granting transitional reservations or extensions of time for implementation. In this regard, the Committee will continue to provide a forum for sustained focus on issues arising from practices of Members with regard to their implementation of the Valuation Agreement, to ensure that Members' customs valuation regimes do not utilize arbitrary or fictitious values, such as through the use of minimum import prices. In addition, the United States will continue to showcase the benefits of advance rulings on valuation for traders and customs administrations, including by sharing best practices and experience. Further, the United States will continue to emphasize the synergy between the Customs Valuation Agreement and the TFA. In particular, as part of Technical Assistance discussions in the Customs Valuation Committee, the United States intends to continue exploring using TFA technical assistance capacity building to further Members' understanding and compliance with the Valuation Agreement in order to address technical assistance issues, which the Committee considers as a matter of high priority.

7. Committee on Rules of Origin

Status

The Agreement on Rules of Origin (ROO Agreement) provides for increased transparency, predictability, and consistency in both the preparation and application of rules of origin. The ROO Agreement provides important disciplines for conducting preferential and non-preferential origin regimes, such as the obligation on Members to provide, upon request of a trader, an assessment of the origin their authorities would accord to a good within 150 days of that request. In addition to setting forth disciplines related to the administration of rules of origin, the ROO Agreement provides for a work program to develop harmonized rules of origin for non-preferential trade. The Harmonization Work Program (HWP) has been more complex than initially envisioned under the ROO Agreement, which provided for the work to be completed within three years after its commencement in July 1995. The HWP continued throughout 2017 and will continue into 2018.

The ROO Agreement is administered by the Committee on Rules of Origin (the ROO Committee), which held meetings in March and October of 2017. The Committee also serves as a forum to exchange views on notifications by Members concerning their national rules of origin along with relevant judicial decisions and administrative rulings of general application. The ROO Agreement also established a Technical Committee on Rules of Origin (Technical Committee) under the auspices of the World Customs Organization to assist in the HWP.

Major Issues in 2017

As of December 2017, 103 Members have notified the WTO concerning non-preferential rules of origin. In these notifications, 48 Members notified that they apply non-preferential rules of origin, and 55 Members notified that they did not have a non-preferential rule of origin regime. Thirty-three Members have not notified non-preferential rules of origin. All WTO Members have notified the WTO, either through the ROO Committee or other WTO bodies, that they apply at least one set of preferential rules of origin.

The ROO Agreement has provided a means for addressing and resolving many problems facing U.S. exporters pertaining to origin regimes, and the ROO Committee has been active in its review of the ROO Agreement's implementation. Virtually all issues and concerns cited by U.S. exporters as arising under the origin regimes of U.S. trading partners arise from administrative practices that are not transparent, allow discrimination, and lack predictability. The ROO Committee has given substantial attention to the implementation of the ROO Agreement's disciplines related to transparency.

The ongoing HWP has attracted a great deal of attention and resources from WTO Members. Members working through the Technical Committee and the ROO Committee have made progress toward completion of this effort, despite the large volume and magnitude of complex issues, which must be addressed for hundreds of specific products.

U.S. proposals for the HWP have been developed based on a Section 332 study, which was conducted by the U.S. International Trade Commission (USITC) pursuant to a request by USTR. The U.S. proposals reflect input received from ongoing consultations with the private sector as the negotiations have progressed from the technical stage to deliberations in the ROO Committee. Representatives from several U.S. Government agencies continue to be involved in the HWP, including USTR, U.S. Customs and Border Protection, the U.S. Department of Commerce (Commerce), and the U.S. Department of Agriculture (USDA).

While the ROO Committee has made some progress towards fulfilling the mandate of the ROO Agreement to establish harmonized non-preferential rules of origin since the start of the HWP, a number of fundamental issues, including many with respect to product-specific rules for agricultural and industrial goods and the scope of the prospective obligation to apply the harmonized non-preferential rules of origin equally for all purposes, remain to be resolved.

Because of the impasse among Members on: (1) the product specific rules related to the 94 core policy issues identified by the HWP; (2) the absence of a common understanding of the scope of the prospective obligation to apply the harmonized non-preferential rules of origin equally for all purposes; and (3) the growing concern among Members that the final result of the HWP negotiations would not be consistent with the objectives of the HWP set forth in Article 9 of the ROO Agreement, the General Council recognized that its guidance was needed on how to resolve these issues. In 2007, the General Council endorsed the recommendation of the ROO Committee that substantive work on these issues be suspended until the ROO Committee receives the necessary guidance from the General Council on how to reconcile the differences among Members on the aforementioned issues.

In 2016, the ROO Committee initiated an educational exercise to exchange information about nonpreferential rules of origin and better understand the impact that existing rules have on international trade. In 2017, the ROO Committee organized one information session on nonpreferential rules of origin.

At both the April 2017 and the October 2017 meetings, the ROO Committee held dedicated discussions on preferential rules of origin for LDCs, in particular in light of the outcomes of the 2013 and 2015 Ministerial Decisions on this issue. In that context, the ROO Committee adopted a template for the notification of

preferential rules of origin, reviewed the implementation of the 2015 Nairobi Decision on Preferential Rules of Origin for Least Developed Countries, and adopted a methodology for the calculation of preferential utilization rates.

Prospects for 2018

The Committee will continue to discuss the future organization of the Committee's work and divergences in Members' views of how to continue the HWP. In accordance with the decision taken by the General Council in July 2007, and subject to future guidance from the General Council, the ROO Committee will continue to focus on technical issues, including the technical aspects of the overall architecture of the HWP product specific rules, through informal consultations. The ROO Committee will continue to report periodically to the General Council on its progress in resolving these issues. The Committee will also continue its review of Nairobi Decision on Preferential Rules of Origin for Least Developed Countries.

8. Committee on Technical Barriers to Trade

Status

The Agreement on Technical Barriers to Trade (the TBT Agreement) establishes rules and procedures regarding the development, adoption, and application of voluntary standards and mandatory technical regulations for products and the procedures (such as testing or certification) used to determine whether a particular product meets such voluntary standards or technical regulations (conformity assessment procedures). One of the main objectives of the TBT Agreement is to prevent the use of regulations as unnecessary barriers to trade while ensuring that Members retain the right to regulate, *inter alia*, for the protection of health, safety, or the environment, at the levels they consider appropriate.

The TBT Agreement applies to industrial as well as agricultural products, although it does not apply to SPS measures or specifications for government procurement, which are covered under separate agreements. The TBT Agreement's rules help to distinguish legitimate standards, conformity assessment procedures, and technical regulations from protectionist measures and other measures that act as unnecessary obstacles to trade. For example, the TBT Agreement requires Members to apply standards, technical regulations, and conformity assessment procedures in a nondiscriminatory fashion and, in particular, requires that technical regulations be no more trade restrictive than necessary to meet a legitimate objective and be based on relevant international standards, except where international standards would be ineffective or inappropriate in fulfilling a legitimate objective.

The Committee on Technical Barriers to Trade (the TBT Committee) serves as a forum for consultation on issues associated with implementing and administering the TBT Agreement. The TBT Committee is composed of representatives of each WTO Member and provides an opportunity for Members to discuss concerns about specific standards, technical regulations, and conformity assessment procedures that a Member proposes or maintains. The TBT Committee also allows Members to discuss systemic issues affecting implementation of the TBT Agreement (*e.g.*, transparency, use of good regulatory practices, regulatory cooperation), and to exchange information on Members' practices related to implementing the TBT Agreement and relevant international developments.

Transparency: The TBT Agreement requires each Member to establish a central contact point, known as an inquiry point, which is responsible for responding to requests for information on its standards, technical requirements, and conformity assessment procedures, or making the appropriate referral. The TBT Agreement also requires Members to notify proposed technical regulations and conformity assessment procedures and to take comments received from other Members into account. These obligations provide a

key benefit to the public. Through the U.S. Government's implementation of these obligations, the public is able to obtain information on proposed technical regulations and conformity assessment procedures of other WTO Members and to provide written comments for consideration on those proposals before they are finalized.

The National Institute of Standards and Technology (NIST) serves as the U.S. inquiry point for purposes of the TBT Agreement (NIST can be contacted via email at: usatbtep@nist.gov or notifyus@nist.gov or via the Internet at: <http://www.nist.gov/notifyus>). The inquiry point responds to requests for information concerning Federal and State standards, technical regulations, and conformity assessment procedures, as well as voluntary standards and conformity assessment procedures developed or adopted by nongovernmental bodies. Upon request, NIST will provide copies of notifications of proposed technical regulations and conformity assessment procedures that other Members have made under the TBT Agreement, as well as contact information for other Members' TBT inquiry points. NIST maintains the "Notify U.S. Service" through which U.S. entities receive, via e-mail, WTO notifications of proposed or revised domestic and foreign technical regulations and conformity assessment procedures for manufactured products. U.S. entities can access the services through the website: <https://www.nist.gov/notifyus>. NIST refers requests for information concerning SPS measures to USDA, which is the U.S. inquiry point pursuant to the SPS Agreement.

The opportunity provided by the TBT Agreement for interested parties in the United States to influence the development of proposed technical regulations and conformity assessment procedures being developed by other Members by allowing them to provide written comments on proposed measures and submit them through the U.S. inquiry point helps to prevent the establishment of technical barriers to trade. The TBT Agreement has functioned well in this regard, although discussions on how to improve its operation occur as part of the triennial review process (*see below*). Obligations, such as the prohibition on discrimination and the requirement that technical regulations not be more trade restrictive than necessary to fulfill legitimate regulatory objectives, have been useful in evaluating potential trade barriers and in seeking ways to address them.

The TBT Committee also plays an important monitoring and oversight role. It has served as a constructive forum for discussing and resolving issues and avoiding disputes. Since its inception, an increasing number of Members, including developing countries, have used the Committee to highlight trade problems.

Article 15.4 of the TBT Agreement requires the Committee to review the operation and implementation of the TBT Agreement every three years. Seven such reviews have now been completed (G/TBT/5, G/TBT/9, G/TBT/13, G/TBT/19, G/TBT/26, and G/TBT/32), the most recent in 2012. From the U.S. perspective, a key benefit of these reviews is that they prompt WTO Members to review and discuss all of the provisions of the TBT Agreement, which facilitates a common understanding of Members' rights and obligations. The reviews have also prompted the Committee to host workshops on various topics of interest, including technical assistance, conformity assessment, labeling, good regulatory practice, international standards, and regulatory cooperation.

Major Issues in 2017

The TBT Committee met three times in 2017, March (G/TBT/M/71), June (G/TBT/M/72), and November (G/TBT/M/73). At these meetings, Members made statements informing the Committee of measures they had taken to implement the TBT Agreement and to administer measures in compliance with the Agreement. Members also used Committee meetings to raise concerns about specific technical regulations, standards, or conformity assessment procedures that have been proposed or adopted by other Members. Measures garnering significant Committee attention included nutrition labeling requirements for food (Peru, Indonesia, Israel, and Uruguay); measures that may unnecessarily restrict labeling, advertising and

promotion of food to infants and young children (Thailand); regulations on alcoholic beverages (Korea, East African Community, Mexico, Russia, Thailand, and Ecuador); and continued concern regarding regulations for Registration of Chemicals (Korea, and the EU); the development of China-specific standards in the information technology sphere and standards for materials for recycled goods; testing procedures for toys (Colombia, Turkey, Eurasian Economic Commission, and Indonesia); the EU's proposal to regulate potential endocrine disruptors; and Egypt's product registration and conformity assessment requirements.

The Seventh Triennial Review of the Operation and Implementation of the TBT Agreement was concluded in November 2015 and was implemented between November 2015 and November 2017. Ninety-four proposals made by 22 Members through papers and during informal discussions of the TBT Committee include: Good Regulatory Practices, Regulatory Cooperation, Conformity Assessment Procedures, Standards, Transparency, Technical Assistance, Special and Differential Treatment, and on the Operation of the Committee.

- Outcomes on Good Regulatory Practices include continuing to exchange information on Good Regulatory Practice mechanisms adopted by Members and continuing to discuss how Regulatory Impact Assessment can facilitate the implementation of the TBT Agreement, including a discussion of the challenges faced by developing countries.
- Regulatory Cooperation was a new topic identified by Members for discussion in the Seventh Triennial Review. With respect to Regulatory Cooperation, the Committee agreed to deepen its information exchange on Regulatory Cooperation between Members, to share information and experiences related to emerging or ongoing issues in specific sectors, and to discuss effective elements of Regulatory Cooperation. It is anticipated that the first discussion on Regulatory Cooperation will focus on energy efficiency standards.
- The recommendations on Conformity Assessment include three areas of work identified in the Sixth Triennial Review: approaches to conformity assessment, use of relevant international standards and guides, and facilitating the recognition of conformity assessment results.
- The recommendations on Standards relate to exchanging information on how Members reference standards in technical regulations, and developing further transparency in standards setting, including the publication of work programs and comment periods for draft standards on websites, and compliance to the Code of Good Practice for local government and non-government standardizing bodies.
- Recommendations for improved Transparency focused on the functioning of Inquiry Points, coherent use of WTO notification formats for proposed technical regulations, increasing the availability of translations, and improving the use and function of on-line tools managed by the WTO Secretariat.
- For Technical Assistance and Special and Differential Treatment, the Committee will continue to exchange information.
- Finally, with respect to the Operation of the Committee, Members agreed to continue holding thematic sessions.

The complete outcomes of the Seventh Triennial Review are summarized in G/TBT/37.

Of those Seventh Triennial Review priorities, the TBT Committee exchanged information and experiences through a series of informal thematic sessions in 2017. In March, the TBT Committee held two thematic sessions on Good Regulatory Practices⁶⁰ and Conformity Assessment Procedures.⁶¹ The United States

⁶⁰ Thematic Session on Good Regulatory Practice Report of the Moderator (G/TBT/GEN/214)

⁶¹ Thematic Session on and Conformity Assessment Procedures Report of the Moderator (G/TBT/GEN/213)

made a presentation to the TBT Committee about how to measure the impact of technical barriers to trade in goods.⁶² In June, the Committee held thematic session on Risk Assessment.⁶³ In the thematic discussions the United States offered expert presentations from the U.S. Government including representatives from the U.S. Food and Drug Administration, Office of the United States Trade Representative, and the United States Department of Commerce.

Prospects for 2018

In 2018, the TBT Committee will continue to monitor Members' implementation of the TBT Agreement. The United States will continue efforts to resolve specific trade concerns, and engage in the negotiation of the 8th Triennial Review of the TBT Agreement, which will conclude in November 2018.

9. Committee on Antidumping Practices

Status

The Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (the Antidumping Agreement) sets forth detailed rules and disciplines prescribing the manner and basis on which Members may take action to offset the injurious dumping of products imported from another Member. Implementation of the Antidumping Agreement is overseen by the Committee on Antidumping Practices (the Antidumping Committee), which operates in conjunction with two subsidiary bodies, the Working Group on Implementation (the Working Group) and the Informal Group on Anticircumvention (the Informal Group).

The Antidumping Committee is supposed to be a venue for reviewing Members' compliance with the detailed provisions in the Antidumping Agreement, improving mutual understanding of those provisions, and providing opportunities to exchange views and experiences with respect to Members' application of antidumping remedies.

The Working Group is an active body, which focuses on practical issues and concerns relating to implementation. The activities of the Working Group are designed to permit Members to develop a better understanding of their respective policies and practices for implementing the provisions of the Antidumping Agreement based on discussion of relevant topics and papers submitted by Members on specific topics. Where possible, the Working Group endeavors to develop draft recommendations on the topics it discusses, which it forwards to the Antidumping Committee for consideration. To date, the Antidumping Committee has adopted Working Group recommendations on the following five antidumping topics: (1) the period of data collection for antidumping investigations; (2) the timing of notifications under Article 5.5; (3) the contents of preliminary determinations; (4) the time period to be considered in making a determination of negligible imports for purposes of Article 5.8; and (5) an indicative list of elements relevant to a decision on a request for extension of time to provide information pursuant to Articles 6.1 and 6.1.1.

The Working Group has drawn a high level of participation by Members, in particular capital-based experts and officials of antidumping administering authorities. Since the inception of the Working Group, the United States has submitted papers on most topics and has been an active participant at all meetings. While not a negotiating forum in either a technical or formal sense, the Working Group serves an important role

⁶² Presentation by Jeff Okun-Kozlowicki on Standards and Regulations – measuring the link to Goods Trade (G/TBT/GEN/215)

⁶³ Thematic Session on Risk Assessment (G/TBT/GEN/226)

in promoting improved understanding of the Antidumping Agreement's provisions and exploring options for improving practices among antidumping administrators.

At Marrakesh in 1994, Ministers adopted a Decision on Anticircumvention directing the Antidumping Committee to develop rules to address the problem of circumvention of antidumping measures. In 1997, the Antidumping Committee agreed upon a framework for discussing this important topic and established the Informal Group. Many Members, including the United States, recognize the importance of using the Informal Group to pursue the 1994 decision by Ministers.

Major Issues in 2017

In 2017, the Antidumping Committee held meetings in April and October. At its meetings, the Antidumping Committee focused on implementation of the Antidumping Agreement, in particular, by continuing its review of Members' antidumping legislation. The Antidumping Committee also reviewed reports required of Members that provide information as to preliminary and final antidumping measures and actions taken over the preceding six months.

The following is a list of the more significant activities that the Antidumping Committee, the Working Group, and the Informal Group undertook in 2017.

Notification and Review of Antidumping Legislation: To date, 80 Members have notified that they currently have antidumping legislation in place, and 37 Members have notified that they maintain no such legislation. In 2017, the Antidumping Committee reviewed new notifications of antidumping legislation and/or regulations submitted by Armenia, Brazil, El Salvador, European Union, India, Japan, Kyrgyz Republic, and New Zealand. Several Members, including the United States, were active in formulating written questions and in making follow up inquiries at the Antidumping Committee meetings.

Notification and Review of Antidumping Actions: In 2017, 45 Members notified that they had taken antidumping actions during the latter half of 2016, while 45 Members reported having taken actions in the first half of 2017. Members identified these actions, as well as outstanding antidumping measures currently maintained by Members, in semi-annual reports submitted for the Antidumping Committee's review and discussion. The semi-annual reports for the second half of 2016 were issued in document series "G/ADP/N/294/...", and the semi-annual reports for the first half of 2017 were issued in document series "G/ADP/N/300/..." At its April and October 2017 meetings, the Antidumping Committee also reviewed Members' notifications of preliminary and final actions pursuant to Article 16.4 of the Antidumping Agreement.

Other Business: During the April 2017 meeting of the Antidumping Committee, China made a statement regarding the expiry of section 15(a)(ii) of its Protocol of Accession. Comments were made by Japan, Mexico, and the United States.

Working Group on Implementation: The Working Group held meetings in April and October 2017. Beginning in 2003, the Working Group has held discussions on several agreed topics, including: (1) export prices to third countries vs. constructed value under Article 2.2 of the Antidumping Agreement; (2) foreign exchange fluctuations under Article 2.4.1; (3) conduct of verifications under Article 6.7; (4) judicial, arbitral, or administrative reviews under Article 13; and (5) price undercutting by dumped imports. In 2009, the Working Group agreed to include the following additional topics for discussion: (1) constructed export prices; (2) other known causes of injury; (3) threat of material injury; (4) accuracy and adequacy of evidence to justify the initiation of an investigation; and (5) the determination of the likelihood of continuation or recurrence of dumping and injury in sunset reviews. The discussions in the Working Group on all of these topics have focused on submissions by Members describing their own practice.

At the April 2017 meeting, the Working Group discussed the issue of standards for initiation of investigations, operation of the standing test, and ensuring effective participation in antidumping investigations. A representative from Brazil served as a discussant and several Members, including the United States, made informal presentations.

For the October 2017 meeting, the Working Group discussed injury determination-related topics, namely the analysis of the effect of imports on domestic industry prices and the methodology for analyzing imports by the domestic industry. A representative from the European Union served as the discussant and several Members, including the United States, made informal presentations.

Informal Group on Anticircumvention: The Informal Group held meetings in April and October 2017. At the April 2017 meeting, the European Union provided a detailed explanation of its anti-circumvention law and practice. The Informal Group engaged in an active question and answer session afterwards.

At the October 2017 meeting, the United States provided a detailed explanation of its first determination made under the Enforce and Protect Act of 2015 and the Informal Group afterwards engaged in an active question and answer session.

Prospects for 2018

Work will proceed in 2018 on the areas that the Antidumping Committee and the Working Group addressed this past year, and the Informal Group will continue to meet on relevant topics as the Members deem appropriate. The Antidumping Committee will pursue its review of Members' notifications of antidumping legislation, and Members will continue to have the opportunity to submit additional questions concerning previously reviewed notifications. This review process is supposed to ensure that Members' antidumping laws are properly drafted and implemented. Since notifications of antidumping legislation are not restricted documents, U.S. exporters will continue to enjoy access to information about the antidumping laws of other Members, which should assist them in better understanding the operation of such laws and in taking them into account in commercial planning.

The preparation by Members and review in the Antidumping Committee of semi-annual reports and reports of preliminary and final antidumping actions will also continue in 2018. The semi-annual reports are accessible to the general public on the WTO website. This transparency promotes improved public knowledge and appreciation of the trends and focus of all WTO Members' antidumping actions.

Discussions in the Working Group will continue to play an important role as more Members enact antidumping laws and begin to apply them. There has been a sharp and widespread interest in the technical issues related to understanding how Members implement these rules when administering their laws pursuant to the Antidumping Agreement. For these reasons, the United States will continue to use the Working Group to learn in greater detail about other Members' administration of their antidumping laws, especially as that forum provides opportunities to discuss not only the laws as written, but also the operational practices that Members employ to implement them. In 2018, the Working Group will continue to assess the effectiveness of the topic-centered discussion approach and decide whether to continue this approach for upcoming meetings and, if so, discuss and select topics accordingly.

The work of the Informal Group will also continue in 2018 according to the framework for discussion on which Members have agreed.

10. Committee on Import Licensing

Status

The Committee on Import Licensing (the Import Licensing Committee) was established to administer the Agreement on Import Licensing Procedures (Import Licensing Agreement) and to monitor compliance with the mutually agreed rules on import licensing procedures. The Import Licensing Committee normally meets twice a year to review information on import licensing submitted by WTO Members in accordance with the obligations set out in the Import Licensing Agreement. The Committee also serves as a forum for Members to submit questions on the licensing regimes of other Members, whether or not those regimes have been notified to the Committee, and to address specific observations and complaints concerning Members' licensing systems. The Committee activities are not intended to substitute for dispute settlement procedures; rather, they offer Members an opportunity to focus multilateral attention on licensing measures and procedures that they find problematic, to receive information on specific issues and to clarify problems, and possibly to resolve concerns.

Major Issues in 2017

In 2017, the Import Licensing Committee held its meetings in May and October. In accordance with Articles 1.4(a), 5.4, and 8.2(b) of the Import Licensing Agreement and procedures agreed to by the Committee, all Members, upon joining the WTO, must notify the publication sources for their laws, regulations, and administrative procedures relevant to import licensing. Any subsequent changes to these measures must also be published and notified. Since the entry into force of the WTO Agreement, 110 Members⁶⁴ have notified the Committee of their measures or publications under these provisions. During 2017, the Committee reviewed 13 notifications from the following 11 Members: Brunei Darussalam; the European Union; Kazakhstan; Mauritius; Republic of Moldova; South Africa; Switzerland; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Thailand; Ukraine; and the United States. These notifications can be found in document series G/LIC/N/1/-(http://www.wto.org/english/res_e/res_e.htm).

With regard to notifications of new import licensing procedures or changes in such procedures (required by Articles 5.1 through 5.4 of the Agreement), the Committee reviewed 22 notifications relating to the institution of new import licensing procedures or changes in these procedures from 11 Members: Argentina; the European Union; Hong Kong, China; Indonesia; Republic of Korea; Malawi; Malaysia; Paraguay; Philippines; Togo; and Ukraine. These notifications can be found in documents series G/LIC/N/2/- (http://www.wto.org/english/res_e/res_e.htm).

Article 7.3 of the Import Licensing Agreement requires all Members to provide replies to the annual Questionnaire on Import Licensing Procedures; Committee procedures set a deadline of September 30 each year for Members to submit replies. Not all Members provide replies each year; however, since the entry into force of the WTO Agreement, 112 Members have provided replies under this provision. The number of Members submitting replies to the annual Questionnaire has increased from 11 Members in 1995, when the WTO was established, to 31 Members in 2017. Replies to the Questionnaire, including the U.S. replies (G/LIC/N/3/USA/13), are notified to the WTO and may be found in document series G/LIC/N/3/- (http://www.wto.org/english/res_e/res_e.htm). (Other notifications made under the Import Licensing Agreement may also be found in this document series).

In 2017, the United States used the Import Licensing Committee to gather information and to discuss import licensing measures applied to its trade by other Members. In 2017, the United States raised concerns about

⁶⁴ The EU and its Member States counted as one Member for purposes of this notification.

the import licensing procedures of: Indonesia (cell phones, handheld computers, and tablets, as well as milk supply and circulation); India (boric acid); Mexico (steel); China (certain recoverable wastes and recovered materials); and Vietnam (distilled spirits and completeness of its import licensing notifications). The United States and other Members submitted written questions on these and other issues. Written questions from Members and replies to those questions submitted to the Committee concerning notifications and import licensing procedures may be found in document series G/LIC/Q/- (http://www.wto.org/english/res_e/res_e.htm).

Notifications and Other Documentation: The United States continues to work within the Committee to seek to enhance Members' efforts to comply with the Agreement's notification requirements. There is a concern that potential overlap in notification requirements in different provisions in the Import Licensing Agreement, as well as duplications in the current notification templates, might contribute to the low level of submissions of required notifications. In this context, in 2017, three informal meetings were held on improving transparency and streamlining the notification procedures and templates. To facilitate the discussion, the Secretariat had previously prepared a number of background papers and presentations, which were circulated in documents RD/LIC/6, 7, 8, and 9. Divergent views remain among Members on how to proceed on this issue. At its October meeting, the Import Licensing Committee agreed to pursue discussions on how to improve compliance with the notification requirements under the Import Licensing Agreement.

With a view to addressing the capacity constraints of some Members in fulfilling their notification obligations under the Import Licensing Agreement, the first workshop on import licensing was organized by the Secretariat in May 2017. Thirty Members participated in this workshop.

Prospects for 2018

The administration of import licensing procedures continues to be a significant topic of discussion in the day-to-day implementation of Members' WTO obligations. The use of such measures to monitor and to regulate imports has increased. Import licensing also remains a factor in the administration of tariff-rate quotas and the application of safeguard measures, technical regulations, and sanitary and phytosanitary requirements. The proliferation of import licensing requirements is a continuing source of concern, as many such requirements appear to be administered in a manner that restricts trade. The United States will continue to advocate for increased transparency and proper use of import licensing procedures, as well as to closely monitor licensing procedures to ensure that the procedures do not, in themselves, restrict imports in a manner inconsistent with Members' WTO obligations. The United States also expects to be active in the examination of the current notification procedures and templates, with a view towards ensuring that all of the substantive information as required by the Import Licensing Agreement can be efficiently provided.

11. Committee on Safeguards

Status

The Committee on Safeguards (the Safeguards Committee) was established to administer the WTO Agreement on Safeguards (the Safeguards Agreement). The Safeguards Agreement establishes rules for the application of safeguard measures as provided in Article XIX of GATT 1994. Effective rules on safeguards are important to the viability and integrity of the multilateral trading system. The availability of a safeguard mechanism gives WTO Members the assurance that they can act quickly to help industries adjust to import surges, providing them with flexibility they would not otherwise have to open their markets to international competition. At the same time, WTO rules on safeguards ensure that such actions are of limited duration and are gradually less restrictive over time.

The Safeguards Agreement requires Members to notify the Safeguards Committee of their laws, regulations, and administrative procedures relating to safeguard measures. It also requires Members to notify the Safeguards Committee of various safeguards actions, such as: (1) the initiation of an investigatory process; (2) a finding by a Member's investigating authority of serious injury or threat thereof caused by increased imports; (3) the taking of a decision to apply or extend a safeguard measure; and (4) the proposed application of a provisional safeguard measure.

Major Issues in 2017

The Safeguards Committee held two regular meetings in April and October 2017.

During its two meetings in 2017, the Safeguards Committee continued its review of Members' laws, regulations, and administrative procedures based on notifications required under Article 12.6 of the Safeguards Agreement. The Safeguards Committee reviewed the national legislation of Afghanistan, Armenia, El Salvador, and Kyrgyz Republic.

The Safeguards Committee reviewed Article 12.1(a) notifications regarding the initiation of a safeguard investigatory process relating to serious injury or threat thereof and the reasons for it, or the initiation of a review process relating to the extension of an existing measure, from the following Members: Gulf Cooperation Council members on Prepared Additives for Cements, Mortars, Or Concretes (Chemical Plasticizers); Indonesia on Flat-Rolled Product of Iron or Non-Alloy Steel, and I and H Sections of Other Alloy Steel; Turkey on Pneumatic Tyres, Toothbrushes, and Polyethylene Terephthalate; Ukraine on Tableware and Kitchenware of Porcelain, and Sulfuric Acid and Oleum; United States on Large Residential Washers and Crystalline Silicon Photovoltaic Cells; and Vietnam on Mineral or Chemical Fertilizers.

The Safeguards Committee reviewed Article 12.1(b) notifications regarding a finding of serious injury or threat thereof caused by increased imports from the following Members: China on Sugar; Gulf Cooperation Council members on Flat-Rolled Products of Iron or Non-Alloy Steel; India on Unwrought Aluminium (Aluminium Not Alloyed and Aluminium Alloys); Indonesia on Flat-Rolled Product of Iron or Non-Alloy Steel; Jordan on Aluminium Bars, Rods, and Profiles; Malaysia on Steel Concrete Reinforcing Bar; South Africa on Flat-Rolled Products of Iron or Non-Alloy Steel, and Certain Flat-Rolled Products of Iron, Non-Alloy Steel, or Other Alloy Steel; Thailand on Structural Hot-Rolled H-Beam with Alloy, and Non Alloy Hot-Rolled Steel Flat Products in Coils and Not in Coils; Turkey on Toothbrushes; United States on Large Residential Washers, and Crystalline Silicon Photovoltaic Cells; and Vietnam on Pre-Painted Galvanized Steel Sheet and Strip.

The Safeguards Committee also reviewed Article 12.1(c) notifications regarding a decision to apply or extend a safeguard measure from the following Members: China on Sugar; Costa Rica on Pounded Rice; India on Hot-Rolled Flat Sheets and Plates (excluding Hot-Rolled Flat Products in Coil Form) of Alloy or Non-Alloy Steel; Indonesia on Flat-Rolled Product of Iron or Non-Alloy Steel; Jordan on Aluminium Bars, Rods, and Profiles; Malaysia on Steel Concrete Reinforcing Bar, and Steel Wire Rod and Deformed Bar-In-Coil; Morocco on Paper in Rolls and Reams; South Africa on Certain Flat-Rolled Products of Iron, Non-Alloy Steel, or Other Alloy Steel; Thailand on Structural Hot-Rolled H-Beam with Alloy, and Non Alloy Hot-Rolled Steel Flat Products in Coils and Not in Coils; and Vietnam on Pre-Painted Galvanized Steel Sheet and Strip.

The Safeguards Committee reviewed Article 12.4 notifications regarding the application of a provisional safeguard measure from the following Members: Gulf Cooperation Council members on Ferro Silico Manganese; Turkey on Pneumatic Tyres; and Vietnam on Mineral or Chemical Fertilizers.

The Safeguards Committee received notifications of the termination of a safeguard investigation with no definitive safeguard measure imposed, or the expiration or termination of a definitive safeguard measure, from the following Members: Egypt on Steel Bar; Gulf Cooperation Council members on Ferro Silico Manganese; India on Unwrought Aluminium (Aluminium Not Alloyed and Alluminium Alloys); South Africa on Flat-Rolled Products of Iron or Non-Alloy Steel; Turkey on Porcelain and Ceramic Tableware, Kitchenware; and Ukraine on Tableware and Kitchenware of Porcelain.

Also, at the meeting in April the Safeguards Committee separately discussed an idea put forth by Brazil regarding the creation of a working group on implementation, where experts could engage in horizontal technical discussions on safeguards investigations without reference to specific investigations. The United States supported the creation of such a group, but requested that certain changes be made to the rules and procedures under which the group would function.

Also, at the April meeting, the United States separately raised the status of several safeguard investigations initiated by Tunisia. These investigations were initiated more than two years ago without further notifications. Tunisia was not present at the meeting, so no update was provided.

Also, at the October meeting, at the request of Brazil, the Safeguards Committee discussed the importance of prompt notification of the list of developing country Members to which the measure would not be applied by virtue of Article 9.1, as well as prompt notification of the modified list of developing country Members that were previously exempted but were later subjected to the measure.

Also at both the April and October meetings, the Safeguards Committee separately discussed a proposal made by Australia to include, in the relevant annex of the Safeguards Committee's annual report, the timing of the notification of key actions taken under Article 12.1 of the Safeguards Agreement. While there was wide support for the idea, one delegation lacked consensus. This issue will be taken up again in future meetings.

Finally, at the Safeguards Committee meeting in April, the Friends of Safeguards Procedures (FSP) – a 12 delegation group of WTO Members, including the United States – organized an informal discussion group. The informal discussion group consisted of presentations by various WTO Members on (1) unforeseen developments, and (2) transparency in safeguards investigations.

Prospects for 2018

The Safeguards Committee's work in 2018 will continue to focus on the review of safeguard actions that have been notified to the Safeguards Committee and on the review of notifications of any new or amended safeguards legislation. The United States will also work on its own, as well as with the FSP, to continue to address systemic issues of concern with safeguard proceedings as issues arise.

12. Committee on Trade Facilitation

Status

The Trade Facilitation Agreement (TFA) entered into force on February 22, 2017, in accordance with Article X of the WTO Agreement, upon the ratification by two thirds – 118 Members – of the WTO. The TFA establishes transparent and predictable multilateral trade rules under the WTO to reduce opaque customs and border procedures and unwarranted delays at the border. Burdensome red tape and delays can add costs that are the equivalent of significant tariffs and are often cited by U.S. exporters as barriers to trade.

The TFA will bring improved transparency and an enhanced rules-based approach to border regimes, and will be an important element of broader ongoing domestic strategies of many WTO Members to increase economic output and attract greater investment. The TFA also provides new opportunities to address factors holding back increased regional integration and south-south trade. Implementation of the TFA is expected to bring particular benefits to small and medium-sized businesses, enabling them to increase participation in the global trading system.

Major Issues in 2017

Upon entry into force, a WTO Committee on Trade Facilitation (TFC) was established as provided for in Article 23.1 of the TFA. The TFC held its inaugural session May 16, 2017 to formally confirm the Chairperson, who had been appointed in April. Upon confirmation, the Chairperson consulted with Members on the rules of procedure for the TFC and organization of work. The TFC had a second meeting on July 19, 2017, at which Members considered a proposal for the Committee's rules of procedure. In addition, Members heard updates on ratifications and notifications, and on the Trade Facilitation Agreement (TFA) Facility, an arm of the Secretariat devoted to capacity building for the TFA.

The third and final meeting of the TFC for the year took place on November 3, 2017. The agenda included notifications related to transparency of border measures (required under TFA Articles 1.4, 10.4.3, 10.6.2, and 12.2.2); notifications to schedule commitments in Categories A, B and C; and notifications under Article 22 regarding special and differential treatment available for TFA implementation. Also on the agenda were an update of the TFA Facility, work on the rules of procedure, reminders of upcoming deadlines for notifications, and the draft report to the Council for Trade in Goods.

Substantial capacity building assistance is provided for trade facilitation. Over the course of the negotiations and since the Bali Ministerial, the WTO and multilateral and bilateral assistance organizations like the U.S. Agency for International Development (USAID) have undertaken training programs with developing country Members to help them assess their individual situations regarding capacity and make progress in implementing the provisions of the TFA. Further, to help developing countries and LDCs implement the TFA, the United States, along with five other donors, has been delivering TFA assistance through the Global Alliance for Trade Facilitation (GATF). The GATF is a new multi-donor model of assistance that partners with the private sector to support rapid and full implementation of the TFA. In addition to support provided by the United States, Australia, Canada, Germany, Denmark and the United Kingdom, the partnership is supported by a Secretariat created by the World Economic Forum, the International Chamber of Commerce, the Center for International Private Enterprise, and by private sector representatives and others who are contributing their expertise and resources for this mission. The Alliance has projects underway in Colombia, Vietnam, Ghana, and Kenya. New programs are being developed in Sri Lanka, Morocco, and Myanmar. Projects are currently being scoped in Argentina, Bangladesh, Cambodia, Dominican Republic, Guatemala, Honduras, Jordan, Malawi, Nigeria, Rwanda, Tunisia, and Zambia.

Prospects for 2018

In 2018, the TFC is expected to meet at least twice, with the first meeting anticipated in early spring. Standing agenda items for the TFC will continue to include an update on ratifications and Member notifications. The TFA text includes specific deadlines for notifications under Section II of the TFA, which provides the flexibilities for developing countries to Schedule commitments in Categories A, B, or C and self-declare timelines for implementation. Two deadlines occur in 2018: developing countries must notify their final timeframes for Category B commitments by February 2018, and in August 2018, eighteen months after entry into force, Category A commitments are due for least-developed members.

In addition, the TFC will take up best practices and experience-sharing among Members for implementing of the TFA. Finally, Members will have a meeting dedicated to technical assistance and capacity building, as required by the TFA.

During 2018, we expect continued focus on ensuring that developing country Members seeking to obtain technical assistance for implementation of provisions of the TFA are matched with donors and that technical assistance projects are prioritized and funded.

13. Working Party on State Trading Enterprises

Status

Article XVII of the GATT 1994 requires Members, *inter alia*, to ensure that state trading enterprises (STEs) act in a manner consistent with the general principles of nondiscriminatory treatment, and make purchases or sales solely in accordance with commercial considerations. The Understanding on the Interpretation of Article XVII of the GATT 1994 (the Article XVII Understanding) defines an STE for the purposes of providing a notification. Members are required to submit new and full notifications to the Working Party on State Trading Enterprises (WP-STE) for review every two years.

The WP-STE was established in 1995 to review, *inter alia*, Member notifications of STEs and the coverage of STEs that are notified, and to develop an illustrative list of relationships between Members and their STEs and the kinds of activities engaged in by these enterprises.

Major Issues in 2017

The WP-STE held two formal meetings, on May 9, 2017 and November 9, 2017. During the period of review, the WP-STE reviewed new and full notifications from the following Members: Argentina, Australia, Burundi, Chile, Colombia, European Union, Iceland, Indonesia, Malawi, Malaysia, Mali, Mexico, Moldova, Pakistan, Qatar, the Republic of Macedonia, Togo, Tunisia, United States, and Zambia.

During one or both of the WP-STE's meetings, the following agenda items were taken up: (1) Continued Non-Notification of STEs by the Russian Federation (item requested by the European Union and the United States); and (2) Continued Non-Notification of STEs by the United Arab Emirates (item requested by the United States).

Prospects for 2018

The WP-STE will continue its review of new notifications and its examination of how to improve Member compliance with STE notification obligations to enhance the transparency of STEs. The WP-STE is formally scheduled to meet in May and October 2018. Also, the United States will continue to work with other WTO Members on the Russia and United Arab Emirates notification issues.

F. Council on Trade-Related Aspects of Intellectual Property Rights

Status

The TRIPS Council monitors the implementation of the TRIPS Agreement, provides a forum in which WTO Members can consult on intellectual property matters, and carries out the specific responsibilities assigned to the Council in the TRIPS Agreement. The TRIPS Agreement sets minimum standards of

protection for copyrights and related rights, trademarks, geographical indications (GIs), industrial designs, patents, integrated circuit layout designs, and undisclosed information. The TRIPS Agreement also establishes minimum standards for the enforcement of intellectual property rights (IPR) through civil actions for infringement, actions at the border and, at least with respect to copyright piracy and trademark counterfeiting, in criminal actions.

The TRIPS Agreement is important to U.S. interests and has yielded significant benefits for U.S. industries and individuals, from those engaged in the pharmaceutical, agricultural, chemical, and biotechnology industries to those producing motion pictures, sound recordings, software, books, magazines, and consumer goods.

Developed Members were required to fully implement the obligations of the TRIPS Agreement by January 1, 1996, and developing country Members generally had to achieve full implementation by January 1, 2000. LDC Members have had their transition period for full implementation of the TRIPS Agreement extended to July 1, 2021. The extension of this deadline provides, as before, that “This Decision is without prejudice to the Decision of the Council for TRIPS of June 27, 2002, on ‘Extension of the Transition Period under Article 66.1 of the TRIPS Agreement for Least-Developed Country Members for Certain Obligations with respect to Pharmaceutical Products’ (IP/C/25), and to the right of least developed country Members to seek further extensions of the period provided for in paragraph 1 of Article 66 of the Agreement.” On November 6, 2015, the TRIPS Council extended the transition period for LDC Members to implement Sections 5 and 7 of the TRIPS Agreement with respect to pharmaceutical products until January 1, 2033, and recommended waiving Articles 70.8 and 70.9 of the TRIPS Agreement with respect to pharmaceuticals also until January 1, 2033, which was adopted by the WTO General Council on November 30, 2015. On January 23, 2017, following the ratification notifications of two-thirds of Members, an amendment of the TRIPS Agreement entered in force. The amendment implements the 2005 WTO General Council decision to amend the TRIPS Agreement and allows pharmaceutical products made under compulsory licenses to be exported to countries lacking production capacity. At the October TRIPS Council, Members agreed to grant permanent observer status to the African Regional Intellectual Property Organization (ARIPO) and the African Intellectual Property Organization (OAPI).

Major Issues in 2017

In 2017, the TRIPS Council held four formal meetings, including a January meeting called to recognize the entry into force of the TRIPS Agreement amendment. In addition to its continuing work on reviewing the implementation of the Agreement, the TRIPS Council’s activities in 2017 focused on the positive relationship between intellectual property (IP) and innovation, under agenda items co-sponsored by the United States and other WTO Members. The TRIPS Council also continued its consideration of the relationship of the TRIPS Agreement to the Convention on Biological Diversity of issues addressed in the Doha Ministerial Declaration and the Declaration on the TRIPS Agreement and Public Health, and of technology transfer and technical cooperation. This year, Members, including India, China, South Africa, and Brazil, introduced new agenda items on topics including *The United Nations Secretary-General’s High Level Panel Report on Access to Medicines and IP and the Public Interest: Compulsory Licensing*.

Intellectual Property and Innovation: At the March, June, and November TRIPS Council meetings, the United States co-sponsored agenda items on the positive contributions of IP to innovation under the year-long theme of Inclusive Innovation and Micro-, Small-, and Medium-Sized Enterprises (MSMEs) covering key issues over the course of three successive meetings.

In February 2017, the United States cosponsored an agenda item that explored MSME collaboration under the theme of IP and Inclusive Innovation. Micro, small and medium-sized enterprises (MSMEs) contribute to the global trading economy, including as entrepreneurs, start-ups, businesses, researchers, and investors.

These enterprises often form collaborative partnerships to harness greater opportunities and share business solutions. Examples of MSME collaboration can include inter-firm partnerships, research and development opportunities, public-private partnerships, start-up incubators and entrepreneurial ventures. The benefits of MSME collaboration include sharing of information, ideas, and research to advance mutual objectives such as developing a product or service. Public-private partnerships also enable cross-sector skills transfer and engagement. MSME employees can also undertake secondments or training/teaching opportunities to help facilitate knowledge transfer and development. These partnerships help to provide shared resources and support so that entities of all sizes are able to establish themselves in global value chains. MSMEs rely on intellectual property frameworks that are able to protect expressions of new ideas, inventions, provide economic benefits and promote follow-on innovation. A diverse set of Members shared national experiences and examples of inclusive innovation and MSME collaboration in their countries; in particular demonstrating how intellectual property frameworks and innovation policies and programs have assisted MSMEs to successfully build and maintain collaborations.

In June 2017, the United States cosponsored an agenda item on Intellectual Property and Innovation: Inclusive Innovation and MSME Growth. The important role of IP in the growth and success of innovative MSMEs has long been recognized: it allows innovative and creative businesses to capture the results of their creativity, inventiveness, and R&D investments; and creates incentives for further investment in innovation. In many cases, businesses using IP rights in innovative and creative industries tend to perform better, and this is often true in the case of MSMEs. 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. IP can therefore be considered a key component for smart and sustainable growth. Yet, even in developed countries, only a smaller portion of MSMEs make use of IP, compared to larger companies. The underuse of IP by MSMEs may be due, in part, to the fact that they are not aware of the benefits, they may lack the necessary expertise, or find that procedures are too slow or costly. The need to support greater usage by MSMEs of the IP system as a tool for growth and cooperation is accordingly an important challenge for all countries, developed, developing, and least-developed. During the session, Members discussed ways to help MSMEs by fostering IP awareness and exchanged best practices to encourage and assist MSMEs in the use of the IP system.

In October 2017, the United States cosponsored an agenda item on Intellectual Property and Innovation: Inclusive Innovation and MSME Trade. In many countries around the world, whether developing or developed, MSMEs are the backbone of the national economy. Globally, they account for more than 90% of business, whereby in most countries, in particular in low- and middle-income countries, they account for approximately 99% of business. They can be found in most economic sectors, from agriculture and textile manufacturing to development of high technology goods and services. Regional and global supply chains generate many opportunities for MSMEs, as innovators, producers, developers, suppliers or as service providers. Progress in information and communication technologies contributes to facilitate the activities and provide for new opportunities for MSMEs at the national and international level. However, MSMEs often focus on local markets and face numerous challenges in integrating into global markets. According to WTO calculations based on the World Bank Enterprise Surveys, including over 25,000 MSMEs in low- and middle income countries, direct exports only account for 7.6 percent of sales in the manufacturing sector, in comparison with large manufacturing businesses where exports account for 14.4 percent. The share of low- and middle-income country MSMEs in services exports is even smaller, accounting for less than 4 percent of total services sales. The figures for high income countries are different. Direct export shares of MSMEs in high income countries add up to half of the value of total exports. It is thus important to look at policy measures that are successful and consider how local business environments can be improved to be more conducive to MSMEs and allow them to increase their participation in an open international trade framework, including through exports. An important element in this context are intellectual property rights. During this discussion, Members shared domestic experiences and examples

of successful measures promoting inclusive innovation and MSME trade – in particular, how IP frameworks and innovation policy or programs have assisted MSMEs to help MSMEs integrate into global value chains.

In addition, the United States sponsored a side event at the WTO on the margins of the October meeting that brought together MSME stakeholders from around the world to speak directly about the benefits of IP to promoting MSME development. The event featured representatives from Indonesia and Israel who shared their experiences navigating trademark systems and using trade secrets to develop their companies. A representative of a South African university discussed the crucial role of tech transfer offices in the innovation value chain. A speaker from Colombia explained how access to pro bono IP counsel helps enable small businesses to leverage the patent system despite a business' lack of resources.

Review of Developing Country Members' TRIPS Agreement Implementation: During 2017, the TRIPS Council continued to conduct ongoing reviews of developing country Members' and newly acceded Members' implementation of the TRIPS Agreement and to provide assistance to developing country Members in implementing the Agreement. The United States continued to press for full implementation of the TRIPS Agreement by developing country Members and participated actively during the reviews of legislation by highlighting specific concerns regarding individual Members' implementation of the Agreement's obligations.

Intellectual Property and Access to Medicines: On January 23, 2017, an amendment to TRIPS entered into force to implement the August 30, 2003 solution (the General Council Decision on "Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health"). With the acceptance of this amendment by two thirds of the WTO Membership in January 2017, the amendment has taken effect as of that date. The January 2017 outcome preserves all substantive aspects of the August 30, 2003 solution and does not alter the substance of the previously agreed to solution. The United States was the first Member to submit its acceptance of the amendment to the WTO in December 2005.

TRIPS-related WTO Dispute Settlement Cases: In April 2007, the United States initiated WTO dispute settlement proceedings over deficiencies in China's legal regime for the protection and enforcement of IPR by requesting consultations with China. The Panel circulated its report on January 26, 2009. The Panel found that China's denial of copyright protection to works that did not meet China's content review standards was inconsistent with the TRIPS Agreement. The Panel also found it inconsistent with the TRIPS Agreement for China to provide for simple removal of an infringing trademark as the only precondition for the sale at public auction of counterfeit goods seized by Chinese customs authorities.

With respect to the U.S. claim regarding thresholds in China's law that must be met in order for certain acts of trademark counterfeiting and copyright piracy to be subject to criminal procedures and penalties, the panel clarified that China must provide for criminal procedures and penalties to be applied to willful trademark counterfeiting and copyright piracy on a commercial scale. The Panel agreed with the United States that Article 61 of the TRIPS Agreement requires China not to set its thresholds for prosecution of piracy and counterfeiting so high as to ignore the realities of the commercial marketplace. The Panel did find, however, that it needed more evidence in order to decide whether the actual thresholds for prosecution in China's criminal law are so high as to allow commercial-scale counterfeiting and piracy to occur without the possibility of criminal prosecution. The DSB adopted the panel report on March 20, 2009, and China made a number of changes to its legal regime. The United States continues to monitor China's compliance with the DSB recommendations and rulings.

The United States also continues to monitor EU compliance with a 2005 ruling of the DSB that the EU's regulation on food-related GIs was inconsistent with the EU's obligations under the TRIPS Agreement and the GATT 1994. The United States has raised certain questions and concerns with regard to the revised EU

regulation and its compliance with the DSB findings and recommendations, and continues to monitor implementation in this dispute.

The United States also continues to monitor WTO Members' implementation of their TRIPS Agreement obligations and will consider the further use of the WTO dispute settlement mechanism as appropriate.

Technical Cooperation and Capacity Building: As in each past year, the United States and other Members provided reports on their activities in connection with technical cooperation and capacity building for consideration at the fall TRIPS Council meeting in October 2017 (see IP/C/W/632/Add.2). Priority needs reports submitted by LDCs were discussed in the TRIPS Council as well as in informal consultations.

Implementation of Article 66.2: Article 66.2 of the TRIPS Agreement requires developed country Members to provide incentives for enterprises and institutions in their territories to promote and encourage technology transfer to LDC Members in order to enable them to create a sound and viable technological base. This provision was reaffirmed in the Doha Decision on Implementation related Issues and Concerns, and the TRIPS Council was directed to put in place a mechanism for ensuring monitoring and full implementation of the obligation. Developed country Members are required to provide detailed reports every third year, with annual updates, on these incentives. In October 2017, the United States provided an updated report on specific U.S. Government institutions and incentives (see IP/C/W/631/Add.2).

Implementation of the TRIPS Agreement by LDCs: On June 11, 2013, the TRIPS Council reached consensus on a decision to extend the transition period under Article 66.1 of the TRIPS Agreement for least-developed WTO Members. Under this decision, LDCs are not required to apply the provisions of the TRIPS Agreement, other than Articles 3, 4, and 5, until July 1, 2021, or until such a date on which they cease to be a LDC Member, whichever date is earlier. On November 6, 2015, the TRIPS Council reached consensus to extend the transition period for LDC Members to implement Sections 5 and 7 of the TRIPS Agreement with respect to pharmaceutical products until January 1, 2033, and reached consensus to recommend waiving Articles 70.8 and 70.9 of the TRIPS Agreement with respect to pharmaceuticals also until January 1, 2033, which the WTO General Council adopted on November 30, 2015.

Non-Violation and Situation Complaints: On November 23, 2015, the TRIPS Council reached agreement to extend the moratorium on non-violation and situation complaints under the TRIPS Agreement for two years until the next Ministerial in 2017. Members agreed to extend the moratorium for an additional two years during the 2017 Ministerial. The moratorium was originally introduced in Article 64 of the TRIPS Agreement, for a period of five years following the entry into force of the WTO Agreement (i.e., until December 31, 1999). The moratorium has been referred to and extended in several WTO Ministerial documents, most recently in 2013. In 2017, the TRIPS Council continued its intensified discussions on this issue, including on the basis of a communication by the United States to the Council outlining the U.S. position on non-violation and situation complaints. This communication (document number IP/C/W/599) addressed the relevant TRIPS Agreement provisions, WTO and GATT disputes, and provided responses to issues raised by other WTO Members.

Prospects for 2018

In 2018, the TRIPS Council will continue to focus on IP and innovation as well as its built-in agenda, including possibly issues related to the LDC transition period for implementing the TRIPS Agreement, on the relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD), and on traditional knowledge and folklore, as well as enforcement and other relevant new developments.

U.S. objectives for 2017 continue to be to:

- Resolve differences through consultations and use of dispute settlement procedures, where appropriate;
- Continue efforts to ensure that developing country Members fully implement the TRIPS Agreement;
- Engage in constructive dialogue with WTO members, including regarding the technical assistance and capacity-related needs of developing countries, and especially LDCs, in connection with TRIPS Agreement implementation;
- Continue to encourage a fact-based discussion within the TRIPS Council regarding TRIPS Agreement provisions and defend against Members seeking to use the TRIPS Council as a forum to criticize robust IP protection and enforcement;
- Ensure that provisions of the TRIPS Agreement are not weakened;
- Continue to advance discussions on IP and Innovation, including through data-driven discussions on IPR that promote concrete outcomes; and
- Intensify discussions within the TRIPS Council on the application of non-violation nullification and impairment (NVNI) under the TRIPS Agreement.

G. Council for Trade in Services

Status

The Council for Trade in Services (CTS) oversees implementation of the GATS and reports to the General Council. This includes a technical review of GATS Article XX.2 provisions; review of waivers from specific commitments pursuant to paragraphs 3 and 4 of Article IX of the Marrakesh Agreement Establishing the WTO; a periodic review of developments in the air transport sector; the transitional review mechanism under Section 18 of the Protocol on the Accession of the People's Republic of China; implementation of GATS Article VII; a review of Article II exemptions (to most-favored nation treatment); and notifications made to the General Council pursuant to GATS Articles III.3, V.5, V.7, and VII.4. Four subsidiary bodies report to the CTS: The Committee on Specific Commitments, the Committee on Trade in Financial Services, the Working Party on Domestic Regulation, and the Working Party on GATS Rules.

Major Issues in 2017

The CTS met several times during 2017, receiving a number of notifications pursuant to GATS Article III:3 (transparency) and GATS Article V:7 (economic integration). The operationalization of the LDC services waiver was discussed, and one additional notification of preferential treatment was acknowledged during the year. A total of 24 Members have submitted notifications to date, including the United States.

The Council endeavored to organize workshops on electronic commerce and mode 4, but when consensus could not be reached on the agenda for electronic commerce, both workshops were deferred to 2018. The Council discussed various submissions related to the Work Program on Electronic Commerce, with several Members proposing a decision at MC11 that would set out a pathway for the launch of negotiations. However, other Members opposed any work on rule-making related to electronic commerce and, once again, a consensus could not be reached.

At the request of the United States and Japan, the Council discussed cybersecurity measures of China and Vietnam. Several Members joined the discussion to express concern about such measures and to state that they could have an adverse effect on trade. The Council also undertook the fourth review of MFN exemptions and determined to consider the date of the next review at the first meeting in 2022.

Prospects for 2018

The CTS will continue discussions related to its mandated reviews and various notifications related to GATS implementation, as well as other topics raised by Members. The Council may renew efforts to reach consensus on the agenda for workshops on electronic commerce and mode 4.

1. Committee on Trade in Financial Services

Status

The Committee on Trade in Financial Services (CTFS) provides a forum for Members to explore financial services market access and regulatory issues, including implementation of existing trade commitments.

Major Issues in 2017

The CTFS met in March, June, and October 2017.

The CTFS continued its work on regulatory issues in financial services. The Committee on Payments and Market Infrastructures (CPMI), the Financial Stability Board (FSB), and the International Association of Insurance Supervisors (IAIS) made presentations on recent developments in their respective areas of competence.

The topic of trade in financial services and development continued to receive attention from the CTFS. During the year, the CTFS continued discussion on financial inclusion, based on a Background Note, “Barriers to Financial Inclusion and Trade in Services” prepared by the Secretariat at the request of CTFS members. The representative of Jamaica, on behalf of the members of the Caribbean Community (CARICOM), proposed a seminar on de-risking and correspondent banking. Members are continuing to consult on this proposal.

Prospects for 2018

At this time, no meetings of the CTFS have been scheduled during 2018, and the future focus of Committee is not clear.

2. Working Party on Domestic Regulation

Status

GATS Article VI:4 on Domestic Regulation provides for Members to develop any necessary disciplines relating to qualification requirements and procedures, technical standards, and licensing requirements and procedures. In May 1999, the CTS established the Working Party on Domestic Regulation (WPDR), which took on the mandate of GATS VI:4.

Major Issues in 2017

The WPDR saw a significant uptick in work during 2017, with numerous meetings throughout the year.

During 2017, discussions intensified on the basis of detailed proposals made by several Members in late 2016. In February 2017, India supplemented its 2016 proposal of “Possible Elements of a Trade Facilitation

in Services Agreement” with an elaboration entitled “Trade Facilitation Agreement for Services.” However, there was little discussion of this proposal in the second half of 2017.

The group of Members who in late 2016 had proposed a revised text on “Administration of Measures” followed up with proposed texts relating to transparency, development of measures, technical standards, and development. A sub-set of these Members also made a proposal on gender equality in services licensing and proposed an alternative text on development of measures. These texts were ultimately compiled into a single proposal by Argentina, Australia, Canada, Chile, Colombia, Costa Rica, the European Union, Hong Kong China, Iceland, Israel, Japan, Kazakhstan, the Republic of Korea, Liechtenstein, Mexico, the Republic of Moldova, New Zealand, Norway, Switzerland, Chinese Taipei, Turkey, Ukraine, and Uruguay. Notably, however, although this compiled text included earlier proposals on gender equality and a necessity test, not all co-sponsors supported these proposals. Comments and textual suggestions on this compiled text were submitted by India and the Russian Federation. Many Members expressed the view that this compiled text should be the basis of future discussions in the WPDR. However, other Members expressed fundamental conceptual differences with the compiled text. Although this text was discussed at the 11th Ministerial Conference, no consensus was reached either on its adoption or on a future work plan for the WPDR.

The United States continues to take the view that any horizontal disciplines in this area must be balanced in their application and must advance regulatory transparency while respecting the right of WTO Members to regulate, as recognized by the GATS.

Prospects for 2018

At this time, no meetings of the WPDR have been scheduled during 2018. Discussion is likely to continue on the basis of the compiled text.

3. Working Party on GATS Rules

Status

The Working Party on GATS Rules (WPGR) provides a forum to discuss the possibility of new disciplines on emergency safeguard measures, government procurement, and subsidies.

Major Issues in 2017

Continuing the low level of engagement in prior years, the WPGR did not meet during 2017.

Prospects for 2018

At this time, no meetings of the WPGR have been scheduled for 2017, and the future focus of the Committee is not clear.

4. Committee on Specific Commitments

Status

The Committee on Specific Commitments (CSC) examines ways to improve the technical accuracy of scheduling commitments, primarily in preparation for the GATS negotiations, and oversees the application of the procedures for the modification of schedules under GATS Article XXI. The CSC also oversees

implementation of commitments in Members' schedules in sectors for which there is no sectoral committee, which is currently the case for all sectors except financial services.

Major Issues in 2017

The CSC held one meeting, in March 2017. China proposed to continue prior discussions of the concept of “new services.” However other Members took the view that this subject had been exhausted. China also proposed a discussion of the distinction between the terms “e-commerce” and “digital trade,” but other Members did not agree on the need to draw such a distinction. The Committee also continued its prior discussion of the uncertainty caused by vaguely described schedule entries on economic needs tests.

Prospects for 2018

Work will continue on technical issues as raised by Members.

H. Dispute Settlement Understanding

Status

The Understanding on Rules and Procedures Governing the Settlement of Disputes (Dispute Settlement Understanding or DSU), which is annexed to the WTO Agreement, provides a mechanism to settle disputes under the Uruguay Round Agreements.

The DSU is administered by the DSB, which consists of representatives of the entire membership of the WTO and is empowered to establish dispute settlement panels, adopt panel and Appellate Body reports, oversee the implementation of panel recommendations adopted by the DSB, and authorize retaliation. The DSB makes all its decisions by consensus unless the WTO Agreement provides otherwise.

Major Issues in 2017

The DSB met 14 times in 2017 to oversee disputes and to address responsibilities such as appointing members to the Appellate Body and approving additions to the roster of governmental and nongovernmental panelists.

Roster of Governmental and Non-Governmental Panelists

Article 8 of the DSU makes it clear that panelists may be drawn from either the public or private sector and must be “well-qualified,” such as persons who have served on or presented a case to a panel, represented a government in the WTO or the GATT, served with the Secretariat, taught or published in the international trade field, or served as a senior trade policy official. Since 1985, the Secretariat has maintained a roster of nongovernmental experts for GATT 1947 dispute settlement, which has been available for use by parties in selecting panelists. In 1995, the DSB agreed on procedures for renewing and maintaining the roster, and expanding it to include governmental experts. In response to a U.S. proposal, the DSB also adopted standards increasing and systematizing the information submitted by roster candidates. These modifications aid in evaluating candidates' qualifications and encouraging the appointment of well-qualified candidates who have expertise in the subject matters of the Uruguay Round Agreements. In 2017, the DSB approved by consensus a number of additional names for the roster. The United States scrutinized the credentials of these candidates to assure the quality of the roster.

Pursuant to the requirements of the Uruguay Round Agreements Act (URAA), the present WTO panel roster appears in the background information in Annex II. The list in the roster notes the areas of expertise of each roster member (goods, services, and/or TRIPS).

Rules of Conduct for the DSU

The DSB completed work on a code of ethical conduct for WTO dispute settlement and, on December 3, 1996, adopted the Rules of Conduct for the Understanding on Rules and Procedures Governing the Settlement of Disputes. A copy of the Rules of Conduct was printed in the Annual Report for 1996 and is available on the WTO and USTR websites. There were no changes to these Rules in 2017.

The Rules of Conduct elaborate on the ethical standards built into the DSU to maintain the integrity, impartiality, and confidentiality of proceedings conducted under the DSU. The Rules of Conduct require all individuals called upon to participate in dispute settlement proceedings to disclose direct or indirect conflicts of interest prior to their involvement in the proceedings and to conduct themselves during their involvement in the proceedings so as to avoid such conflicts.

The Rules of Conduct also provide parties an opportunity to address potential material violations of these ethical standards. The coverage of the Rules of Conduct exceeds the goals established by the U.S. Congress in section 123(c) of the URAA, which directed USTR to seek conflict of interest rules applicable to persons serving on panels and members of the Appellate Body. The Rules of Conduct cover not only panelists and Appellate Body members, but also: (1) arbitrators; (2) experts participating in the dispute settlement mechanism (*e.g.*, the Permanent Group of Experts under the SCM Agreement); (3) members of the WTO Secretariat assisting a panel or assisting in a formal arbitration proceeding; and (4) the support staff of the Appellate Body.

As noted above, the Rules of Conduct established a disclosure based system. Examples of the types of information that covered persons must disclose are set forth in Annex II to the Rules, and include: (1) financial interests, business interests, and property interests relevant to the dispute in question; (2) professional interests; (3) other active interests; (4) considered statements of personal opinion on issues relevant to the dispute in question; and (5) employment or family interests.

Appellate Body

Pursuant to the DSU, the DSB appoints seven persons to serve on an Appellate Body, which is to be a standing body with members serving four year terms, except for three initial appointees determined by lot whose terms expired at the end of two years. At its first meeting on February 10, 1995, the DSB formally established the Appellate Body, and agreed to arrangements for selecting its members and staff. The DSB also agreed that Appellate Body members would serve on a part-time basis and sit periodically in Geneva. The original seven Appellate Body members were Mr. James Bacchus of the United States, Mr. Christopher Beeby of New Zealand, Mr. Claus-Dieter Ehlermann of Germany, Mr. Said El-Naggar of Egypt, Mr. Florentino Feliciano of the Philippines, Mr. Julio Lacarte-Muró of Uruguay, and Mr. Mitsuo Matsushita of Japan. On June 25, 1997, it was determined by lot that the terms of Messrs. Ehlermann, Feliciano, and Lacarte-Muró would expire in December 1997. The DSB agreed on the same date to reappoint them for a final term of four years commencing on December 11, 1997. At its meeting held on October 27, 1999 and November 3, 1999, the DSB agreed to renew the terms of Messrs. Bacchus, and Beeby for a final term of four years, commencing on December 11, 1999, and to extend the terms of Mr. El-Naggar and Mr. Matsushita until the end of March 2000. On April 7, 2000, the DSB agreed to appoint Mr. Georges Michel Abi-Saab of Egypt and Mr. A.V. Ganesan of India to a term of four years commencing on June 1, 2000. On May 25, 2000, the DSB agreed to the appointment of Mr. Yasuhei Taniguchi of Japan to serve through December 10, 2003, the remainder of the term of Mr. Beeby, who passed away on March 19, 2000. On

September 25, 2001, the DSB agreed to appoint Mr. Luiz Olavo Baptista of Brazil, Mr. John S. Lockhart of Australia, and Mr. Giorgio Sacerdoti of Italy to a term of four years commencing on December 11, 2001. On November 7, 2003, the DSB agreed to appoint Ms. Merit Janow of the United States to a term of four years commencing on December 11, 2003, to reappoint Mr. Taniguchi for a final term of four years commencing on December 11, 2003, and to reappoint Mr. Abi-Saab and Mr. Ganesan for a final term of four years commencing on June 1, 2004. On September 27, 2005, the DSB agreed to reappoint Mr. Baptista, Mr. Lockhart, and Mr. Sacerdoti for a final term of four years commencing on December 12, 2005. On July 31, 2006, the DSB agreed to the appointment of Mr. David Unterhalter of South Africa to serve through December 11, 2009, the remainder of the term of Mr. Lockhart, who passed away on January 13, 2006. At its meeting held on November 19 and 27, 2007, the DSB agreed to appoint Ms. Lilia R. Bautista of the Philippines and Ms. Jennifer Hillman of the United States as members of the Appellate Body for four years commencing on December 11, 2007, and to appoint Mr. Shotaro Oshima of Japan and Ms. Yuejiao Zhang of China as members of the Appellate Body for four years commencing on June 1, 2008. On November 12, 2008, Mr. Baptista notified the DSB that he was resigning for health reasons, effective in 90 days. On December 22, 2008, the DSB decided to deem the term of the position to which Mr. Baptista was appointed to expire on June 30, 1999, and to fill the position previously held by Mr. Baptista for a four year term. On June 19, 2009, the DSB agreed to appoint Mr. Ricardo Ramírez Hernández of Mexico as a member of the Appellate Body for four years commencing on July 1, 2009, to appoint Mr. Peter Van den Bossche of Belgium as a member of the Appellate Body for four years commencing on December 12, 2009, and to reappoint Mr. Unterhalter for a final term of four years commencing on December 12, 2009. On November 18, 2011, the DSB agreed to appoint Mr. Thomas Graham of the United States and Mr. Ujal Bhatia of India as members of the Appellate Body for four years commencing on December 11, 2011. On May 24, 2012, the DSB agreed to appoint Mr. Seung Wha Chang of Korea as a member of the Appellate Body for four years commencing on June 1, 2012, and to reappoint Ms. Zhang for a final term of four years commencing on June 1, 2012. On March 26, 2013, the DSB agreed to reappoint Mr. Ramírez Hernández of Mexico for a final term of four years commencing on July 1, 2013. On November 25, 2013, the DSB agreed to reappoint Mr. Van den Bossche of Belgium for a final term of four years commencing on December 12, 2013. On September 26, 2014, the DSB agreed to appoint Mr. Shree Baboo Chekitan Servansing of Mauritius to a term of four years commencing on October 1, 2014. On November 25, 2015, the DSB agreed to reappoint Mr. Bhatia of India and Mr. Graham of the United States for a final term of four years each commencing on December 11, 2015. On November 23, 2016, the DSB agreed to appoint Ms. Zhao Hong of China and Mr. Hyun Chong Kim of Korea to a term of four years commencing on December 1, 2016. On August 1, 2017, Mr. Kim tendered his resignation, effective immediately. The DSB had not appointed replacements for Mr. Ramirez, Mr. Kim, or Mr. Van den Bossche as of the end of 2017 (*the names and biographical data for the Appellate Body members during 2017 are included in Annex II of this report*).

The Appellate Body has also adopted Working Procedures for Appellate Review. On February 28, 1997, the Appellate Body issued a revision of the Working Procedures, providing for a two year term for the first Chairperson, and one year terms for subsequent Chairpersons. In 2001, the Appellate Body amended its working procedures to provide for no more than two consecutive terms for a Chairperson. Mr. Lacarte-Muró, the first Chairperson, served until February 7, 1998; Mr. Beeby served as Chairperson from February 7, 1998 to February 6, 1999; Mr. El-Naggar served as Chairperson from February 7, 1999 to February 6, 2000; Mr. Feliciano served as Chairperson from February 7, 2000 to February 6, 2001; Mr. Ehlermann served as Chairperson from February 7, 2001 to December 10, 2001; Mr. Bacchus served as Chairperson from December 15, 2001 to December 10, 2003; Mr. Abi-Saab served as Chairperson from December 13, 2003 to December 12, 2004; Mr. Taniguchi served as Chairperson from December 17, 2004 to December 16, 2005; Mr. Ganesan served as Chairperson from December 17, 2005 to December 16, 2006; Mr. Sacerdoti served as Chairperson from December 17, 2006 to December 17, 2007; Mr. Baptista served as Chairperson from December 18, 2007, to December 17, 2008; Mr. Unterhalter served as Chairperson from December 18, 2008 to December 16, 2010; Ms. Bautista served as Chairperson from December 17, 2010 to June 14, 2011; Ms. Hillman served as Chairperson from June 15, 2011 until December 10, 2011; Ms.

Zhang served as Chairperson from December 11, 2011 to December 31, 2012; Mr. Ramirez served as Chairperson from January 1, 2013 to December 31, 2014; Mr. Van den Bossche served as Chairperson from January 1, 2015 to December 31, 2015; Mr. Graham served as Chairperson from January 1, 2016 to December 31, 2016, and Mr. Bhatia served as Chairperson from January 1, 2017 to December 31, 2017.

In 2017, the Appellate Body issued two reports on the following issues: (1) on a challenge by the United States and New Zealand to Indonesia's barriers on the importation of horticultural products, beef, poultry, and animals; and (2) on a challenge by Indonesia to EU anti-dumping duties on fatty alcohols. In the disputes in which it was not a party, the United States participated as a third party.

Dispute Settlement Activity in 2017

During the DSB's first 23 years in operation, WTO Members filed 535 requests for consultations (25 in 1995, 42 in 1996, 46 in 1997, 44 in 1998, 31 in 1999, 30 in 2000, 27 in 2001, 37 in 2002, 26 in 2003, 19 in 2004, 11 in 2005, 20 in 2006, 14 in 2007, 19 in 2008, 14 in 2009, 17 in 2010, 8 in 2011, 27 in 2012, 17 in 2013, 14 in 2014, 13 in 2015, 16 in 2016, and 18 in 2017). During that period, the United States filed 113 complaints against other Members' measures and received 130 complaints on U.S. measures. Several of these complaints involved the same issues as other complaints. A number of disputes commenced in earlier years remained active in 2017. What follows is a description of those disputes in which the United States was a complainant, defendant, or third party during the past year.

Prospects for 2018

The United States has used the opportunity of the ongoing review to seek improvements in the dispute settlement system, including greater transparency. In 2018, the United States expects the DSB to continue to focus on the administration of the dispute settlement process in the context of individual disputes. Experience gained with the DSU will be incorporated into the U.S. litigation and negotiation strategy for enforcing U.S. WTO rights, as well as the U.S. position on DSU reform. Participants will continue to consider reform proposals in 2018.

Disputes Brought by the United States

In 2017, the United States continued to be one of the most active participants in the WTO dispute settlement process. This section includes brief summaries of dispute settlement activity in 2017 where the United States was a complainant (listed alphabetically by responding party).

Argentina — Measures Affecting the Importation of Goods (DS444)

On August 21, 2012, the United States requested consultations with Argentina regarding certain measures affecting the importation of goods into Argentina. These measures include the broad use of non-transparent and discretionary import licensing requirements that have the effect of restricting U.S. exports as well as burdensome trade balancing commitments that Argentina requires as a condition for authorization to import goods.

Between 2008 and 2013, Argentina greatly expanded the list of products subject to non-automatic import licensing requirements, with import licenses required for approximately 600 eight-digit tariff lines in Argentina's goods schedule. In February 2012, Argentina adopted an additional licensing requirement that applies to all imports of goods into the country. In conjunction with these licensing requirements, Argentina has adopted informal trade balancing requirements and other schemes, whereby companies seeking to obtain authorization to import products must agree to export goods of an equal or greater value, make investments in Argentina, lower prices of imported goods, and/or refrain from repatriating profits.

Through these measures, the United States was concerned that Argentina was acting inconsistently with its WTO obligations, including with Article XI:1 of the General Agreement on Tariffs and Trade 1994 (GATT 1994), which generally prohibits restrictions on imports of goods, including those made effective through import licenses. The United States was also concerned the measures breached various provisions of the *Agreement on Import Licensing Procedures*, which contains requirements related to the administrative procedures used to implement import licensing regimes.

The United States and Argentina held consultations on September 20 and 21, 2012, but these consultations failed to resolve the dispute. On December 17, 2012, the United States, together with the European Union and Japan, requested the WTO to establish a dispute settlement panel to examine Argentina's import restrictions, and a panel was established on January 28, 2013. The Director General composed the panel as follows: Ms. Leora Blumberg, Chair; and Ms. Claudia Orozco and Mr. Graham Sampson, Members.

Argentina repealed its product-specific non-automatic import licenses, which had been the subject of consultations and the U.S. panel request on January 25, 2013. However, it continued to maintain a discretionary non-automatic import licensing requirement applicable to all goods imported into Argentina, as well as informal trade balancing and similar requirements.

On August 22, 2014, the Panel issued its report. The Panel found Argentina's import licensing requirement and its trade balancing requirements to be inconsistent with Article XI of the GATT 1994.

On September 26, 2014, Argentina appealed the panel findings. The parties made written submissions to the Appellate Body during the fall of 2014, and the Appellate Body held an oral hearing on November 3 and 4, 2014.

The Appellate Body issued its report on January 15, 2015. In its report, the Appellate Body rejected Argentina's arguments, upholding the Panel's findings that Argentina's import licensing requirement and trade balancing requirements are inconsistent with Article XI of the GATT 1994. On January 26, 2015, the DSB adopted the panel and Appellate Body reports.

At the DSB meeting held on February 23, 2015, Argentina informed the DSB that it intended to implement the DSB's recommendations and rulings in a manner that respects its WTO obligations, and that it would need a reasonable period of time (RPT) to do so. The United States and Argentina agreed that the RPT would be 11 months and 5 days, ending on December 31, 2015. Since December 2015, Argentina has issued modified import licensing requirements. The United States has significant questions about how the adoption of these measures could serve to bring Argentina's import licensing measures into compliance with its WTO obligations, and the United States is working to address these concerns.

China – Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products (DS363)

On April 10, 2007, the United States requested consultations with China regarding certain measures related to the import and/or distribution of imported films for theatrical release, audiovisual home entertainment products (e.g., video cassettes and DVDs), sound recordings, and publications (e.g., books, magazines, newspapers, and electronic publications). On July 10, 2007, the United States requested supplemental consultations with China regarding certain measures pertaining to the distribution of imported films for theatrical release and sound recordings.

Specifically, the United States was concerned that certain Chinese measures: (1) restricted trading rights (such as the right to import goods into China) with respect to imported films for theatrical release,

audiovisual home entertainment products, sound recordings, and publications; and (2) restricted market access for, or discriminated against, imported films for theatrical release and sound recordings in physical form, and foreign service providers seeking to engage in the distribution of certain publications, audiovisual home entertainment products, and sound recordings. The Chinese measures at issue appeared to be inconsistent with several WTO provisions, including provisions in the GATT 1994 and GATS, as well as specific commitments made by China in its WTO accession agreement.

The United States and China held consultations on June 5-6, 2007 and July 31, 2007, but they did not resolve the dispute. On October 10, 2007, the United States requested the establishment of a panel, and on November 27, 2007, a panel was established. On March 27, 2008, the Director General composed the panel as follows: Mr. Florentino P. Feliciano, Chair; and Mr. Juan Antonio Dorantes and Mr. Christian Häberli, Members.

The report of the panel was circulated to WTO Members and made public on August 12, 2009. In the final report, the panel made three critical sets of findings. First, the panel found that China's restrictions on foreign invested enterprises (and in some cases foreign individuals) from importing films for theatrical release, audiovisual home entertainment products, sound recordings, and publications are inconsistent with China's trading rights commitments as set forth in China's protocol of accession to the WTO. The panel also found that China's restrictions on the right to import these products are not justified by Article XX(a) of the GATT 1994. Second, the panel found that China's prohibitions and discriminatory restrictions on foreign owned or controlled enterprises seeking to distribute publications and audiovisual home entertainment products and sound recordings over the Internet are inconsistent with China's obligations under the GATS. Third, the panel also found that China's treatment of imported publications is inconsistent with the national treatment obligation in Article III: 4 of the GATT 1994.

In September 2009, China filed a notice of appeal to the WTO Appellate Body, appealing certain of the panel's findings. First, China contended that its restrictions on importation of the products at issue are justified by an exception related to the protection of public morals. Second, China claimed that while it had made commitments to allow foreign enterprises to partner in joint ventures with Chinese enterprises to distribute music, those commitments did not cover the electronic distribution of music. Third, and finally, China claimed that its import restrictions on films for theatrical release and certain types of sound recordings and DVDs were not inconsistent with China's commitments related to the right to import because those products were not goods and therefore were not subject to those commitments. The United States filed a cross appeal on one aspect of the panel's analysis of China's defense under GATT Article XX(a). On December 21, 2009, the Appellate Body issued its report. The Appellate Body rejected each of China's claims on appeal. The Appellate Body also found that the Panel had erred in the aspect of the analysis that the United States had appealed. The DSB adopted the Appellate Body and panel reports on January 19, 2010. On July 12, 2010, the United States and China notified the DSB that they had agreed on a 14 month period of time for implementation, to end on March 19, 2011.

China subsequently issued several revised measures, and repealed other measures, relating to the market access restrictions on books, newspapers, journals, DVDs and music. As China acknowledged, however, it did not issue any measures addressing theatrical films. Instead, China proposed bilateral discussions with the United States in order to seek an alternative solution. The United States and China reached agreement in February 2012 on a Memorandum of Understanding (MOU) providing for substantial increases in the number of foreign films imported and distributed in China each year and substantial additional revenue for foreign film producers. The MOU is currently being reviewed to discuss additional compensation for the U.S. side.

China – Measures Relating to the Exportation of Various Raw Materials (DS394)

On June 23, 2009, the United States requested consultations with China regarding China's export restraints on a number of important raw materials. The materials at issue are: bauxite, coke, fluorspar, magnesium, manganese, silicon metal, silicon carbide, yellow phosphorus, and zinc. These materials are inputs for numerous downstream products in the steel, aluminum, and chemical sectors.

The United States challenged China's export restraints on these raw materials as inconsistent with several WTO provisions, including provisions in the GATT 1994, as well as specific commitments made by China in its WTO accession agreement. Specifically, the United States challenged certain Chinese measures that impose: (1) quantitative restrictions in the form of quotas on exports of bauxite, coke, fluorspar, silicon carbide, and zinc ores and concentrates, as well as certain intermediate products incorporating some of these inputs; and (2) export duties on several raw materials. The United States also challenged other related export restraints, including export licensing restrictions, minimum export price requirements, and requirements to pay certain charges before certain products can be exported, as well as China's failure to publish relevant measures.

The United States and China held consultations on July 30 and September 1 and 2, 2009, but did not resolve the dispute. The EU and Mexico also requested and held consultations with China on these measures. On November 19, 2009, the EU and Mexico joined the United States in requesting the establishment of a panel, and on December 21, 2009, the WTO DSB established a single panel to examine all three complaints. On March 29, 2010, the Director General composed the panel as follows: Mr. Elbio Rosselli, Chair; Ms. Dell Higgie and Mr. Nugroho Wisnumurti, Members.

The panel's final report was circulated to Members on July 5, 2011. The panel found that the export duties and export quotas imposed by China on various forms of bauxite, coke, fluorspar, magnesium, manganese, silicon carbide, silicon metal, and zinc constitute a breach of WTO rules and that China failed to justify those measures as legitimate conservation measures, environmental protection measures, or short supply measures. The panel also found China's imposition of minimum export price, export licensing, and export quota administration requirements on these materials, as well as China's failure to publish certain measures related to these requirements inconsistent with WTO rules.

On January 30, 2012, the Appellate Body issued a report affirming the panel's findings on all significant claims. In particular, the Appellate Body confirmed that: China may not seek to justify its imposition of export duties as environmental or conservation measures; China failed to demonstrate that certain of its export quotas were justified as measures for preventing or relieving a critical shortage; and the Panel correctly made recommendations for China to bring its measures into conformity with its WTO obligations. The Appellate Body also found that the panel erred in making findings related to licensing and administration claims, declaring those findings moot, and erred in its legal interpretation of one element of the exception set forth in Article XX(g) of the GATT 1994.

The DSB adopted the Appellate Body report, and the panel report as modified by the Appellate Body report, on February 22, 2012. The United States, the EU, Mexico, and China agreed that China would have until December 31, 2012, to comply with the rulings and recommendations.

At the conclusion of the RPT for China to comply, it appeared that China had eliminated the export duties and export quotas on the products at issue in this dispute, as of January 1, 2013. However, China maintains export licensing requirements for a number of the products. The United States continues to monitor actions by China that might operate to restrict exports of raw materials at issue in this dispute.

China – Certain Measures Affecting Electronic Payment Services (DS413)

On September 15, 2010, the United States requested consultations with China concerning issues relating to certain restrictions and requirements maintained by China pertaining to electronic payment services (EPS) for payment card transactions and the suppliers of those services. EPS enable transactions involving credit card, debit card, charge card, check card, automated teller machine (ATM) card, prepaid card, or other similar card or money transmission product, and manage and facilitate the transfers of funds between institutions participating in such card-based electronic payment transactions.

EPS provide the essential architecture for card-based electronic payment transactions, and EPS are supplied through complex electronic networks that streamline and process transactions and offer an efficient and reliable means to facilitate the movement of funds from the cardholders purchasing goods or services to the individuals or businesses that supply them. EPS consist of a network, rules and procedures, and operating system that allow cardholders' banks to pay merchants' banks the amounts they are owed. EPS suppliers receive, check and transmit the information that processors need to conduct the transactions. The rules and procedures established by the EPS supplier give the payment system stability and integrity, and enable net payment flows among the institutions involved in card-based electronic transactions. The best known EPS suppliers are credit and debit card companies based in the United States.

China instituted and maintains measures that operate to block foreign EPS suppliers, including U.S. suppliers, from supplying these services, and that discriminate against foreign suppliers at every stage of a card-based electronic payment transaction. The United States challenged China's measures affecting EPS suppliers as inconsistent with China's national treatment and market access commitments under the GATS.

The United States and China held consultations on October 27 and 28, 2010, but these consultations did not resolve the dispute. The United States requested the establishment of a panel on February 11, 2011. On March 25, 2011, the DSB established a panel to consider the claims of the United States. On July 4, 2011, the Director General composed the panel as follows: Mr. Virachai Plasai, Chair; and Ms. Elaine Feldman and Mr. Martín Redrado, Members. The panel held its meetings with the parties on October 26-27, 2011, and December 13-14, 2011.

The Panel issued its report to the Parties on May 25, 2012. The Panel Report was circulated to the WTO Membership on July 16, 2012. China did not appeal the Panel's findings, and the Panel Report was adopted by the DSB on August 31, 2012.

The United States prevailed on significant threshold issues, including:

- EPS is a single service (or EPS are integrated services) and each element of EPS is necessary for a payment card transaction to occur.
- EPS is properly classified under the same subsector, item (viii) of the GATS Annex on Financial Services, which appears as subsector (d) of China's Schedule (All payment and money transmission services, including credit, charge, and debit cards...) as the United States argued, and no element of EPS is classified as falling in item (xiv) of the GATS Annex on Financial services (settlement and clearing of financial assets, including securities, derivative products, and other negotiable instruments), as China argued and for which China has no WTO commitments.
- In addition to the "four-party" model of EPS (*e.g.*, Visa and MasterCard), the "three-party" model (*e.g.*, American Express) and other variations, and third party issuer processor and merchant processors also are covered by subsector (d) of China's Schedule.

- With respect to the U.S. GATS national treatment claims, the Panel found the following violations:
- China imposes requirements on issuers of payment cards that payment cards issued in China bear the “Yin Lian/UnionPay logo,” and therefore China requires issuers to become members of the CUP network; that the cards they issue in China meet certain uniform business specifications and technical standards; and that these requirements fail to accord to services and service suppliers of any other Member treatment no less favorable than China accords to its own like services and service suppliers;
- China imposes requirements that all terminals (ATMs, merchant processing devices, and point of sale (POS) terminals) in China that are part of the national card inter-bank processing network be capable of accepting all payment cards bearing the Yin Lian/UnionPay logo, and that these requirements fail to accord to services and service suppliers of any other Member treatment no less favorable than China accords to its own like services and service suppliers;
- China imposes requirements on acquirers (those institutions that acquire payment card transactions and that maintain relationships with merchants) to post the Yin Lian/UnionPay logo, and furthermore, China imposes requirements that acquirers join the CUP network and comply with uniform business standards and technical specifications of inter-bank interoperability, and that terminal equipment operated or provided by acquirers be capable of accepting bank cards bearing the Yin Lian/UnionPay logo, and that these requirements fail to accord to services and service suppliers of any other Member treatment no less favorable than China accords to its own like services and service suppliers;

With respect to the U.S. GATS market access claims, the Panel found that China’s requirements related to certain Hong Kong and Macau transactions are inconsistent with Article XVI: 2(a) of the GATS because, contrary to China’s Sector 7B (d) mode 3 market access commitments, China maintains a limitation on the number of service suppliers in the form of a monopoly.

The United States and China agreed that a RPT for China to implement the DSB recommendations and rulings would be 11 months from the date of adoption of the recommendations and rulings, that is, until July 31, 2013.

In April 2015, the State Council of China issued a formal decision announcing that China’s market would be open to foreign suppliers that seek to provide EPS for domestic currency payment card transactions. The People’s Bank of China followed this in July 2015 by publishing a draft licensing regulation for public comment. This draft licensing regulation was finalized in June 2016. However, to date no foreign EPS supplier is permitted to operate in the domestic Chinese market. The United States has urged China to ensure that approvals for foreign EPS suppliers to operate in China occur without delay, in accordance with China’s WTO obligations, and continues to monitor the situation closely.

China — Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum (DS431)

On March 13, 2012, the United States requested consultations with China regarding China’s export restraints on rare earths, tungsten, and molybdenum. These materials are vital inputs in the manufacture of electronics, automobiles, steel, petroleum products, and a variety of chemicals that are used to produce both everyday items and highly sophisticated, technologically advanced products, such as hybrid vehicle batteries, wind turbines, and energy efficient lighting.

The United States challenged China’s export restraints on these materials as inconsistent with several WTO provisions, including provisions in the GATT 1994, as well as specific commitments made by China in its WTO accession agreement. Specifically, the United States challenged: (1) China’s quantitative restrictions

in the form of quotas on exports of rare earth, tungsten, and molybdenum ores and concentrates, as well as certain intermediate products incorporating some of these inputs; (2) China's export duties on rare earths, tungsten, and molybdenum; and (3) China's other export restraints on these materials, including prior export performance and minimum capital requirements.

The United States, together with the EU and Japan, held consultations with China on April 25-26, 2012, but the consultations did not resolve the dispute.

On June 29, 2012, the EU and Japan joined the United States in requesting the establishment of a panel, and on July 23, 2012, the WTO DSB established a single panel to examine all three complaints. On September 24, 2012, the Director General composed the panel as follows: Mr. Nacer Benjelloun-Touimi, Chair; Mr. Hugo Cayrús and Mr. Darlington Mwape, members. The panel held its meetings with the parties on February 26-28, 2013, and June 18-19, 2013.

On March 26, 2014, the panel issued its report. The panel found that the export quotas and export duties imposed by China on various forms of rare earths, tungsten, and molybdenum constitute a breach of WTO rules and that China failed to justify those measures as legitimate conservation measures or environmental protection measures, respectively. The panel also found China's imposition of prior export performance and minimum capital requirements inconsistent with WTO rules.

On August 7, 2014, the Appellate Body issued a report affirming the panel's findings on all significant claims. In particular, the Appellate Body confirmed that China may not seek to justify its imposition of export duties as environmental measures. The Appellate Body also confirmed, while modifying some of the panel's original reasoning that China had failed to demonstrate that its export quotas were justified as measures for conserving exhaustible natural resources.

On August 29, 2014, the DSB adopted the panel and Appellate Body reports. In September 2014, China announced its intention to implement the DSB recommendations and rulings in the dispute, and stated that it would need a RPT in which to do so. The United States, the EU, Japan, and China agreed that China would have until May 2, 2015, to comply with the recommendations and rulings.

China announced that it had eliminated its export quotas on the products at issue in this dispute as of January 1, 2015, and its export duties as of May 1, 2015.

China maintains export licensing requirements for these products, however. Accordingly, the United States continues to monitor actions by China that might operate to restrict exports of the materials at issue in this dispute.

China — Anti-Dumping and Countervailing Duty Measures on Broiler Products from the United States (DS427)

On September 20, 2011, the United States filed a request for consultations regarding China's imposition of antidumping and countervailing duties on imports of chicken broiler products from the United States.

On September 27, 2009, China's Ministry of Commerce (MOFCOM) initiated antidumping and countervailing duty investigations of imports of chicken broiler products from the United States. On September 26, 2010 and August 30, 2010, China imposed antidumping and countervailing duties, respectively. The United States' review of MOFCOM's determinations sustaining antidumping and countervailing duties indicated that China was acting inconsistently with numerous WTO obligations, such as abiding by applicable procedures and legal standards, including by finding injury to China's domestic

industry without objectively examining the evidence, by improperly calculating dumping margins and subsidization rates, and by failing to adhere to various transparency and due process requirements.

The United States and China held consultations on October 28, 2011, but were unable to resolve the dispute. On December 8, 2011, the United States requested the establishment of a panel. The DSB established a panel on January 20, 2012. On May 24, 2012, the WTO Director General composed the panel as follows: Mr. Faizullah Khilji, Chair; and Mr. Serge Fréchette and Ms. Claudia Orozco, Members. The Panel held its meetings with the parties on September 27-28, 2012, and December 4-5, 2012.

The Panel's report, which upheld nearly all the claims brought by the United States, was circulated on August 2, 2013. In particular, the Panel found MOFCOM's substantive determinations and procedural conduct in levying the duties was inconsistent with China's WTO obligations. With respect to the substantive errors, the Panel's report found China breached its obligations by:

- Levying countervailing duties on U.S. producers in excess of the amount of subsidization;
- Relying on flawed price comparisons for its determination that China's domestic industry had suffered injury;
- Unjustifiably declining to use the books and records of two major U.S. producers in calculating their costs of production; failing to consider any of the alternative allocation methodologies presented by U.S. producers and instead using a weight-based methodology resulting in high dumping margins; improperly allocating distinct processing costs to other products inflating dumping margins; and allocating one producer's costs in producing non-exported products to exported products creating an inflated dumping margin; and
- Improperly calculating the "all others" dumping margin and subsidy rates.

With respect to the procedural failings, the Panel found that China breached its WTO obligations by:

- Denying a hearing request during the investigation;
- Failing to require the Chinese industry to provide non-confidential summaries of information it provided to MOFCOM; and
- Failing to disclose essential facts to U.S. companies including how their dumping margins were calculated.

The DSB adopted the panel report on September 25, 2013. On December 19, 2013, the United States and China agreed that China would have until July 9, 2014 to comply with the panel's findings.

MOFCOM announced on December 25, 2014 that it was initiating a reinvestigation of U.S. producers in response to the panel report. MOFCOM released re-determinations on July 8, 2014, that maintained recalculated duties on U.S. broiler products.

The United States considered that China failed to bring its measures into compliance with WTO rules, and on May 10, 2016, requested consultations. The United States and China held consultations on May 24, 2016 but did not resolve the dispute. On May 27, 2016, the United States requested the establishment of a compliance panel, which was established on July 18, 2016. A hearing before the panel took place in April 2017. The panel released the public version of its report on January 18, 2018.

China — Certain Measures Affecting the Automobile and Automobile-Parts Industries (DS450)

On September 17, 2012, the United States requested consultations with China concerning China's automobile and automobile parts "export base" program. Under this program, China appears to provide

extensive subsidies to automobile and automobile parts exporting enterprises located in designated regions known as “export bases.” It appears that China is providing these subsidies in contravention of its obligation under Article 3 of the SCM Agreement, which prohibits the provision of subsidies contingent upon export performance. China also appears to have failed to comply with various transparency related obligations, including its obligation to notify the challenged subsidies as required by the SCM Agreement, and to publish the measures at issue in an official journal and to translate the measures into one or more of the official languages of the WTO as required by China’s Protocol of Accession.

The United States and China held consultations in November 2012. After consultations, China removed or did not renew key provisions. The United States continues to monitor China’s actions with respect to the matters at issue in this dispute.

China — Measures related to Demonstration Bases and Common Service Platform Programs (DS489)

On February 11, 2015, the United States requested consultations regarding China’s “Demonstration Bases-Common Service Platform” export subsidy program. Under this program, China appears to provide prohibited export subsidies through “Common Service Platforms” to manufacturers and producers across seven economic sectors and dozens of sub-sectors located in more than 150 industrial clusters, known as “Demonstration Bases.”

Pursuant to this Demonstration Bases-Common Service Platform program, China provides free and discounted services as well as cash grants and other incentives to enterprises that meet export performance criteria and are located in 179 Demonstration Bases throughout China. Each of these Demonstration Bases is comprised of enterprises from one of seven sectors: (1) textiles, apparel and footwear; (2) advanced materials and metals (including specialty steel, titanium and aluminum products); (3) light industry; (4) specialty chemicals; (5) medical products; (6) hardware and building materials; and (7) agriculture. China maintains and operates this extensive program through over 150 central government and sub-central government measures throughout China.

The United States held consultations with China on March 13 and April 1-2, 2015. On April 9, 2015, the United States requested the establishment of a panel, and on April 22, 2015, the WTO DSB established a panel to examine the complaint. The United States and China held additional consultations following the establishment of the panel and reached agreement in April 2016 on a Memorandum of Understanding (MOU). Pursuant to the MOU, China agreed to terminate the export subsidies it had provided through the Demonstration Bases-Common Service Platform program. The United States continues to monitor China’s actions with respect to its compliance with the terms of the MOU.

China – Tax Measures Concerning Certain Domestically Produced Aircraft (DS501)

On December 8, 2015, the United States requested consultations with China concerning its measures providing tax advantages in relation to the sale of certain domestically produced aircraft in China. It appears that China exempts the sale of certain domestically produced aircraft from China’s value-added tax (VAT), while imported aircraft continue to be subject to the VAT. The aircraft subject to the exemptions appear to include general aviation, regional, and agricultural aircraft. China has also failed to publish the measures that establish these exemptions.

These measures appear to be inconsistent with Articles III:2 and III:4 of the GATT 1994. China also appears to have acted inconsistently with its obligations under Article X:1 of the GATT 1994, as well as a number of specific commitments made by China in its WTO accession agreement.

The United States and China held consultations on January 29, 2016. Following consultations, the United States confirmed that China rescinded the discriminatory tax exemptions at issue, and the United States made those relevant measures public.

China — Export Duties on Certain Raw Materials (DS508, 509)

On July 13, 2016, and July 19, 2016, the United States requested consultations with China regarding China's restraints on the exportation of antimony, chromium, cobalt, copper, graphite, indium, lead, magnesias, talc, tantalum, and tin. These materials are critical to the production of downstream products made in the United States in industries including aerospace, automotive, construction, electronics, and steel.

The United States challenged China's export restraints on these materials as inconsistent with several WTO provisions, including provisions in the GATT 1994, as well as specific commitments made by China in its WTO accession agreement. The export restraints include export quotas, export duties, and additional requirements that impose restrictions on the trading rights of enterprises seeking to export various forms of the materials, such as prior export performance requirements.

The United States, together with the EU, held consultations with China on September 8-9, 2016. Consultations did not resolve the dispute.

Pursuant to a request by the United States, the WTO DSB established a panel on November 8, 2016.

China — Subsidies to Producers of Primary Aluminum

On January 12, 2017, the United States requested consultations with China concerning apparent subsidies that China provides to certain producers of primary aluminum in China. China appears to provide subsidies through artificially cheap loans from banks and through artificially low-priced inputs for aluminum production, such as coal, electricity, and alumina.

These subsidies appear to be inconsistent with China's obligations under Articles 5(c), 6.3(a), 6.3(b), 6.3(c) and 6.3(d) of the *Subsidies and Countervailing Measures* (SCM Agreement) and Article XVI:1 of the *General Agreement on Tariffs and Trade 1994* (GATT 1994). In particular, under Article 5(c) of the SCM Agreement, WTO Members have agreed that subsidies should not cause "serious prejudice" to the interests of other WTO Members.

The United States is concerned that China's subsidies appear to be causing or threatening to cause serious prejudice to the interests of the United States through displacement or impedance of U.S. imports into China and third country markets, significant price undercutting, price suppression, price depression or lost sales in a given market, or through an increase in Chinese world market share.

European Union – Measures concerning meat and meat products (hormones) (DS26, 48)

The United States and Canada challenged the EU ban on imports of meat from animals to which any of six hormones for growth promotional purposes had been administered. The panel found that the EU ban is inconsistent with the EU's obligations under the SPS Agreement, and that the ban is not based on science, a risk assessment, or relevant international standards.

Upon appeal, the Appellate Body affirmed the panel's findings that the EU ban fails to satisfy the requirements of the SPS Agreement. The Appellate Body also found that, while a country has broad discretion in electing what level of protection it wishes to implement, in doing so it must fulfill the

requirements of the SPS Agreement. In this case, the ban imposed is not rationally related to the conclusions of the risk assessments the EU had performed.

Because the EU did not comply with the recommendations and rulings of the DSB by May 13, 1999, the final date of its compliance period as set by arbitration, the United States sought WTO authorization to suspend concessions with respect to certain products of the EU. The value of the suspension of concessions represents an estimate of the annual harm to U.S. exports resulting from the EU's failure to lift its ban on imports of U.S. meat. The EU exercised its right to request arbitration concerning the amount of the suspension. On July 12, 1999, the arbitrators determined the level of suspension to be \$116.8 million. On July 26, 1999, the DSB authorized the United States to suspend such concessions and the United States proceeded to impose 100 percent *ad valorem* duties on a list of EU products with an annual trade value of \$116.8 million.

On November 3, 2003, the EU notified the WTO that it had amended its hormones ban. On November 8, 2004, the EU requested consultations with respect to "the United States" continued suspension of concessions and other obligations under the covered agreements" in the EU – Hormones dispute. The Appellate Body issued its report in the *U.S. – Continued Suspension* (WT/DS320) dispute on October 16, 2008.

On October 31, 2008, USTR announced that it was considering changes to the list of EU products on which 100 percent *ad valorem* duties had been imposed in 1999. A modified list of EU products was announced by USTR on January 15, 2009.

On December 22, 2008, the EU requested consultations with the United States and Canada pursuant to Articles 4 and 21.5 of the DSU, regarding the EU's implementation of the DSB's recommendations and rulings in the EU–Hormones dispute. In its consultations request, the EU stated that it considered that it has brought into compliance the measures found inconsistent in EU–Hormones by, among other things, adopting its revised ban in 2003. Consultations took place in February 2009.

Pursuant to a Memorandum of Understanding (MOU) between the United States and the EU, further litigation in the EU-Hormones compliance proceeding has been suspended.

In 2016 industry representatives requested that the U.S. reinstate suspension of concessions, as authorized by the DSB. USTR accordingly initiated proceedings under Section 306 of the Trade Act.

(For additional information on the U.S. suspension of concessions and the MOU, please see the discussion of the associated Section 301 investigation in section 5.B.1 of this report.)

European Union – Measures affecting the approval and marketing of biotechnology products (DS291)

Since the late 1990s, the EU has pursued policies that undermine agricultural biotechnology and trade in biotechnological foods. After approving a number of biotechnological products through October 1998, the EU adopted an across-the-board moratorium under which no further biotechnology applications were allowed to reach final approval. In addition, six Member States (Austria, France, Germany, Greece, Italy, and Luxemburg) adopted unjustified bans on certain biotechnological crops that had been approved by the EU prior to the adoption of the moratorium. These measures have caused a growing portion of U.S. agricultural exports to be excluded from EU markets, and unfairly cast concerns about biotechnology products around the world, particularly in developing countries.

On May 13, 2003, the United States filed a consultation request with respect to: (1) the EU's moratorium on all new biotechnology approvals; (2) delays in the processing of specific biotech product applications;

and (3) the product-specific bans adopted by six EU Member States (Austria, France, Germany, Greece, Italy, and Luxembourg). The United States requested the establishment of a panel on August 7, 2003. Argentina and Canada submitted similar consultation and panel requests. On August 29, 2003, the DSB established a panel to consider the claims of the United States, Argentina, and Canada. On March 4, 2003, the Director General composed the panel as follows: Mr. Christian Häberli, Chair; and Mr. Mohan Kumar and Mr. Akio Shimizu, Members.

The panel issued its report on September 29, 2006. The panel agreed with the United States, Argentina, and Canada that the disputed measures of the EU, Austria, France, Germany, Greece, Italy, and Luxembourg are inconsistent with the obligations set out in the SPS Agreement. In particular:

- The panel found that the EU adopted a *de facto*, across-the-board moratorium on the final approval of biotechnological products, starting in 1999 up through the time the panel was established in August 2003.
- The panel found that the EU had presented no scientific or regulatory justification for the moratorium, and thus that the moratorium resulted in “undue delays” in violation of the EU’s obligations under the SPS Agreement.
- The panel identified specific, WTO inconsistent “undue delays” with regard to 24 of the 27 pending product applications that were listed in the U.S. panel request.
- The panel upheld the United States’ claims that, in light of positive safety assessments issued by the EU’s own scientists, the bans adopted by six EU Member States on products approved in the EU prior to the moratorium were not supported by scientific evidence, and were thus inconsistent with WTO rules.

The DSB adopted the panel report on November 21, 2006. At the meeting of the DSB held on December 19, 2006, the EU notified the DSB that the EU intended to implement the recommendations and rulings of the DSB in these disputes, and stated that it would need a RPT for implementation. On June 21, 2006, the United States, Argentina, and Canada notified the DSB that they had agreed with the EU on a one year period of time for implementation, to end on November 21, 2007. On November 21, 2007, the United States, Argentina, and Canada notified the DSB that they had agreed with the EU to extend the implementation period to January 11, 2008.

On January 17, 2008, the United States submitted a request for authorization to suspend concessions and other obligations with respect to the EU under the covered agreements at an annual level equivalent to the annual level of nullification or impairment of benefits accruing to the United States resulting from the EU’s failure to bring measures concerning the approval and marketing of biotechnology products into compliance with the recommendations and rulings of the DSB. On February 6, 2008, the EU requested arbitration under Article 22.6 of the DSU, claiming that the level of suspension proposed by the United States was not equivalent to the level of nullification or impairment. The EU and the United States mutually agreed to suspend the Article 22.6 arbitration proceedings as of February 18, 2008. The United States may request resumption of the proceedings following a finding by the DSB that the EU has not complied with the recommendations and rulings of the DSB.

Subsequent to the suspension of the Article 22.6 proceeding, the United States has been monitoring EU developments and has been engaged with the EU in discussions with the goal of normalizing trade in biotechnology products.

European Union and certain Member States – Measures affecting trade in large civil aircraft (DS316)

On October 6, 2004, the United States requested consultations with the EU, as well as with Germany, France, the United Kingdom, and Spain, with respect to subsidies provided to Airbus, a manufacturer of large civil aircraft. The United States alleged that such subsidies violated various provisions of the SCM Agreement, as well as Article XVI:1 of the GATT 1994. Consultations were held on November 4, 2004. On January 11, 2005, the United States and the EU agreed to a framework for the negotiation of a new agreement to end subsidies for large civil aircraft. The parties set a three month time frame for the negotiations and agreed that, during negotiations, they would not request panel proceedings.

The United States and the EU were unable to reach an agreement within the 90 day time frame. Therefore, the United States filed a request for a panel on May 31, 2005. The panel was established on July 20, 2005. The U.S. request challenged several types of EU subsidies that appear to be prohibited, actionable, or both.

On October 17, 2005, the Deputy Director General composed the panel as follows: Mr. Carlos Pérez del Castillo, Chair; and Mr. John Adank and Mr. Thinus Jacobsz, Members. The panel met with the parties on March 20-21 and July 25-26, 2007, and met with the parties and third parties on July 24, 2007. The panel granted the parties' request to hold part of its meetings with the parties in public session. This portion of the panel's meetings was videotaped and reviewed by the parties to ensure that business confidential information had not been disclosed before being shown in public on March 22 and July 27, 2007.

The Panel issued its report on June 30, 2010. It agreed with the United States that the disputed measures of the EU, France, Germany, Spain, and the United Kingdom were inconsistent with the SCM Agreement. In particular:

- Every instance of “launch aid” provided to Airbus was a subsidy because in each case, the terms charged for this unique low interest, success-dependent financing were more favorable than were available in the market.
- Some of the launch aid provided for the A380, Airbus's newest and largest aircraft, was contingent on exports and, therefore, a prohibited subsidy.
- Several instances in which German and French government entities created infrastructure for Airbus were subsidies because the infrastructure was not general, and the price charged to Airbus for use resulted in less than adequate remuneration to the government.
- Several government equity infusions into the Airbus companies were subsidies because they were on more favorable terms than available in the market.
- Several EU and Member State research programs provided grants to Airbus to develop technologies used in its aircraft.
- These subsidies caused adverse effects to the interests of the United States in the form of lost sales, displacement of U.S. imports into the EU market, and displacement of U.S. exports into the markets of Australia, Brazil, China, Chinese Taipei, Korea, Mexico, and Singapore.

The EU filed a notice of appeal on July 21, 2010. The WTO Appellate Body conducted an initial hearing on August 3, 2010, to discuss procedural issues related to the need to protect business confidential information and highly sensitive business information and issued additional working procedures to that end on August 10, 2010. The Appellate Body held two hearings on the issues raised in the EU's appeal of the

Panel's findings of WTO inconsistent subsidization of Airbus. The first hearing, held November 11-17, 2010, addressed issues associated with the main subsidy to Airbus, launch aid, and the other subsidies challenged by the United States. The second hearing held December 9-14, 2010, focused on the Panel's findings that the European subsidies caused serious prejudice to the interests of the United States in the form of lost sales and declining market share in the EU and other third country markets. On May 18, 2011, the Appellate Body issued its report. The Appellate Body affirmed the Panel's central findings that European government launch aid had been used to support the creation of every model of large civil aircraft produced by Airbus. The Appellate Body also confirmed that launch aid and other challenged subsidies to Airbus have directly resulted in Boeing losing sales involving purchases of Airbus aircraft by EasyJet, Air Berlin, Czech Airlines, Air Asia, Iberia, South African Airways, Thai Airways International, Singapore Airlines, Emirates Airlines, and Qantas – and lost market share, with Airbus gaining market share in the EU and in third country markets, including China and South Korea, at the expense of Boeing. The Appellate Body also found that the Panel applied the wrong standard for evaluating whether subsidies are export subsidies, and that the Panel record did not have enough information to allow application of the correct standard.

On December 1, 2011, the EU provided a notification in which it claimed to have complied with the DSB recommendations and rulings. On December 9, 2011, the United States requested consultations regarding the notification and also requested authorization from the DSB to impose countermeasures. The United States and the EU held consultations on January 13, 2012. On December 22, 2011, the EU objected to the level of suspension of concessions requested by the United States, and the matter was referred to arbitration pursuant to Article 22.6 of the DSU. On January 19, 2012, the United States and the EU requested that the arbitration be suspended pending the conclusion of the compliance proceeding.

On March 30, 2012, in light of the parties' disagreement over whether the EU had complied with the DSB's recommendations and rulings, the United States requested that the DSB refer the matter to the original Panel pursuant to Article 21.5 of the DSU. The DSB did so at a meeting held on April 13, 2012. On April 25, 2012, the compliance Panel was composed with the members of the original Panel: Mr. Carlos Pérez del Castillo, Chair; Mr. John Adank and Mr. Thinus Jacobsz, Members.

The parties filed submissions in the compliance proceeding in late 2012, and the compliance Panel held a meeting with the parties on April 16-17, 2013.

On September 22, 2016, the report of the Article 21.5 Panel was circulated to the Members. The panel found that the EU breached Articles 5(c) and 6.3(a), (b), and (c) of the SCM agreement, and that the EU and certain Member States failed to comply with the DSB recommendations under Article 7.8 of the SCM Agreement to “take appropriate steps to remove the adverse effects or ... withdraw the subsidy.”

Significant findings by the compliance panel against the EU include:

- 34 out of 36 alleged compliance “steps” notified by the EU did not amount to “actions” with respect to the subsidies provided to the Airbus or the adverse effects that those subsidies were to have caused in the original proceeding.
- As a result, the EU failed to withdraw the subsidies, as recommended by the DSB.
- Those subsidies were a genuine and substantial cause of lost sales to U.S. aircraft, and displacement and impedance of exports of U.S. aircraft to Australia, China, India, Korea, Singapore, and the United Arab Emirates.

On October 13, 2016, the EU notified the DSB of its decision to appeal certain issues of law and legal interpretations developed by the compliance panel. The Division hearing the appeal is Ricardo Ramirez-Hernandez (Chair), Peter van den Bossche and Ujal Singh Bhatia.

The parties and third parties filed written submissions in December 2016 and January 2017. The Appellate Body Division held substantive oral hearings with the parties and third parties from May 2-5, 2017, and from September 26-29, 2017. A decision is expected in the first half of 2018.

European Union – Regime for the importation, sale, and distribution of bananas – Recourse to Article 21.5 of the DSU by the United States (WT/DS27)

On June 29, 2007, the United States requested the establishment of a panel under Article 21.5 of the DSU to review whether the EU had failed to bring its import regime for bananas into compliance with its WTO obligations and the DSB recommendations and rulings adopted on September 25, 1997. The request related to the EU's apparent failure to implement the WTO rulings in a proceeding initiated by Ecuador, Guatemala, Honduras, Mexico, and the United States. That proceeding had resulted in findings that the EU's banana regime discriminated against bananas originating in Latin American countries and against distributors of such bananas, including a number of U.S. companies. The EU was under an obligation to bring its banana regime into compliance with its WTO obligations by January 1999. The EU committed to shift to a tariff only regime for bananas no later than January 1, 2006. Despite these commitments, the banana regime implemented by the EU on January 1, 2006, included a zero duty tariff-rate quota allocated exclusively to bananas from African, Caribbean, and Pacific countries. All other bananas did not have access to this duty-free tariff-rate quota and were subject to a 176 euro per ton duty. The United States brought challenges under GATT Articles I:1 and XIII.

Ecuador requested the establishment of a similar compliance panel on February 23, 2007, and a panel was composed in response to that request on June 15. In response to the United States request, the Panel was established on July 12, 2007. On August 13, 2007, the Director General composed the Panel as follows: Mr. Christian Häberli, Chair; and Mr. Kym Anderson and Mr. Yuqing Zhang, Members. Mr. Häberli and Mr. Anderson were members of the original Panel in this dispute.

The Panel granted the parties' request to open the substantive meeting with the parties, as well as a portion of the third-party session, to the public. The public observed these meetings from a gallery in the room in which the meetings were conducted.

The Panel issued its report on May 19, 2008. The Panel agreed with the United States that the EU's regime was inconsistent with the EU's obligations under Articles I:1, XIII:1, and XIII:2 of the GATT 1994, and that the EU had failed to implement the recommendations and rulings of the DSB.

On August 28, 2008, the EU filed a notice of appeal. The Appellate Body granted a joint request by the parties to open its hearing to the public, and the public was able to observe the hearing via a closed circuit television broadcast. The Appellate Body issued its report on November 26, 2008. The Appellate Body found that the EU had failed to bring itself into compliance with the recommendations and rulings of the DSB. In particular, the Appellate Body rejected all of the EU's procedural arguments alleging the United States was barred from bringing the compliance proceeding and agreed with the panel that the EU's duty-free tariff-rate quota reserved only for some countries was inconsistent with Article XIII of the GATT 1994. The Panel in this dispute had also found that the EU's banana import regime was in violation of GATT Article I. The EU did not appeal that finding. The DSB adopted the Appellate Body report on December 22, 2008.

On December 15, 2009, the United States and the EU initialed an agreement designed to lead to settlement of the dispute. In the agreement, the EU undertakes not to reintroduce measures that discriminate among bananas distributors based on the ownership or control of the distributor or the source of the bananas, and to maintain a nondiscriminatory, tariff only regime for the importation of bananas. The United States-

European Union agreement complements an agreement initialed on the same date between the EU and several Latin American banana supplying countries (the GATB). That agreement provides for staged EU tariff cuts that will bring the EU into compliance with its obligations under the WTO Agreement. The GATB was signed on May 31, 2010, and the United States-European Union agreement was signed on June 8, 2010. The agreements will enter into force following completion of certain domestic procedures. Upon entry into force, the EU will need to request formal WTO certification of its new tariffs on bananas. The GATB provides that once the certification process is concluded, the EU and the Latin American signatories to the GATB will settle their disputes and claims. Once that has occurred, the United States will also settle its dispute with the EU.

The GATB entered into force on May 1, 2012, following completion of certain domestic procedures. The EU's revised tariff commitments on bananas were formally certified through the WTO certification process (document WT/Let/868 of October 30, 2012). Pursuant to the GATB, the EU, and the Latin American signatories to the GATB settled their disputes and claims on November 8, 2012. As the GATB has entered into force and both the EU and the United States have completed necessary domestic procedures, the United States-European Union agreement entered into force on January 24, 2013. The United States will also settle its dispute with the EU.

European Communities – Certain Measures Affecting Poultry Meat and Poultry Meat Products from the United States (DS389)

On January 16, 2009, the United States requested consultations regarding certain EU measures that prohibit the import of poultry meat and poultry meat products that have been processed with chemical treatments designed to reduce the amount of microbes on poultry meat, unless such pathogen reduction treatments (PRTs) have been approved. The EU further prohibits the marketing of poultry meat and poultry meat products if they have been processed with PRTs. In December 2008, the EU formally rejected the approval of four PRTs whose approval had been requested by the United States, despite the fact that EU scientists have repeatedly concluded that poultry meat and poultry meat products treated with any of these four PRTs does not present a health risk to European consumers. The EU's maintenance of its import ban and marketing regulation against PRT poultry appears to be inconsistent with its obligations under the SPS Agreement, the Agriculture Agreement, the GATT 1994, and the TBT Agreement. Consultations were held on February 11, 2009, but those consultations failed to resolve the dispute. The United States requested the establishment of a panel on October 8, 2009, and the DSB established a panel on November 19, 2009.

India — Measures Concerning the Importation of Certain Agricultural Products from the United States (DS430)

On March 6, 2012, the United States requested consultations with India regarding its import prohibitions on various agricultural products from the United States. India asserts these import prohibitions are necessary to prevent the entry of avian influenza into India. However, the United States has not had an outbreak of highly pathogenic avian influenza since 2004. With respect to low pathogenic avian influenza (LPAI), the only kind of avian influenza found in the United States since 2004, international standards do not support the imposition of import prohibitions, including the type maintained by India. The United States considers that India's restrictions are inconsistent with numerous provisions of the SPS Agreement, including Articles 2.2, 2.3, 3.1, 5.1, 5.2, 5.5, 5.6, 5.7, 6.1, 6.2, 7, and Annex B, and Articles I and XI of GATT 1994.

The United States and India held consultations on April 16-17, 2012, but were unable to resolve the dispute. The United States requested the establishment of a WTO panel on May 24, 2012. At its meeting on June 25, 2012, the WTO DSB established a panel. On February 18, 2014, the WTO Director General composed

the Panel as follows: Mr. Stuart Harbinson as Chair; and Ms. Delilah Cabb and Mr. Didrik Tønseth, Members. The panel held meetings with the Parties on July 24-25, 2013 and December 16-17, 2013.

The Panel issued its report on October 14, 2014. In its report, the panel found in favor of the United States. Specifically, the Panel found that India's restrictions breach its WTO obligations because they: are not based on international standards or a risk assessment that takes into account available scientific evidence; arbitrarily discriminate against U.S. products because India blocks imports while not similarly blocking domestic products; constitute a disguised restriction on international trade; are more trade restrictive than necessary since India could reasonably adopt international standards for the control of avian influenza instead of imposing an import ban; fail to recognize the concept of disease free areas and are not adapted to the characteristics of the areas from which products originate and to which they are destined; and were not properly notified in a manner that would allow the United States and other WTO Members to comment on India's restrictions before they went into effect. India filed its notice of appeal on January 26, 2015.

On 4 June 2015, the Appellate Body issued its report in this dispute, upholding the Panel's findings that India's restrictions: are not based on international standards or a risk assessment that takes into account available scientific evidence; arbitrarily discriminate against U.S. products because India blocks imports while not similarly blocking domestic products; are more trade restrictive than necessary since India could reasonably adopt international standards for the control of avian influenza instead of imposing an import ban; and fail to recognize the concept of disease-free areas and are not adapted to the characteristics of the areas from which products originate and to which they are destined.

On July 13, 2015, India informed the DSB that it intended to implement the DSB's recommendations and rulings and would need a RPT to do so. On December 8, 2015, the United States and India agreed that the RPT would be 12 months, ending on June 19, 2016.

On July 7, 2016, the United States requested the authorization of the DSB to suspend concessions or other obligations pursuant to Article 22.2 of the DSU. India objected to the request, referring the matter to arbitration. The Arbitrator was composed by the original panel panelists. The United States and India submitted written submissions during the summer and fall of 2017, as well participated in a meeting with the Arbitrator the week of November 30, 2017.

On April 6, 2017, India requested the establishment of a compliance panel. India asserted that it had enacted a revised avian influenza measure that complied with India's WTO obligations. The compliance panel was composed by the original panelists. The United States and India presented written submissions the fall of 2017, as well as participated in a meeting with the compliance panel the week of December 6, 2017.

India – Solar Local Content I / II (DS456)

In February 2013, the United States requested WTO consultations with India concerning domestic-content requirements for participation in an Indian solar power generation program known as the National Solar Mission (NSM). Under Phase I of the NSM, which India initiated in 2010, India provided guaranteed, long-term payments to solar power developers contingent on the purchase and use of solar cells and solar modules of domestic origin. India continued to impose domestic content requirements for solar cells and modules under Phase II of the NSM, which India launched in October 2013. In March 2014, the United States held consultations with India on Phase II of the NSM. In April 2014, after two rounds of unsuccessful consultations with India, the United States requested that the WTO DSB establish a dispute settlement panel. In May 2014, the DSB established a WTO panel to examine India's domestic content requirements under its NSM program. On September 24, 2014, the parties agreed to compose the Panel as follows: Mr. David Walker as Chair; and Mr. Pornchai Danvivathana and Mr. Marco Tulio Molina Tejada, Members. The Panel held meetings with the Parties on February 3-4, 2015, and April 28-29, 2015.

The Panel issued its final public report on February 24, 2016, finding in favor of the United States on all claims. The Panel found that India's domestic content requirements under its National Solar Mission are inconsistent with India's national treatment obligations under Article III:4 of the GATT 1994, and Article 2.1 of the Agreement on Trade-related Investment Measures (TRIMS Agreement). Because an Indian solar power developer may bid for and maintain certain power generation contracts only by using domestically produced equipment, and not by using imported equipment, India's requirements accord "less favorable" treatment to imported solar cells and modules than that accorded to like products of Indian origin. India appealed this decision to the WTO Appellate Body on April 20, 2016. The Appellate Body issued its report on September 16, 2016. The Appellate Body affirmed the Panel's finding that India's domestic content requirements (DCR measures) under its National Solar Mission are inconsistent with India's national treatment obligations under Article III:4 of the GATT 1994 and Article 2.1 of the TRIMS Agreement. The Appellate Body also affirmed that Panel's rejection of India's defensive claims under Articles III:8(a), XX(j) and XX(d) of the GATT 1994.

The DSB adopted the panel and Appellate Body reports during a special meeting of the DSB on October 14, 2016. At that meeting, India informed the DSB that India intended to implement the DSB's recommendations and rulings in a manner that respects its WTO obligations, and that it would need an RPT to do so. India and the United States agreed that India would complete implementation of the DSB recommendations and rulings by December 14, 2017.

On December 14, 2017 India submitted a status report to DSB indicating that India had implemented the rulings and recommendations of the DSB. On December 19, 2017 the United States requested authorization from the DSB to suspend trade concessions under Article 22.2 of the DSU on grounds that India had not, in fact, brought its measures into conformity with WTO rules. India objected to the United States' request on January 3, 2018. The United States' request to suspend concessions was referred to arbitration pursuant to Article 22.6 of the DSU at special meeting of the DSB on January 12, 2018. An arbitration panel has yet to be established.

On January 23, 2018, India requested the establishment of a compliance panel under Article 21.5 of the DSU to determine whether the measures that India has purportedly taken to comply the recommendations and rulings of the DSB are consistent with WTO rules. The DSB was scheduled to consider India's request at a February 9, 2018 meeting of the DSB.

Indonesia – Import Restrictions on Horticultural Products, Animals, and Animal Products (DS455, DS465 and DS478)

On May 8, 2014, the United States, joined by New Zealand, requested consultations with Indonesia concerning certain measures affecting the importation of horticultural products, animals, and animal products into Indonesia. The measures on which consultations were requested include Indonesia's import licensing regimes for horticultural products and for animals and animal products, as well as certain prohibitions and restrictions that Indonesia imposes through these regimes.

The United States previously had requested consultations on prior versions of Indonesia's import licensing regimes. Indonesia established import licensing regimes governing the importation of horticultural products and animals and animal products in 2012. The United States was concerned about these regimes and certain measures imposed through them and, on January 10, 2013, requested consultations with Indonesia. Indonesia subsequently amended or replaced its import licensing regulations, changing their structure and requirements. The United States requested consultations again, this time joined by New Zealand, on August 30, 2013. Indonesia again amended its import licensing regimes shortly thereafter, and the consultation request in the current dispute (DS478) followed.

The United States is concerned that Indonesia, through its import licensing regimes, imposes numerous prohibitions and restrictions on the importation of covered products, including: (1) prohibiting the importation of certain products altogether; (2) imposing strict application windows and validity periods for import permits; (3) restricting the type, quantity, and country of origin of products that may be imported; (4) requiring that importers actually import a certain percentage of the volume of products allowed under their permits; (5) restricting the uses for which products may be imported; (6) imposing local content requirements; (7) restricting imports on a seasonal basis; and (8) setting a “reference price” below which products may not be imported. The Indonesian measures at issue appeared to be inconsistent with several WTO provisions, including Article XI:1 of the GATT 1994 and Article 4.2 of the Agriculture Agreement.

The United States and New Zealand held consultations with Indonesia on June 19, 2014, but these consultations failed to resolve the dispute. On March 18, 2015, the United States, together with New Zealand, requested the WTO to establish a dispute settlement panel to examine Indonesia’s import restrictions. A panel was established on May 20, 2015. The Director General Composed the panel as follows: Mr. Christian Espinoza Cañizares, Chair; and Mr. Gudmundur Helgason and Ms. Angela Maria Orozco Gómez, Members. The panel held meetings with the Parties on February 1-2, 2016 and April 13-14, 2016.

The Panel circulated its report on December 22, 2016. The Panel found that all of Indonesia's import restricting measures for horticultural products and animal products are inconsistent with Article XI:1 of the GATT 1994. The Panel also found that Indonesia has failed to demonstrate that the challenged measures are justified under any general exception available under the GATT 1994. Indonesia appealed the Panel’s report to on February 17, 2017. An appellate report was issued on November 9, 2017. The appellate report affirmed the finding of the Panel that all of Indonesia’s measures are inconsistent with Article XI:1 of the GATT 1994 and, as Indonesia did not establish an affirmative defense with respect to any measure, with Indonesia’s WTO obligations.

The DSB adopted the appellate report and the Panel report, as modified by the appellate report, on November 22, 2017. On December 18, 2017, Indonesia circulated a letter pursuant to Article 21.3(c) of the DSU stating that it would need a reasonable period of time to implement the DSB’s recommendations and rulings in this dispute.

China – Domestic Supports for Agricultural Producers (DS511)

On September 13, 2016, the United States requested consultations with China concerning certain measures through which China provides domestic support in favor of agricultural producers, in particular, to those producing wheat, Indica rice, Japonica rice, and corn. It appears that China's level of domestic support is in excess of its commitment level of “nil” specified in Section I of Part IV of China’s Schedule CLII because, for example, China provides domestic support in excess of its product-specific *de minimis* level of 8.5 percent for each of wheat, Indica rice, Japonica rice, and corn.

China’s level of domestic support appears to be inconsistent with Articles 3.2, 6.3, and 7.2(b) of the Agriculture Agreement. The parties consulted on this matter on October 20, 2016, but the consultations did not resolve the dispute.

At a meeting of the Dispute Settlement Body on December 16, 2016, the United States requested the establishment of a panel to examine the complaint. A panel was established on January 25, 2017. On June 24, 2017, the parties agreed to compose the Panel as follows: Mr. Gudmundur Helgason as Chair; and Mr. Juan Antonio Dorantes Sánchez, Member, and Ms. Elaine Feldman as Members. The panel held meetings

with the parties on January 22-25, 2018 and will hold a second panel meeting April 24-27, 2018. No date has yet been set for circulation of the final report.

Australia, Brazil, Canada, Colombia, Ecuador, Egypt, El Salvador, the European Union, Guatemala, India, Indonesia, Israel, Japan, Kazakhstan, Korea, Norway, Pakistan, Paraguay, Philippines, Russia, Saudi Arabia, Singapore, Chinese Taipei, Thailand, Turkey, Ukraine, and Vietnam have reserved their rights to participate in the panel proceedings as third parties.

China — Administration of Tariff-Rate Quotas for Certain Agricultural Products (DS517)

On December 15, 2016, the United States requested consultations with China regarding the administration of tariff-rate quotas for certain agricultural products, namely, wheat, corn, and rice.

The measures identified in the request establish a system by which the National Development and Reform Commission (NDRC) annually allocates quota to eligible enterprises, and reallocates quota returned unused, based on eligibility requirements and allocation principles that are not clearly specified. The tariff-rate quotas for these commodities have under filled, even in years where market conditions would suggest demand for imports. China's administration of these tariff-rate quotas inhibits the filling of the tariff-rate quotas, restricting opportunities for U.S. and other trading partners to export wheat, corn, and rice to China.

In its Accession Protocol China agreed to ensure that the tariff-rate quotas were administered on a transparent, predictable, uniform, fair and non-discriminatory basis using clearly specified timeframes, administrative procedures and requirements that would provide effective import opportunities; that would reflect consumer preference and end-user demand; and that would not inhibit the filling of each tariff-rate quota. In addition to acting inconsistent with tariff-rate quota-specific commitments in its Accession protocol, China's administration is inconsistent with Article XIII:3(b) of the General Agreement on Tariffs and Trade of 1994 (GATT 1994) because China fails to provide public notice of quantities permitted to be imported and changes to quantities permitted to be imported under each TRQ. China's administration is inconsistent with Article XI:1 of the GATT 1994, which generally prohibits restrictions on imports of goods other than duties, taxes, or other charges. Finally, China's administration is inconsistent with Article X:3(a) of the GATT 1994 because China does not administer its tariff-rate quotas in a reasonable manner.

On February 9, 2017, the United States and China held consultations in Geneva. The European Union, Canada, Australia, and Thailand requested to join the consultations as third parties but China denied the third parties' requests.

The consultations filed to resolve the U.S. concerns, and the United States requested the establishment of a panel at the August 31 and September 22, 2017 meetings of the Dispute Settlement Body. On September 22, 2017, a panel was established. The panel proceedings are ongoing.

Canada — Measures Governing the Sale of Wine in Grocery Stores (Second Complaint) (DS531)

On January 18, 2017, the United States requested consultations with Canada regarding measures maintained by the Canadian province of British Columbia ("BC") governing the sale of wine in grocery stores. The WTO Secretariat entitled that dispute *Canada — Measures Governing the Sale of Wine in Grocery Stores* and assigned it the dispute number DS520. The United States and Canada held consultations in Ottawa on April 21, 2017. On October 2, 2017, the United States filed a second request for consultations with Canada regarding the same matter and identified successor laws and regulations that entered into force subsequent to the original request for consultations. The United States and Canada held consultations by video conference on October 25, 2017.

The BC wine measures that the United States has challenged provide advantages to BC wine through the granting of exclusive access to a retail channel of selling wine on grocery store shelves. The BC measures discriminate on their face against imported wine by allowing only BC wine to be sold on regular grocery store shelves while imported wine may be sold in grocery stores only through a so-called “store within a store.” These measures are inconsistent with Canada’s obligations pursuant to Article III:4 of the GATT 1994, because they are laws, regulations, or requirements affecting the internal sale, offering for sale, purchase, or distribution of wine and fail to accord products imported into Canada treatment no less favorable than that accorded to like products of Canadian origin.

Disputes Brought Against the United States

Section 124 of the URAA requires, *inter alia*, that the Annual Report on the WTO describe, for the preceding fiscal year of the WTO: each proceeding before a panel or the Appellate Body that was initiated during that fiscal year regarding Federal or State law, the status of the proceeding, and the matter at issue; and each report issued by a panel or the Appellate Body in a dispute settlement proceeding regarding Federal or State law. This section includes summaries of dispute settlement activity in 2016 for disputes in which the United States was a responding party (listed by DS number).

United States – Section 110(5) of the Copyright Act (DS160)

As amended in 1998 by the Fairness in Music Licensing Act, section 110(5) of the U.S. Copyright Act exempts certain retail and restaurant establishments that play radio or television music from paying royalties to songwriters and music publishers. The EU claimed that, as a result of this exception, the United States was in violation of its TRIPS obligations. Consultations with the EU took place on March 2, 1999. A panel on this matter was established on May 26, 1999. On August 6, 1999, the Director General composed the panel as follows: Ms. Carmen Luz Guarda, Chair; and Mr. Arumugamangalam V. Ganesan and Mr. Ian F. Sheppard, Members. The Panel issued its final report on June 15, 2000, and found that one of the two exemptions provided by section 110(5) is inconsistent with the U.S. WTO obligations. The Panel report was adopted by the DSB on July 27, 2000, and the United States has informed the DSB of its intention to respect its WTO obligations. On October 23, 2000, the EU requested arbitration to determine the period of time to be given the United States to implement the Panel’s recommendation. By mutual agreement of the parties, Mr. J. Lacarte-Muró was appointed to serve as arbitrator. He determined that the deadline for implementation should be July 27, 2001. On July 24, 2001, the DSB approved a U.S. proposal to extend the deadline until the earlier of the end of the then current session of the U.S. Congress or December 31, 2001.

On July 23, 2001, the United States and the EU requested arbitration to determine the level of nullification or impairment of benefits to the EU as a result of section 110(5)(B). In a decision circulated to WTO Members on November 9, 2001, the arbitrators determined that the value of the benefits lost to the EU in this case was \$1.1 million per year. On January 7, 2002, the EU sought authorization from the DSB to suspend its obligations *vis-à-vis* the United States. The United States objected to the details of the EU request, thereby causing the matter to be referred to arbitration.

However, because the United States and the EU had been engaged in discussions to find a mutually acceptable resolution of the dispute, the arbitrators suspended the proceeding pursuant to a joint request by the parties filed on February 26, 2002.

On June 23, 2003, the United States and the EU notified the WTO of a mutually satisfactory temporary arrangement regarding the dispute. Pursuant to this arrangement, the United States made a lump sum payment of \$3.3 million to the EU, to a fund established to finance activities of general interest to music copyright holders, in particular, awareness raising campaigns at the national and international level and

activities to combat piracy in the digital network. The arrangement covered a three year period, which ended on December 21, 2004.

United States – Section 211 Omnibus Appropriations Act (DS176)

Section 211 addresses the ability to register or enforce, without the consent of previous owners, trademarks or trade names associated with businesses confiscated without compensation by the Cuban government. The EU questioned the consistency of Section 211 with the TRIPS Agreement and requested consultations on July 7, 1999. Consultations were held September 13 and December 13, 1999. On June 30, 2000, the EU requested a panel. A panel was established on September 26, 2000, and at the request of the EU, the WTO Director General composed the panel on October 26, 2000. The Director General composed the panel as follows: Mr. Wade Armstrong, Chair; and Mr. François Dessemontet and Mr. Armand de Mestral, Members. The Panel report was circulated on August 6, 2001, rejecting 13 of the EU's 14 claims and finding that, in most respects, section 211 is not inconsistent with the obligations of the United States under the TRIPS Agreement. The EU appealed the decision on October 4, 2001. The Appellate Body issued its report on January 2, 2002.

The Appellate Body reversed the Panel's one finding against the United States and upheld the Panel's favorable findings that WTO Members are entitled to determine trademark and trade name ownership criteria. The Appellate Body found certain instances, however, in which section 211 might breach the national treatment and most favored nation obligations of the TRIPS Agreement. The Panel and Appellate Body reports were adopted on February 1, 2002, and the United States informed the DSB of its intention to implement the recommendations and rulings. The RPT for implementation ended on June 30, 2005. On June 30, 2005, the United States and the EU agreed that the EU would not request authorization to suspend concessions at that time and that the United States would not object to a future request on grounds of lack of timeliness.

In January 2016, the United States notified the EU of positive developments that resolved a longstanding issue of concern to the EU and others, which helped moved this dispute into a more cooperative phase.

United States – Antidumping measures on certain hot-rolled steel products from Japan (DS184)

Japan alleged that Commerce and the USITC's preliminary and final determinations in their antidumping investigations of certain hot-rolled steel products from Japan, issued on November 25 and 30, 1998, February 12, 1999, April 28, 1999, and June 23, 1999, were erroneous and based on deficient procedures under the U.S. Tariff Act of 1930 and related regulations. Japan claimed that these procedures and regulations violate the GATT 1994, as well as the Antidumping Agreement and the Agreement Establishing the WTO. Consultations were held on January 13, 2000, and a panel was established on March 20, 2000. In May 2000, the Director General composed the panel as follows: Mr. Harsha V. Singh, Chair; and Mr. Yanyong Phuangrath and Ms. Lidia di Vico, Members. On February 28, 2001, the Panel circulated its report, in which it rejected most of Japan's claims, but found that, *inter alia*, particular aspects of the antidumping duty calculation, as well as one aspect of the U.S. antidumping duty law, were inconsistent with the WTO Antidumping Agreement. On April 25, 2001, the United States filed a notice of appeal on certain issues in the Panel report.

The Appellate Body report was issued on July 24, 2001, reversing in part and affirming in part. The reports were adopted on August 23, 2001. Pursuant to a February 19, 2002 arbitral award, the United States was given 15 months, or until November 23, 2002, to implement the DSB's recommendations and rulings. On November 22, 2002, Commerce issued a new final determination in the hot-rolled steel antidumping duty investigation, which implemented the recommendations and rulings of the DSB with respect to the calculation of antidumping margins in that investigation. The RPT ended on July 31, 2005. With respect

to the outstanding implementation issue, on July 7, 2005, the United States and Japan agreed that Japan would not request authorization to suspend concessions at that time and that the United States would not object to a future request on grounds of lack of timeliness.

United States – Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) (DS217/234)

On December 21, 2000, Australia, Brazil, Chile, the EU, India, Indonesia, Japan, South Korea, and Thailand requested consultations with the United States regarding the Continued Dumping and Subsidy Offset Act of 2000 (19 U.S.C. § 754), which amended Title VII of the Tariff Act of 1930 to transfer import duties collected under U.S. antidumping and countervailing duty orders from the U.S. Treasury to the companies that filed the antidumping and countervailing duty petitions. Consultations were held on February 6, 2001. On May 21, 2001, Canada and Mexico also requested consultations on the same matter, which were held on June 29, 2001. On July 12, 2001, the original nine complaining parties requested the establishment of a panel, which was established on August 23, 2001. On September 10, 2001, a panel was established at the request of Canada and Mexico, and all complaints were consolidated into one panel. The panel was composed of: Mr. Luzius Wasescha, Chair; and Mr. Maamoun Abdel-Fattah and Mr. William Falconer, Members.

The Panel issued its report on September 2, 2002, finding against the United States on three of the five principal claims brought by the complaining parties. Specifically, the Panel found that the CDSOA constitutes a specific action against dumping and subsidies and, therefore, is inconsistent with the Antidumping and SCM Agreements as well as Article VI of the GATT 1994. The Panel also found that the CDSOA distorts the standing determination conducted by Commerce and, therefore, is inconsistent with the standing provisions in the Antidumping and SCM Agreements. The United States prevailed against the complainants' claims under the Antidumping and SCM Agreements that the CDSOA distorts Commerce's consideration of price undertakings (agreements to settle antidumping and countervailing duty investigations). The Panel also rejected Mexico's actionable subsidy claim brought under the SCM Agreement. Finally, the Panel rejected the complainants' claims under Article X:3 of the GATT, Article 15 of the Antidumping Agreement, and Articles 4.10 and 7.9 of the SCM Agreement. The United States appealed the Panel's adverse findings on October 1, 2002.

The Appellate Body issued its report on January 16, 2003, upholding the Panel's finding that the CDSOA is an impermissible action against dumping and subsidies, but reversing the Panel's finding on standing. The DSB adopted the Panel and Appellate Body reports on January 27, 2003. At the meeting, the United States stated its intention to implement the DSB recommendations and rulings. On March 14, 2003, the complaining parties requested arbitration to determine a RPT for U.S. implementation. On June 13, 2003, the arbitrator determined that this period would end on December 27, 2003. On June 19, 2003, legislation to bring the Continued Dumping and Subsidy Offset Act into conformity with U.S. obligations under the Antidumping Agreement, the SCM Agreement, and the GATT of 1994 was introduced in the U.S. Senate (S. 1299).

On January 15, 2004, eight complaining parties (Brazil, Canada, Chile, the EU, India, Japan, South Korea, and Mexico) requested WTO authorization to retaliate. The remaining three complaining parties (Australia, Indonesia, and Thailand) agreed to extend to December 27, 2004, the period of time in which the United States had to comply with the WTO rulings and recommendations in this dispute. On January 23, 2004, the United States objected to the requests from the eight complaining parties to retaliate, thereby referring the matter to arbitration. On August 31, 2004, the Arbitrators issued their awards in each of the eight arbitrations. They determined that each complaining party could retaliate, on a yearly basis, covering the total value of trade not exceeding, in U.S. dollars, the amount resulting from the following equation: amount of disbursements under CDSOA for the most recent year for which data are available relating to

antidumping or countervailing duties paid on imports from each party at that time, as published by the U.S. authorities, multiplied by 0.72.

Based on requests from Brazil, the EU, India, Japan, South Korea, Canada, and Mexico, on November 26, 2004, the DSB granted these Members authorization to suspend concessions or other obligations, as provided in DSU Article 22.7 and in the Decisions of the Arbitrators. The DSB granted Chile authorization to suspend concessions or other obligations on December 17, 2004. On December 23, 2004, January 7, 2005 and January 11, 2005, the United States reached agreements with Australia, Thailand, and Indonesia that these three complaining parties would not request authorization to suspend concessions at that time, and that the United States would not object to a future request on grounds of lack of timeliness.

On May 1, 2005, Canada and the EU began imposing additional duties of 15 percent on a list of products from the United States. On August 18, 2005, Mexico began imposing additional duties ranging from 9 to 30 percent on a list of U.S. products. On September 1, 2005, Japan began imposing additional duties of 15 percent on a list of U.S. products.

On February 8, 2006, U.S. President George W. Bush signed the Deficit Reduction Act into law. That Act included a provision repealing the CDSOA. Certain of the complaining parties nevertheless continued to impose retaliatory measures because they considered that the Deficit Reduction Act failed to bring the United States into immediate compliance. Thus, on May 1, 2006, the EU renewed its retaliatory measure and added eight products to the list of targeted imports. Japan renewed its retaliatory measure on September 1, 2006, retaining the same list of targeted imports. Mexico adopted a new retaliatory measure on September 14, 2006, imposing duties of 110 percent on certain dairy products through October 31, 2006. Since that date, Mexico has taken no further retaliatory measures. Canada did not renew its retaliatory measures once they expired on April 30, 2006.

On May 11, 2017, the EU announced that it would maintain unchanged the list of products subject to retaliation, and would increase the duty on those products from 0.45 percent to 4.30 percent. On November 30, 2017, Japan notified the DSB that it would continue its non-application of retaliatory measures for the coming year.

United States – Measures Affecting the Cross-Border Supply of Gambling and Betting Services (DS285)

On March 13, 2003, Antigua and Barbuda (Antigua) requested consultations regarding its claim that U.S. Federal, State, and territorial laws on gambling violate U.S. specific commitments under the GATS, as well as Articles VI, XI, XVI, and XVII of the GATS, to the extent that such laws prevent or can prevent operators from Antigua from lawfully offering gambling and betting services in the United States. Consultations were held on April 30, 2003.

Antigua requested the establishment of a panel on June 12, 2003. The DSB established a panel on July 21, 2003. At the request of Antigua, the WTO Director General composed the panel on August 25, 2003, as follows: Mr. B. K. Zutshi, Chair; and Mr. Virachai Plasai and Mr. Richard Plender, Members. The Panel's final report, circulated on November 10, 2004, found that the United States breached Article XVI (Market Access) of the GATS by maintaining three U.S. Federal laws (18 U.S.C. §§ 1084, 1952, and 1955) and certain statutes of Louisiana, Massachusetts, South Dakota, and Utah. It also found that these measures were not justified under exceptions in Article XIV of the GATS.

The United States filed a notice of appeal on January 7, 2005. The Appellate Body issued its report on April 7, 2005, in which it reversed and/or modified several Panel findings. The Appellate Body overturned the Panel's findings regarding the state statutes, and found that the three U.S. Federal gambling laws at issue "fall within the scope of 'public morals' and/or 'public order'" under Article XIV. To meet the

requirements of the Article XIV chapeau, the Appellate Body found that the United States needed to clarify an issue concerning Internet gambling on horse racing.

The DSB adopted the Panel and Appellate Body reports on April 20, 2005. On May 19, 2005, the United States stated its intention to implement the DSB recommendations and rulings. On August 19, 2005, an Article 21.3(c) arbitrator determined that the RPT for implementation would expire on April 3, 2006.

At the DSB meeting of April 21, 2006, the United States informed the DSB that the United States was in compliance with the recommendations and rulings of the DSB in the dispute. On June 8, 2006, Antigua requested consultations with the United States regarding U.S. compliance with the DSB recommendations and rulings. The parties held consultations on June 26, 2006. On July 5, 2006, Antigua requested the DSB to establish a panel pursuant to Article 21.5 of the DSU, and a panel was established on July 19, 2006. The chair of the original panel and one of the panelists were unavailable to serve. The parties agreed on their replacements, and the panel was composed as follows: Mr. Lars Anell, Chair; and Mr. Mathias Francke and Mr. Virachai Plasai, Members. The report of the Article 21.5 Panel, which was circulated on March 30, 2007, found that the United States had not complied with the recommendations and rulings of the DSB in this dispute.

On May 4, 2007, the United States initiated the procedure provided for under Article XXI of the GATS to modify the schedule of U.S. commitments so as to reflect the original U.S. intent of excluding gambling and betting services.

The DSB adopted the report of the Article 21.5 panel on May 22, 2007. On June 21, 2007, Antigua submitted a request, pursuant to Article 22.2 of the DSU, for authorization from the DSB to suspend the application to the United States of concessions and related obligations of Antigua under the GATS and the TRIPS Agreement. On July 23, 2007, the United States referred this matter to arbitration under Article 22.6 of the DSU. The arbitration was carried out by the three panelists who served on the Article 21.5 Panel.

On December 21, 2007, the Article 22.6 arbitration award was circulated. The arbitrator concluded that Antigua's annual level of nullification or impairment of benefits is \$21 million, and that Antigua may request authorization from the DSB to suspend its obligations under the TRIPS Agreement in this amount. On December 6, 2012, Antigua submitted a request under Article 22.7 of the DSU for authorization to suspend concessions or other obligations under the TRIPS Agreement consistent with the award of the Arbitrator. At the DSB meeting of January 28, 2013, the DSB authorized Antigua to suspend concessions or other obligations under the TRIPS Agreement consistent with the award of the Arbitrator.

During 2007 and early 2008, the United States reached agreement with every WTO Member, aside from Antigua, that had pursued a claim of interest in the GATS Article XXI process of modifying the U.S. schedule of GATS commitments so as to exclude gambling and betting services. Antigua and the United States have continued in their efforts to achieve a mutually agreeable resolution to this matter.

United States – Subsidies on large civil aircraft (DS317)

On October 6, 2004, the EU requested consultations with respect to “prohibited and actionable subsidies provided to U.S. producers of large civil aircraft.” The EU alleged that such subsidies violated several provisions of the SCM Agreement, as well as Article III:4 of the GATT. Consultations were held on November 5, 2004. On January 11, 2005, the United States and the EU agreed to a framework for the negotiation of a new agreement to end subsidies for large civil aircraft. The parties set a three month timeframe for the negotiations and agreed that, during negotiations, they would not request panel proceedings. These discussions did not produce an agreement. On May 31, 2005, the EU requested the

establishment of a panel to consider its claims. The EU filed a second request for consultations regarding large civil aircraft subsidies on June 27, 2005. This request covered many of the measures covered in the initial consultations, as well as many additional measures that were not covered.

A panel was established with regard to the October claims on July 20, 2005. On October 17, 2005, the Deputy Director General established the panel as follows: Ms. Marta Lucía Ramírez de Rincón, Chair; and Ms. Gloria Peña and Mr. David Unterhalter, Members. Since that time, Ms. Ramírez and Mr. Unterhalter have resigned from the Panel. They have not been replaced.

The EU requested establishment of a panel with regard to its second panel request on January 20, 2006. That panel was established on February 17, 2006. On December 8, 2006, the WTO issued notices changing the designation of this panel to DS353. The summary below of *United States – Subsidies on large civil aircraft (Second Complaint) (DS353)* discusses developments with regard to this panel.

United States – Subsidies on large civil aircraft (Second Complaint) (DS353)

On June 27, 2005, the EU filed a second request for consultations regarding large civil aircraft subsidies allegedly applied by the United States. The section above on *United States – Subsidies on Large Civil Aircraft (DS317)* discusses developments with regard to the dispute arising from the initial request for consultations. The June 2005 request covered many of the measures in the initial consultations, as well as many additional measures that were not covered. The EU requested establishment of a panel with regard to its second panel request on January 20, 2006. That panel was established on February 17, 2006. On November 22, 2006, the Deputy Director General composed the panel as follows: Mr. Crawford Falconer, Chair; and Mr. Francisco Orrego Vicuña and Mr. Virachai Plasai, Members.

The Panel granted the parties' request to open the substantive meetings with the parties to the public via a screening of a videotape of the public session. The sessions of the Panel meeting that involved business confidential information and the Panel's meeting with third parties were closed to the public.

On March 31, 2011, the Panel circulated its report with the following findings:

Findings against the EU

- Most of the NASA research spending challenged by the EU did not go to Boeing.
- Most of the U.S. Department of Defense (DoD) research payments to Boeing were not subsidies or did not cause adverse effects to Airbus.
- Treatment of patent rights under U.S. Government contracts is not a subsidy specific to the aircraft industry.
- Treatment of certain overhead expenses in U.S. Government contracts is not a subsidy.
- Washington State infrastructure and plant location incentives were not a subsidy or did not cause adverse effects.
- Commerce research programs were not a subsidy specific to the aircraft industry.
- The U.S. Department of Labor payments to Edmonds Community College in Snohomish County, Washington, were not specific subsidies.

- Kansas and Illinois tax programs were not subsidies or did not cause adverse effects.
- The Foreign Sales Corporation/Extraterritorial Income tax measures were a WTO inconsistent subsidy, but as the United States removed the subsidy in 2006, there was no need for any further recommendation.

Findings against the United States

- NASA research programs conferred a subsidy to Boeing of \$2.6 billion that caused adverse effects to Airbus.
- Tax programs and other incentives offered by the State of Washington and some of its municipalities conferred a subsidy of \$16 million that caused adverse effects to Airbus.
- Certain types of research projects funded under the U.S. Department of Defense's Manufacturing Technology and Dual Use Science and Technology programs were a subsidy to Boeing of approximately \$112 million that caused adverse effects to Airbus.

On April 1, 2011, the EU filed a notice of appeal on certain findings, and on April 28, 2011, the United States filed a notice of other appeal. The Appellate Body held hearings on August 16-19, 2011, and October 11 through 14, 2011. On March 12, 2012, the Appellate Body circulated its report with the following findings:

- The Panel erred in its analysis of whether NASA and DoD research funding was a subsidy. However, the Appellate Body affirmed the Panel's subsidy finding with regard to NASA research funding and DoD research funding through assistance instruments on other grounds. The Appellate Body declared the Panel's findings with regard to DoD procurement contracts moot, but made no further findings.
- The Panel correctly found that NASA and DoD rules regarding the allocation of patent rights were not, on their face, specific subsidies. The Appellate Body found that Panel should have addressed the EU allegations of de facto specificity, but was unable to complete the Panel's analysis of this issue.
- The Panel correctly found that Washington State tax measures and industrial revenue bonds issued by the City of Wichita were subsidies.
- The Panel erred in concluding that the WTO DSB was not obligated to initiate information-gathering procedures requested by the EU, but this error did not require any modification in the panel's ultimate findings.
- The Panel correctly concluded that NASA research funding and DoD funding of research through assistance instruments caused adverse effects to Airbus.
- The Panel erred in analyzing the effects of the Wichita industrial revenue bonds separately from other tax measures. The Appellate Body grouped the Wichita measure with the other tax benefits.
- The Panel erred in concluding that Washington State tax benefits, in tandem with FSC/ETI tax benefits, caused lost sales, lost market share, and price depression of the Airbus A320 and A340 product lines. The Appellate Body found that the evidence before it justified a finding of lost sales only in two instances, involving 50 A320 airplanes.

On March 23, 2012, the DSB adopted its recommendations and rulings in this dispute. At the following DSB meeting, on April 13, 2012, the United States informed the DSB of its intention to implement the recommendations and rulings of the DSB in connection with this matter. On September 23, 2012, the United States notified the DSB that it has brought the challenged measures into compliance with the recommendations and rulings of the DSB.

On September 25, 2012, the EU requested consultations regarding the U.S. notification. The United States and the EU held consultations on October 10, 2012. On October 11, 2012, the EU requested that the DSB refer the matter to the original Panel pursuant to Article 21.5 of the DSU. The DSB did so at a meeting held on October 23, 2012. On October 30, 2012, the compliance Panel was composed with the members of the original Panel: Mr. Crawford Falconer, Chair; and Mr. Francisco Orrego Vicuña and Mr. Virachai Plasai, Members. The compliance Panel held a meeting with the parties on October 29-31, 2013.

The compliance Panel circulated its report on June 9, 2017, with the following findings:

Findings against the EU

- The EU alleged that DoD provided Boeing with funding and other resources worth \$2.9 billion to conduct research that assisted Boeing's development of large civil aircraft. The Panel rejected most of the EU claims for procedural reasons. It found that the remaining claims were worth only \$41 million, that most of those programs were not subsidies. The Panel subsequently found that the DoD funding found to constitute subsidies did not cause adverse effects to Airbus.
- The Panel found that NASA R&D programs were subsidies, but only conferred benefits of approximately \$158 million. It found that these subsidies did not cause adverse effects to Airbus.
- The EU alleged that the Federal Aviation Administration ("FAA") provided funding and resources worth \$28 million to Boeing. The Panel found that the FAA program in question was a subsidy, and agreed that it was worth \$28 million. However, it found that these subsidies did not cause adverse effects to Airbus.
- The EU alleged that Boeing received \$51 million in tax benefits from 2007 through 2014 under the FSC/ETI program that Congress discontinued in 2006. The Panel found that there was no evidence that Boeing benefitted this program in the 2007-2014 period.
- The EU asserted that the City of Wichita issued "industrial revenue bonds" in a way that gave Boeing tax subsidies. The Panel found that this program was a subsidy, but that it did not constitute a WTO breach because it was not "specific," *i.e.*, targeted toward particular entities or industries.
- The EU brought claims with respect to a number of Washington State programs. The Panel rejected one of the EU claims for procedural reasons. The Panel found that all of the remaining programs were subsidies. However, with one exception, the Panel found that these programs did not cause any adverse effects to Airbus.
- The EU alleged that several South Carolina programs worth a total of \$1.7 billion caused adverse effects to Airbus. The Panel found that all but three of these programs either were not subsidies or were not "specific," *i.e.*, did not involve the type of targeting needed to establish a WTO breach. Although it found that three South Carolina programs, worth a total of \$78 million, were subsidies, the Panel concluded that they did not cause adverse effects to Airbus.

Findings against the United States

- The EU argued that Washington State's adjustment to its Business and Occupation ("B&O") tax applicable to aerospace manufacturing foregoes revenue that could otherwise be collected from Boeing, making it a subsidy for WTO purposes. The Panel found that this program confers a subsidy on Boeing, worth an average value of \$100-110 million per year during the period of review. The Panel further found that these subsidies cause adverse effects, but only with respect to certain sales of the Airbus A320 aircraft.

On June 29, 2017, the EU filed a notice of appeal on certain findings, and the United States filed a notice of other appeal on August 10, 2017. The Division assigned to hear the appeal consists of Mr. Peter Van den Bossche (Presiding Member), Mr. Thomas R. Graham, and Mr. Shree B.C. Servansing. The parties and third parties filed written submissions during the second half of 2017. The Appellate Body is planning to hold the first of two substantive hearings with the parties and third parties on April 17-20, 2018.

On September 27, 2012, the EU requested authorization from the DSB to impose countermeasures. On October 22, 2012, the United States objected to the level of suspension of concessions requested by the EU, and the matter was referred to arbitration pursuant to Article 22.6 of the DSU. On November 27, 2012, the United States and the EU each requested that the arbitration be suspended pending the conclusion of the compliance proceeding.

United States – Measures Concerning the Importation, Marketing, and Sale of Tuna and Tuna Products (WT/DS381)

On October 24, 2008, Mexico requested consultations regarding U.S. dolphin-safe labeling provisions for tuna and tuna products. These provisions prohibit labeling tuna and tuna products as dolphin-safe unless they meet certain conditions, including not being produced by intentionally setting purse-seine nets on dolphins, a technique Mexico uses to catch tuna in the Eastern Tropical Pacific Ocean. Mexico challenged three legal instruments: (1) the Dolphin Protection Consumer Information Act (19 U.S.C. § 1385); (2) certain dolphin-safe labeling regulations (50 C.F.R. §§ 216.91-92); and (3) the Ninth Circuit decision in *Earth Island v. Hogarth*, 494 F.3d. 757 (Ninth Cir. 2007). On April 20, 2009, at Mexico's request, the DSB established a WTO panel. Mexico alleged that the U.S. measure accords imports of tuna and tuna products from Mexico less favorable treatment than like products of national origin and like products originating in other countries and fails to immediately and unconditionally accord imports of tuna and tuna products from Mexico an advantage, favor, privilege, or immunity granted to like products of other countries. Mexico further alleged that the U.S. measure creates unnecessary obstacles to trade and are not based on relevant international standards. Mexico alleged that the U.S. measure is inconsistent with Articles I and III of the GATT 1994 and Article 2 of the TBT Agreement.

On December 14, 2009, the Panel was composed by the Director-General to include Mr. Mario Matus, Chair, Ms. Elizabeth Chelliah, and Mr. Franz Perrez. The Panel issued its interim report on May 5, 2011, and its final report to the parties on July 8, 2011. The final report was circulated to Members and the public on September 15, 2011.

The Panel found the U.S. dolphin-safe provisions are technical regulations within the meaning of Annex 1.1 of the TBT Agreement, are not inconsistent with Article 2.1 of the TBT Agreement because they do not afford less favorable treatment to Mexican tuna products, are inconsistent with Article 2.2 of the TBT Agreement because they are more trade restrictive than necessary to achieve their objectives, and are not inconsistent with Article 2.4 of the TBT Agreement because the alternative measure put forth by Mexico would not be an effective means of achieving the objective of the U.S. measure. The Panel exercised

judicial economy with respect to the GATT 1994 claims in light of its findings under Article 2.1 of the TBT Agreement.

The United States appealed aspects of the report on January 20, 2012, and Mexico appealed aspects of the report on January 25, 2012. The Appellate Body circulated its report on May 16, 2012. In its key findings, the Appellate Body rejected the U.S. appeal and upheld the Panel's finding that the measure at issue is a technical regulation; agreed with Mexico's appeal and overturned the Panel's finding that the U.S. measure is consistent with the national treatment provisions of Article 2.1 of the TBT Agreement; agreed with the U.S. appeal and overturned the Panel's finding that the measure at issue is more trade restrictive than necessary under Article 2.2 of the TBT Agreement; and agreed with the U.S. appeal and overturned the Panel's finding that the Agreement on the International Dolphin Conservation Program (AIDCP) is a relevant international standard within the meaning of Article 2.4 of the TBT Agreement.

On June 13, 2012, the DSB adopted the Appellate Body report and the Panel report as modified by the Appellate Body report. On September 17, 2012, the United States and Mexico notified the DSB that they agreed on a RPT for the United States to implement the recommendations and rulings of the DSB, ending on July 13, 2013.

On July 23, 2013, the United States announced that it had fully complied with the DSB's recommendations and rulings through a final rule of the National Oceanic and Atmospheric Administration (NOAA) that came into effect on July 13, 2013. The final rule enhances the documentary requirements for certifying that no dolphins were killed or seriously injured in the sets or other gear deployments in which the tuna were caught outside the Eastern Tropical Pacific.

On November 25, 2013, Mexico requested that the DSB establish a compliance panel to determine whether the U.S. dolphin-safe labeling provisions, as amended by the new final rule, are consistent with U.S. WTO obligations. At its meeting on January 22, 2014, the DSB referred the matter to the original Panel, and on January 27, 2014 the Panel was composed with the members of the original Panel. Mexico has claimed that the U.S. dolphin-safe labeling provisions are inconsistent with Article 2.1 of the TBT Agreement and Articles I:1 and III:4 of the GATT 1994.

The Panel met with the parties on August 19-21, 2014. The Panel issued its report on April 14, 2015. In its report, the Panel found that the amended dolphin-safe labeling measure was inconsistent with Article 2.1 of the TBT Agreement and Articles I:1 and III:4 of the GATT 1994 and, although the measure was preliminarily justified under Article XX(g) of the GATT 1994, was not applied consistently with the Article XX chapeau.

The United States appealed aspects of the compliance panel's report on June 5, 2015, and Mexico appealed aspects of the report on June 10, 2015. The Appellate Body circulated its report on November 20, 2015. The Appellate Body found that the compliance panel had erred in its analytical approach to the amended measure, and it reversed the Panel's findings as to the measure's consistency with the covered agreements as to the eligibility criteria, the certification requirements, and the tracking and verification requirements. The Appellate Body found, however, that because the compliance panel had not made a proper factual assessment of the matter, the Appellate Body could not complete the analysis and made no findings as to those three regulatory distinctions under either Article 2.1 of the TBT Agreement or Article XX of the GATT 1994. The Appellate Body also found that analysis of other aspects of the measure did not depend on factual findings and that these aspects rendered the measure inconsistent with Article 2.1 of the TBT Agreement and Article XX of the GATT 1994.

On March 10, 2016, Mexico sought authorization to suspend concessions or other obligations under the covered agreements. The United States objected to Mexico's proposed level of suspension of concessions

or other obligations on March 22, 2016, which referred the matter to arbitration pursuant to Article 22.6 of the DSU. The arbitrator held a meeting with the parties on October 25-26, 2016. The arbitrator's award, circulated on April 25, 2017, found that the level of nullification and impairment suffered by Mexico as a result of the U.S. measure as it existed at the end of the RPT, was \$163.23 million per year. On May 22, 2017, Mexico requested and received authorization from the DSB to suspend concessions consistent with the arbitrator's award. Mexico has not, thus far, suspended concessions pursuant to this authorization.

On March 22, 2016, NOAA promulgated an interim final rule amending the U.S. dolphin safe labeling measure, and, on April 11, 2016, the United States requested that the DSB establish a compliance panel to determine whether the U.S. dolphin-safe labeling provisions, as amended by the new final rule, are consistent with U.S. WTO obligations. The DSB referred the matter to the original panel at its meeting on May 9, 2016. On May 27, 2016, the compliance panel was composed, including a new chairperson, Mr. Stefan Johannesson, due to the unavailability of the original chairperson. On June 9, 2016, Mexico also requested the establishment of a compliance panel pursuant to Article 21.5 of the DSU. At its meeting on June 22, 2016, the DSB referred the matter to the same panel as the other compliance proceeding. The schedules of the two proceedings were harmonized.

The Panels met with the parties on January 24-25, 2017. The Panels issued their reports on October 26, 2017. The Panels agreed with the United States that, while the dolphin safe labeling measure, as amended by the 2016 IFR, results in a detrimental impact on Mexican tuna product, it does not unjustifiably discriminate against Mexican tuna product because its labeling requirements are calibrated to the risks to dolphins arising from the use of different fishing methods in different areas of the oceans. Consequently, the Panels found that the measure is consistent with Article 2.1 of the TBT Agreement and, although inconsistent with Articles I:1 and III:4 of the GATT 1994, is justified under Article XX because it is preliminarily justified under subparagraph (g) and applied consistently with the chapeau. Thus, the Panels found that the U.S. measure was consistent with the relevant U.S. WTO obligations.

Mexico appealed aspects of the compliance Panels' reports on December 1, 2017. The United States filed an appellee submission on December 19, 2017. The Appellate Body is expected to issue a report in 2018.

United States – Certain Country of Origin Labeling (COOL) Requirements (Canada) (DS384)

On December 1, 2008, Canada requested consultations with the United States regarding U.S. mandatory country of origin labeling (COOL) provisions. Canada requested supplemental consultations with the United States regarding this matter on May 7, 2009. Canada challenged the COOL provisions of the *Agricultural Marketing Act of 1946*, as amended by the *Farm, Security and Rural Investment Act of 2002* (2002 Farm Bill), and *Food, Conservation, and Energy Act, 2008* (2008 Farm Bill), the USDA Interim Final Rule on COOL published on August 1, 2008 and on August 28, 2008, respectively, the USDA Final Rule on COOL published on January 15, 2009, and a February 20, 2009 letter issued by the Secretary of Agriculture. These provisions relate to an obligation to inform consumers at the retail level of the country of origin of covered commodities, including beef and pork.

Canada alleged that the COOL requirements were inconsistent with Articles III:4, IX:2, IX:4, and X:3(a) of the GATT 1994, Articles 2.1, 2.2, and 2.4 of the TBT Agreement, or in the alternative, Articles 2, 5, and 7 of the SPS Agreement, and Articles 2(b), 2(c), 2(e), and 2(j) of the Agreement on Rules of Origin. Canada asserted that these violations nullified or impaired the benefits accruing to Canada under those Agreements and further appeared to nullify or impair the benefits accruing to Canada within the meaning of GATT 1994 Article XXIII:1(b).

Consultations were held on December 16, 2008, and supplemental consultations were held on June 5, 2009. On October 7, 2009, Canada requested the establishment of a panel, and on November 19, 2009, the DSB

established a single panel to examine both this dispute and Mexico's dispute regarding COOL (see WT/DS386). On May 10, 2010, the Director General composed the panel as follows: Mr. Christian Häberli, Chair; and Mr. Manzoor Ahmad and Mr. Joao Magalhaes, Members.

The Panel circulated its final report on November 18, 2011. The final report found that the COOL measure (the COOL statute and USDA's Final Rule together), in respect of muscle cut meat labels, breached TBT Article 2.1 because it afforded Canadian livestock less favorable treatment than it afforded U.S. livestock. With respect to Article 2.2 of the TBT Agreement, the Panel found that the objective of the COOL measure was to provide consumers with information about the origin of the meat products that they buy at the retail level, and that consumer information on origin is a legitimate objective that WTO Members, including the United States, are permitted to pursue with their measures. However, the Panel found that the COOL measure breached TBT Article 2.2 because it failed to fulfill its legitimate objective of providing consumer information on origin with respect to meat products. The Panel also found that the Vilsack Letter breached GATT Article X:3 because it did not constitute a reasonable administration of the COOL measure. On April 5, 2012, USDA withdrew the Vilsack Letter.

On March 23, 2012, the United States appealed the Panel's findings on Article 2.1 and 2.2. On March 28, 2012, Canada appealed certain aspects of the Panel's Article 2.2 analysis, the Panel's failure to make a finding on its claim under Articles III:4 of the GATT 1994, and made a conditional appeal on its claim under Article XXIII:1(b) of the GATT 1994. The Appellate Body agreed with the United States that the Panel's Article 2.2 analysis was insufficient. Moreover, the Appellate Body found that, due to the absence of relevant factual findings by the Panel and the lack of sufficient undisputed facts on the record, the Appellate Body was unable to complete the analysis under Article 2.2, and Canada's claim must fail. With regard to Article 2.1, the Appellate Body upheld the Panel's finding that the COOL measure was inconsistent with the national treatment obligation, albeit with different reasoning. The Appellate Body first upheld the Panel's finding that the COOL measure had a disparate impact on Canadian livestock. However, the Appellate Body reasoned that the analysis could not end there but that the Panel should have analyzed whether the detrimental impact stemmed exclusively from a legitimate regulatory distinction. The Appellate Body found that the COOL measure did not as it imposed costs that were disproportionate to the information conveyed by the labels. Having upheld the Panel's Article 2.1 finding, the Appellate body found it unnecessary to make findings on Canada's appeals under Articles III:4 and XXIII:1(b) of the GATT 1994.

On December 4, 2012, a WTO arbitrator determined that the RPT for the United States to comply with the DSB recommendations and rulings was 10 months, ending on May 23, 2013.

On May 24, 2013, the United States announced that it had fully implemented the DSB's recommendations and rulings through a new final rule issued by USDA on May 23, 2013. The final rule modified the labeling provisions for muscle cut covered commodities to require the origin designations to include information about where each of the production steps (*i.e.*, born, raised, slaughtered) occurred and removes the allowance for commingling.

On September 25, 2013, at the request of Canada, the DSB referred the matter raised by Canada in its panel request to a compliance panel to determine whether the COOL program, as amended by the May 23 final rule, was consistent with U.S. WTO obligations. Canada made claims under Articles 2.1 and 2.2 of the TBT Agreement and Articles III:4 and XXIII:1(b) of the GATT 1994.

On October 20, 2014, the compliance Panel circulated its final report. The Panel found that the amended COOL measure was inconsistent with Article 2.1 of the TBT Agreement because it accorded imported Canadian livestock treatment less favorable than that accorded to like domestic livestock. In particular, the Panel found that this was so because the measure resulted in a detrimental impact on the competitive

opportunities of Canadian livestock, and this detrimental impact did not stem exclusively from a legitimate regulatory distinction. The Panel further found that Canada had not made a *prima facie* case that the amended COOL measure was more trade restrictive than necessary and, therefore, inconsistent with Article 2.2 of the TBT Agreement. With respect to the GATT 1994 claims, the Panel found that the amended COOL measure violated Article III:4 of the GATT 1994, because it had a detrimental impact on the competitive opportunities of imported Canadian livestock, and thus accorded “less favourable treatment” to imported products. In light of this finding, the Panel exercised judicial economy with regard to Canada’s non-violation claim under Article XXIII:1(b) of the GATT 1994.

On November 28, 2014, the United States filed its notice of appeal, and on December 5, 2014, the United States filed its appellant submission. The United States appealed the Panel’s findings on Article 2.1 of the TBT Agreement and on Article III:4 of the GATT 1994. The United States also challenged the Panel’s failure to address the availability of the exceptions provided for in Article XX of the GATT 1994. On December 12, 2014, Canada appealed other of the Panel’s findings.

On May 18, 2015, the Appellate Body circulated its report. The Appellate Body upheld the compliance Panel’s findings with respect to Article 2.1. of the TBT Agreement. In particular, it maintained the compliance Panel’s conclusions with respect to the alleged lack of accuracy of the labels, the burdens imposed by “heightened” recordkeeping and verification requirements, and the relevance of exemptions from the labeling requirements. The Appellate Body also upheld the compliance Panel’s ultimate determination with respect to Article 2.2 of the TBT Agreement.

On June 4, 2015, Canada sought authorization to suspend concessions under the covered agreements. On June 16, 2015, the United States objected to the level of suspension of concessions or obligations sought by Canada, thus referring the matter to arbitration pursuant to Article 22.6 of the DSU. On December 7, 2015, the decision by the Arbitrator was circulated to Members. In considering the level of nullification or impairment of the benefits accruing to Canada, the Arbitrator rejected requests to consider the domestic effect of the amended COOL measure on Canadian prices, and instead focused on the trade impact of the amended COOL measure. The Arbitrator found that the level of nullification or impairment attributable to the amended COOL measure was CAD 1,054,729 million annually. On December 21, 2015, the DSB granted authorization to Canada to suspend concessions consistent with the award of the Arbitrator, and pursuant to the DSU, the authorization shall be equivalent to the level of nullification or impairment.

On December 18, 2015, the President signed legislation repealing the country of origin labeling requirement for beef and pork. This action withdrew the measure at issue, thus bringing the United States into compliance with the WTO’s recommendations and rulings.

United States – Certain Country of Origin Labeling (COOL) Requirements (Mexico) (DS386)

On December 17, 2008, Mexico requested consultations regarding U.S. mandatory country of origin labeling (COOL) provisions. Mexico requested supplemental consultations with the United States regarding this matter on May 7, 2009. Mexico challenged the COOL provisions of the *Agricultural Marketing Act of 1946*, as amended by the *Farm, Security and Rural Investment Act of 2002* (2002 Farm Bill), and the *Food, Conservation, and Energy Act, 2008* (2008 Farm Bill), the USDA Interim Final Rule on COOL published on August 1, 2008 and on August 28, 2008, respectively, the USDA Final Rule on COOL published on January 15, 2009, and a February 20, 2009 letter issued by the Secretary of Agriculture. These provisions relate to an obligation to inform consumers at the retail level of the country of origin of covered commodities, including beef and pork.

Mexico alleged that the COOL requirements are inconsistent with Articles III:4, IX:2, IX:4, and X:3(a) of the GATT 1994, Articles 2.1, 2.2, 2.4, 12.1, and 12.3 of the TBT Agreement, or in the alternative, Articles

2, 5, and 7 of the SPS Agreement, and Articles 2(b), 2(c), and 2(e), of the Agreement on Rules of Origin. Mexico asserted that these violations nullify or impair the benefits accruing to Mexico under those Agreements and further appeared to nullify or impair the benefits accruing to Mexico within the meaning of GATT 1994 Article XXIII:1(b).

Consultations were held on February 27, 2009, and supplemental consultations were held on June 5, 2009. On October 9, 2009, Mexico requested the establishment of a panel in this dispute, and November 19, 2009, the DSB established a single panel to examine both this dispute and Canada's dispute regarding COOL (see WT/DS384). On May 10, 2010, the Director General composed the panel as follows: Mr. Christian Häberli, Chair; and Mr. Manzoor Ahmad and Mr. Joao Magalhaes, Members.

The Panel circulated its final report on November 18, 2011. The final report found that the COOL measure (the COOL statute and USDA's Final Rule together), in respect of muscle cut meat labels, breached TBT Article 2.1 because it afforded Mexican livestock less favorable treatment than it afforded U.S. livestock. Under TBT Article 2.2, the Panel found that the objective of the COOL measure was to provide consumers with information about the origin of the meat products that they buy at the retail level, and that consumer information on origin is a legitimate objective that WTO Members, including the United States, are permitted to pursue with their measures. However, the Panel found that the COOL measure breached TBT Article 2.2 because it failed to fulfill its legitimate objective of providing consumer information on origin with respect to meat products.

The Panel rejected Mexico's claim under TBT Article 2.4 that the United States was required to base origin under the COOL measure on the principle of substantial transformation, concluding that using this principle would be an ineffective and inappropriate means to fulfill the legitimate U.S. objective of providing consumers with information about the origin of the meat products they buy. The Panel also rejected Mexico's claims under TBT Articles 12.1 and 12.3, concluding that the United States did not fail to take account of Mexico's needs as a developing country Member.

Finally, the Panel found that the Vilsack Letter breached GATT Article X:3 because it did not constitute a reasonable administration of the COOL measure. On April 5, 2012, USDA withdrew the Vilsack Letter.

On March 23, 2012, the United States appealed the Panel's findings on Article 2.1 and 2.2. On March 28, 2012, Mexico appealed certain aspects of the Panel's Article 2.2 analysis, and made a conditional appeal on its claims under Articles III:4 and XXIII:1(b) of the GATT 1994. The Appellate Body agreed with the United States that the Panel's Article 2.2 analysis was insufficient. Moreover, the Appellate Body found that, due to the absence of relevant factual findings by the Panel and the lack of sufficient undisputed facts on the record, the Appellate Body was unable to complete the analysis under Article 2.2, and Canada's claim must fail. With regard to Article 2.1, the Appellate Body upheld the Panel's finding that the COOL measure was inconsistent with the national treatment obligation, albeit with different reasoning. The Appellate Body first upheld the Panel's finding that the COOL measure has a disparate impact on Mexican livestock. However, the Appellate Body reasoned that the analysis could not end there but that the Panel should have analyzed whether the detrimental impact stemmed exclusively from a legitimate regulatory distinction. The Appellate Body found that the COOL measure did not as it imposed costs that are disproportionate to the information conveyed by the labels. Having upheld the Panel's Article 2.1 finding, the Appellate body found it unnecessary to make findings on Mexico's appeals under Articles III:4 and XXIII:1(b) of the GATT 1994.

On December 4, 2012, a WTO arbitrator determined that the RPT for the United States to comply with the DSB recommendations and rulings was 10 months, ending on May 23, 2013.

On May 24, 2013, the United States announced that it had fully implemented the DSB's recommendations and rulings through a new final rule issued by USDA on May 23, 2013. The final rule modifies the labeling provisions for muscle cut covered commodities to require the origin designations to include information about where each of the production steps (*i.e.*, born, raised, slaughtered) occurred and removes the allowance for commingling.

On September 25, 2013, at the request of Mexico, the DSB referred the matter raised by Mexico in its panel request to a compliance Panel to determine whether the COOL program, as amended by the May 23 final rule, was consistent with U.S. WTO obligations. Mexico made claims under Articles 2.1 and 2.2 of the TBT Agreement and Articles III:4 and XXIII:1(b) of the GATT 1994.

On October 20, 2014, the compliance Panel circulated its final report. The Panel found that the amended COOL measure was inconsistent with Article 2.1 of the TBT Agreement because it accorded imported Mexican livestock treatment less favorable than that accorded to like domestic livestock. In particular, the Panel found that this was so because the measure resulted in a detrimental impact on the competitive opportunities of Mexican livestock, and this detrimental impact did not stem exclusively from a legitimate regulatory distinction. The Panel further found that Mexico had not made a *prima facie* case that the amended COOL measure was more trade restrictive than necessary and, therefore, inconsistent with Article 2.2 of the TBT Agreement. With respect to the GATT 1994 claims, the Panel found that the amended COOL measure violated Article III:4 of the GATT 1994 because it had a detrimental impact on the competitive opportunities of imported Mexican livestock, and thus accorded "less favourable treatment" to domestic products. In light of this finding, the Panel exercised judicial economy with regard to Mexico's non-violation claim under Article XXIII:1(b) of the GATT 1994.

On November 28, 2014, the United States filed its notice of appeal, and on December 5, 2014, the United States filed its appellant submission. The United States appealed the Panels' findings on Article 2.1 of the TBT Agreement and on Article III:4 of the GATT 1994. The United States also challenged the Panel's failure to address the availability of the exceptions provided for in Article XX of the GATT 1994. On December 12, 2014, Mexico appealed other of the Panel's findings.

On May 18, 2015, the Appellate Body released its report. The Appellate Body upheld the compliance Panel's findings with respect to Article 2.1. of the TBT Agreement. In particular, it maintained the compliance Panel's conclusions with respect to the accuracy of the labels, the burdens imposed by recordkeeping and verification requirements, and the impact of exemptions. The Appellate Body also upheld the compliance Panel's ultimate determination with respect to Article 2.2 of the TBT Agreement. However, in the context of Article 2.2., the Appellate Body found that the compliance Panel should have completed its analysis regarding the "gravity of the consequences of non-fulfilment," noting that difficulties and imprecision that arise in this analysis do not excuse the Panel from reaching an overall conclusions.

On June 4, 2015, Mexico sought authorization to suspend certain concessions and other obligations under the covered agreements. On June 12, 2015, Mexico revised the amount of suspension of concessions sought. Mexico removed this item from the agenda of the DSB meeting on June 17, 2015, and submitted a revised request for authorization from the DSB. On June 22, 2015, the United States objected to the level of suspension of concessions or obligations sought by Mexico, thus referring the matter to arbitration pursuant to Article 22.6 of the DSU. On December 7, 2015, the decision by the Arbitrator was circulated to Members. In considering the level of nullification or impairment of the benefits accruing to Mexico, the Arbitrator rejected requests to consider the domestic effect of the amended COOL measure on Mexican prices, and instead focused on the trade impact of the amended COOL measure. The Arbitrator found that the level of nullification or impairment attributable to the amended COOL measure was \$227,758 million annually. On December 21, 2015, the DSB granted authorization to Mexico to suspend concessions

consistent with the award of the Arbitrator, and pursuant to the DSU, the authorization shall be equivalent to the level of nullification or impairment.

On December 18, 2015, the President signed legislation repealing the country of origin labeling requirement for beef and pork. This action withdrew the measure at issue, thus bringing the United States into compliance with the WTO's recommendations and rulings.

United States — Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India (DS436)

On April 24, 2012, India requested consultations concerning countervailing measures on certain hot-rolled carbon steel flat products from India. India challenged the Tariff Act of 1930, in particular sections 771(7)(G) regarding accumulation of imports for purposes of an injury determination and 776(b) regarding the use of “facts available.” India also challenged Title 19 of the Code of Federal Regulations, sections 351.308 regarding “facts available” and 351.511(a)(2)(i)-(iv), which relates to Commerce's calculation of benchmarks. In addition, India challenged the application of these and other measures in Commerce's countervailing duty determinations and the USITC's injury determination. Specifically, India argued that these determinations were inconsistent with Articles I and IV of the GATT 1994 and Articles 1, 2, 10, 11, 12, 13, 14, 15, 19, 21, 22, and 32 of the SCM Agreement. The DSB established a panel to examine the matter on August 31, 2012. The panel was composed by the Director General on February 18, 2013, as follows: Mr. Hugh McPhail, Chair; Mr. Anthony Abad and Mr. Hanspeter Tschaeni, Members.

The Panel met with the parties on July 9-10, 2013, and on October 8-9, 2013. The Panel circulated its report on July 14, 2014. The Panel rejected India's claims against the U.S. statutes and regulations concerning facts available and benchmarks under Articles 12.7 and 14(d) of the SCM Agreement, respectively, but found that the U.S. statute governing accumulation was inconsistent with Article 15 of the SCM Agreement because it required the accumulation of both dumped and subsidized imports in the context of countervailing investigations. Consequently, the Panel also found that the ITC's injury determination breached U.S. obligations under Article 15.

The Panel rejected India's challenges under Article 1.1(a)(1) of the SCM Agreement to Commerce's “public body” findings in two instances, as well as most of India's claims with respect to Commerce's application of facts available under Article 12.7 in the determination at issue. The Panel also rejected most of India's claims against Commerce's specificity determinations under Article 2.1, and its calculation of certain benchmarks used in the proceedings under Article 14(d). The Panel found that Commerce's determination that certain low-interest loans constituted “direct transfers” of funds was consistent with Article 1.1(a)(1), but that Commerce's determination that a captive mining program constituted a financial contribution was not consistent with Article 1.1(a). Finally, the Panel found that Commerce did not act inconsistently with Articles 11, 13, 21 and 22 of the SCM Agreement when it analyzed new subsidy allegations in the context of review proceedings.

On August 8, 2014, India appealed the Panel's findings; on August 13, 2014, the United States also appealed certain of the Panel's findings. The Appellate Body released its report on December 8, 2014.

The Appellate Body upheld the Panel's findings regarding the U.S. benchmarks regulation, but found that certain instances of Commerce's application of these regulations were inconsistent with Article 14(d). The Appellate Body also upheld the Panel's findings regarding accumulation, finding that the application of the U.S. statute in the injury determination at issue was inconsistent with Article 15 of the SCM Agreement, and that the U.S. statute was inconsistent with that provision, although on different grounds than those found by the Panel. The Appellate Body rejected India's interpretation of “public body” under Article 1.1(a)(1), but reversed the Panel's finding that Commerce acted consistently in making the public

body determination at issue on appeal. Regarding specificity, the Appellate Body rejected each of India's appeals under Article 2.1(c), as it did with respect to India's challenge to the Panel's finding under Article 1.1(a)(1)(i) relating to "direct transfers of funds." The Appellate Body also reversed the Panel's finding that Commerce had acted inconsistently with Article 1.1(a)(1)(iii) in finding that captive mining program constituted a provision of goods. Finally, the Appellate Body upheld the Panel's rejection of India's claims under Articles 11, 13 and 21 regarding new subsidy allegations. The Appellate Body reversed the Panel's findings under Article 22 of the SCM Agreement, but was unable to complete the analysis. The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on December 19, 2014.

At the DSB meeting held on January 16, 2015, the United States notified the DSB of its intention to comply with the recommendations and rulings and indicated it would need a RPT to do so. On March 24, 2015, the United States and India informed the DSB that they had agreed on a RPT of 15 months, ending on March 19, 2016. At the United States' request, India then agreed to a 30 day extension to April 18, 2016.

On March 7, 2016, USITC issued a Section 129 determination in the hot-rolled steel from India countervailing duty (CVD) proceeding to comply with the findings of the Appellate Body. On March 18, 2016, DOC issued its preliminary determination memos in the Section 129 proceedings, and on April 14, 2016, DOC issued its final Section 129 determinations. On April 22, 2016, the United States informed the DSB that it had complied with the recommendations and rulings in this dispute.

On June 5, 2017, India requested consultations regarding the U.S. implementation. On July 13, 2017, consultations were held between India and the United States.

United States — Countervailing Duty Measures on Certain Products from China (DS437)

On May 25, 2012, China requested consultations regarding numerous U.S. countervailing duty determinations in which the U.S. Department of Commerce had determined that various Chinese state-owned enterprises were "public bodies" under Article 1.1(a)(1) of the SCM Agreement, with a view towards extending the Appellate Body's analysis in DS379 to those determinations. China challenged various other aspects of these investigations as well, including but not limited to Commerce's calculation of benchmarks, initiation standard, determination of specificity of the subsidies, use of facts available, and finding that export restraints were a countervailable subsidy.

Consultations were held in July 2012, and a panel was established in September 2012. The Panel was composed by the Director-General on November 26, 2012, as follows: Mr. Mario Matus, Chair; Mr. Scott Gallacher and Mr. Hugo Perezcano Díaz, Members. The Panel met with the parties on April 30-May 1, 2013, and on June 18-19, 2013. The panel circulated its report on July 14, 2014. The Panel found that Commerce's determinations in 12 investigations that certain state-owned enterprises were "public bodies" were inconsistent with Article 1.1(a)(1) of the SCM Agreement, based on the Appellate Body's analysis in DS379. However, the Panel found in favor of the United States with respect to China's claims regarding Commerce's calculation of benchmarks, initiation of investigations, and use of facts available, and the Panel upheld most of Commerce's specificity determinations. The Panel also found that China established that Commerce acted inconsistently with Article 11.3 of the SCM Agreement by initiating countervailing duty investigations of export restraints.

On August 22, 2014, China appealed the Panel's findings regarding Commerce's calculation of benchmarks, specificity determinations, and use of facts available. On August 27, 2014, the United States appealed the Panel's finding that a section of China's panel request setting forth claims related to Commerce's use of facts available was within the panel's terms of reference. The Appellate Body held a

hearing in Geneva on October 16-17, 2014, with Ujal Singh Battia and Seung Wha Chang as Members, and Peter Van den Bossche as Chairman.

On December 18, 2014, the Appellate Body circulated its report. On benchmarks, the Appellate Body reversed the Panel and found that Commerce's determination to use out-of-country benchmarks in four countervailing duty investigations was inconsistent with Articles 1.1(b) and 14(d) of the SCM Agreement. On specificity, the Appellate Body rejected one of China's claims with respect to the order of analysis in *de facto* specificity determinations. However, the Appellate Body reversed the Panel's findings that Commerce did not act inconsistently with Article 2.1 when it failed to identify the "jurisdiction of the granting authority" and "subsidy programme" before finding the subsidy specific. On facts available, the Appellate Body accepted China's claim that the Panel's findings regarding facts available were inconsistent with Article 11 of the DSU, and reversed the Panel's finding that Commerce's application of facts available was not inconsistent with Article 12.7 of the SCM Agreement. Lastly, the Appellate Body rejected the U.S. appeal of the Panel's finding that China's panel request failed to meet the requirement of Article 6.2 of the DSU to present an adequate summary of the legal basis of its claim sufficient to present the problem clearly.

The DSB adopted the Appellate Body report and the Panel report, as modified by the Appellate Body report, on January 16, 2015. In a letter dated February 13, 2015, the United States notified the DSB of its intention to comply with its WTO obligations and indicated it would need a RPT to do so.

On June 26, 2015, China requested that the RPT be determined through arbitration pursuant to Article 21.3(c) of the DSU. On July 17, 2015, the Director General appointed Mr. Georges M. Abi-Saab as the arbitrator. On October 9, 2015, the arbitrator issued his award, deciding that the RPT would be 14 months and 16 days, ending on April 1, 2016.

Commerce subsequently issued redeterminations in 15 separate countervailing duty investigations and with respect to one "as such" finding of the DSB. Commerce implemented these determinations on April 1, 2016, and May 26, 2016. On June 22, 2016, the United States notified the DSB that it had brought the challenged measures into compliance with the recommendations and rulings of the DSB.

On May 13, 2016, China requested consultations regarding the U.S. implementation. The United States and China held consultations on May 27, 2016. On July 8, 2016, China requested that the DSB refer the matter to the original Panel pursuant to Article 21.5 of the DSU. The DSB did so at a meeting held on July 21, 2016. On October 5, 2016, the compliance Panel was composed with one member of the original Panel: Mr. Hugo Perezcano Diaz, Chair; and with two additional panelists selected to replace unavailable members of the original panel: Mr. Luis Catibayan and Mr. Thinus Jacobsz, Members. The compliance Panel held a meeting with the parties on May 10-11, 2017. The Panel is expected to issue a report in early 2018.

United States — Measures Affecting the Importation of Animals, Meat and Other Animal Products from Argentina (DS447)

On August 30, 2012, Argentina requested consultations regarding inaction by the United States to authorize importation of fresh bovine meat from Argentina. U.S. law prohibits the importation of fresh meat from countries, pending a determination by the USDA as to whether, and under what import conditions, if any, such products can be safely imported without introducing foot-and-mouth disease (FMD) into the United States. At issue in this matter were the status of three applications by Argentina to the USDA to revise its prohibition and permit the importation of fresh bovine meat. Specifically, Argentina contended that U.S. measures are inconsistent with Articles 1.1, 2.2, 2.3, 3.1, 3.3, 5.1, 5.2, 5.4, 5.6, 6.1, 6.2, 8, and 10.1 of the SPS Agreement; and Articles I:1 and XI:1 of the GATT 1994.

Consultations were held on October 18 and 19, 2012. Argentina requested the establishment of a panel on December 6, 2012, and the DSB established a panel on January 28, 2013. On August 8, 2013, the Director General composed the Panel as follows: Mr. Eirik Glenne, Chair; and Mr. Jaime Coghi and Mr. David Evans, Members. The Panel met with the parties on January 28 and 29, 2014, and September 2, 4-5, 2014.

The final report was issued on July 24, 2015. The Panel's report concluded that the U.S. measures were inconsistent with U.S. obligations under the SPS Agreement and the GATT 1994.

Prior to the issuance of the panel report, USDA issued two administrative documents (in August 2014 and July 2015) that lift the FMD ban on Argentina, and permit the importation of fresh bovine meat under certain conditions. In light of the regulatory actions taken by USDA prior to the conclusion of the panel proceeding, the United States notified the DSB at its meeting held on August 31, 2015, that the United States had addressed the matters raised in this dispute.

United States — Measures Affecting the Importation of Fresh Lemons (DS448)

On September 3, 2012, Argentina requested consultations regarding the U.S. failure thus far to grant import authorization for fresh lemons from Northwest Argentina. Consultations were held on October 17-18, 2012, in Geneva, Switzerland. Argentina submitted its request for establishment of a dispute settlement panel on December 6, 2012.

United States — Countervailing and Anti-Dumping Measures on Certain Products from China (DS449)

On September 17, 2012, the United States received a request for consultations from China regarding Public Law 112-99 (P.L. 112-99) and determinations and actions made by Commerce, the USITC, and U.S. Customs and Border Protection in connection with 31 joint antidumping and countervailing duty proceedings. China alleged in its consultation request that the retroactive nature of Section 1 of P.L. 112-99 and the difference in effective dates between Sections 1 and 2 of P.L. 112-99 were violations of GATT Article X. China further alleged that dozens of antidumping and countervailing duty proceedings initiated between November 20, 2006 and March 13, 2012 violated the United States' WTO obligations because the United States had no basis under domestic law to identify and avoid "double remedies" and U.S. authorities failed to "investigate and avoid double remedies."

China and the United States held consultations on November 5, 2012. On November 30, China requested the establishment of a panel. China and the United States held consultations on November 5, 2012. On November 30, China requested the establishment of a panel, and on December 17, 2012 a panel was established. On March 4, 2013, the Director General composed the panel as follows: Mr. José Graça Lima, Chair; and Mr. Donald Greenfield and Mr. Arie Reich, Members. The panel met with the parties on July 2-3, 2013, and August 27-28, 2013.

On March 27, 2014, the panel issued a report that rejected all of China's claims concerning the WTO-consistency of P.L. 112-99. However, the panel found that U.S. authorities failed to "investigate and avoid double remedies." Therefore, the panel found that 25 countervailing duty proceedings involving imports from China initiated between November 20, 2006, and March 13, 2012 were inconsistent with U.S. WTO obligations.

On April 8, 2014, China appealed the panel's interpretation of Article X:2 of the GATT 1994. On April 17, 2014, the United States filed its own appeal, challenging the sufficiency of China's panel request under Article 6.2 of the DSU, and requesting reversal of the panel's findings relating to the 25 countervailing duty proceedings involving imports from China.

On July 7, 2014, the Appellate Body issued its report. The Appellate Body found that the panel erred in its legal interpretation of Article X:2 of the GATT, and reversed the Panel's findings with respect to P.L. 112-99. The Appellate Body was unable to complete the analysis to determine the consistency of P.L. 112-99 with Article X:2 due to the lack of undisputed facts on the record. The Appellate Body found that China's panel request complied with Article 6.2 of the DSU.

On July 22, 2014, the DSB adopted its recommendations and rulings in the dispute. On August 21, 2014, the United States stated its intention to comply with the DSB recommendations and rulings, and that it would need a RPT to do so. The United States and China initially agreed to a RPT of 12 months. The United States and China subsequently agreed to extend the RPT, so as to expire on August 5, 2015. At the DSB meeting on August 31, 2015, the United States notified the DSB that it had implemented the recommendations and rulings of the DSB in the dispute.

United States – Anti-Dumping and Countervailing Measures on Large Residential Washers from Korea (DS464)

On August 29, 2013, the United States received from Korea a request for consultations pertaining to antidumping and countervailing duty measures imposed by the United States pursuant to final determinations issued by Commerce following antidumping and countervailing duty investigations regarding large residential washers (washers) from Korea. Korea claimed that Commerce's determinations, as well as certain methodologies used by Commerce, were inconsistent with U.S. commitments and obligations under Articles 1, 2, 2.1, 2.4, 2.4.2, 5.8, 9.3, 9.4, 9.5, 11, and 18.4 of the AD Agreement, Articles 1.1, 1.2, 2.1, 2.2, 10, 14, and 19.4 of the SCM Agreement; Articles VI, VI:1, VI:2, and VI:3 of the GATT 1994; and Article XVI:4 of the WTO Agreement. Specifically, Korea challenged Commerce's alleged use of "zeroing" and application of the second sentence of Article 2.4.2 of the AD Agreement, as applied in the washers antidumping investigation and "as such." Korea also challenged Commerce's determinations in the washers countervailing duty investigation that Article 10(1)(3) of Korea's Restriction of Special Taxation Act (RSTA) is a subsidy that is specific within the meaning of Article 2.1 of the SCM Agreement, Commerce's determination of the amount of subsidy benefit received by a respondent under Article 10(1)(3) of the RSTA, Commerce's determination that Article 26 of the RSTA is a regionally specific subsidy, and Commerce's imposition of countervailing duties on one respondent that were attributable to tax credits that the respondent received for investments that it made under Article 26 of the RSTA.

The United States and Korea held consultations on October 3, 2013. On December 5, 2013, Korea requested that the DSB establish a panel. On January 22, 2014, a panel was established. On June 20, 2014, the Director General composed the panel as follows: Ms. Claudia Orozco, Chair; and Mr. Mazhar Bangash and Mr. Hanspeter Tschaeni, Members. The panel held meetings with the parties on March 10-11, 2015, and on May 20-21, 2015.

The panel circulated its report on March 11, 2016. The panel found that aspects of Commerce's antidumping determination were inconsistent with the second sentence of Article 2.4.2 of the AD Agreement, including the determination to apply an alternative, average-to-transaction comparison methodology and the application of that methodology to all transactions rather than just to so-called pattern transactions. The panel rejected other claims asserted by Korea, including Korea's argument that Commerce acted inconsistently with Article 2.4.2 by determining the existence of a pattern exclusively on the basis of quantitative criteria.

The panel found that aspects of Commerce's differential pricing methodology are inconsistent "as such" with the second sentence of Article 2.4.2 of the AD Agreement. The panel also found that the United States' use of zeroing when applying the average-to-transaction comparison methodology is inconsistent

with the second sentence of Article 2.4.2 and Article 2.4, both “as such” and as applied in the washers antidumping investigation.

In addition, the panel made several findings on the CVD issues raised by Korea. The Panel found that Commerce’s disproportionality analysis, in its original and remand determinations, was inconsistent with Article 2.1(c) of the SCM Agreement. But the panel rejected Korea’s remaining claims – i.e., its claim that Commerce’s regional specificity determination was inconsistent with Article 2.2 of the SCM Agreement, and its claims concerning the proper quantification of subsidy ratios.

On April 19, 2016, the United States appealed certain of the panel’s findings. Korea filed another appeal on April 25, 2016. The oral hearing in the appeal was held on June 20-21, 2016, in Geneva.

On September 7, 2016, the Appellate Body circulated its report. The Appellate Body upheld several of the panel’s findings under the AD Agreement, including the panel’s finding that the average-to-transaction comparison methodology should be applied only to so-called pattern transactions, the panel’s finding that the use of zeroing is inconsistent with the second sentence of Article 2.4.2 and Article 2.4, both “as such” and as applied, and the panel’s finding that the differential pricing methodology is inconsistent “as such” with the second sentence of Article 2.4.2 of the AD Agreement. The Appellate Body reversed other findings made by the panel. For instance, the Appellate Body found that an investigating authority must assess the price differences at issue on both a quantitative and qualitative basis, and the Appellate Body mooted the panel’s finding concerning systemic disregarding, finding instead that the combined application of comparison methodologies is impermissible. With respect to the CVD issues, the Appellate Body upheld the panel’s rejection of Korea’s regional specificity claim, but found that certain aspects of Commerce’s calculation of subsidy rates were inconsistent with Article 19.4 of the SCM Agreement and Article VI:3 of the GATT 1994.

On September 26, 2016, the DSB adopted the panel and Appellate Body reports. On October 26, 2016, the United States stated that it intends to implement the recommendations of the DSB in this dispute in a manner that respects U.S. WTO obligations, and that it will need a reasonable period of time in which to do so. On April 13, 2017, an Article 21.3(c) arbitrator determined that the RPT for implementation would expire on December 26, 2017.

On December 15, 2017, USTR requested that Commerce initiate a proceeding under section 129 of the *Uruguay Round Agreements Act* to address the DSB’s recommendations relating to Commerce’s CVD investigation of washers from Korea. On December 18, 2017, Commerce initiated a section 129 proceeding. The section 129 proceeding is expected to be completed in 2018.

United States – Certain Methodologies and their Application to Anti-Dumping Proceedings Involving China (DS471)

On December 3, 2013, the United States received from China a request for consultations pertaining to antidumping measures imposed by the United States pursuant to final determinations issued by Commerce following antidumping investigations regarding a number of products from China, including certain coated paper suitable for high-quality print graphics using sheet-fed presses, certain oil country tubular goods, high pressure steel cylinders, polyethylene terephthalate film, sheet, and strip; aluminum extrusions; certain frozen and canned warm water shrimp; certain new pneumatic off-the-road tires; crystalline silicon photovoltaic cells, whether or not assembled into modules; diamond sawblades and parts thereof; multilayered wood flooring; narrow woven ribbons with woven selvage; polyethylene retail carrier bags; and wooden bedroom furniture. China claimed that Commerce’s determinations, as well as certain methodologies used by Commerce, are inconsistent with U.S. obligations under Articles 2.4.2, 6.1, 6.8, 6.10, 9.2, 9.3, 9.4, and Annex II of the AD Agreement; and Article VI:2 of the GATT 1994. Specifically,

China challenges Commerce's application in certain investigations and administrative reviews of a "targeted dumping methodology," "zeroing" in connection with such methodology, a "single rate presumption for non-market economies," and a "NME-wide methodology" including certain "features". China also challenges a "single rate presumption" and the use of "adverse facts available" "as such."

The United States and China held consultations on January 23, 2014. On February 13, 2014, China requested that the DSB establish a panel, and a panel was established on March 26, 2014. On August 28, 2014, the Director General composed the panel as follows: Mr. José Pérez Gabilondo, Chair; and Ms. Beatriz Leycegui Gardoqui and Ms. Enie Neri de Ross, Members. The panel held meetings with the parties on July 14-16, 2015, and on November 17-19, 2015.

The panel circulated its report on October 19, 2016. The panel found that a number of aspects of the "targeted dumping methodology" applied by Commerce in three challenged investigations were not inconsistent with the requirements of the AD Agreement, including certain quantitative aspects of Commerce's methodology. However, the Panel found fault with other aspects of Commerce's methodology and with Commerce's explanation of why resort to the alternative methodology was necessary. The panel also found that Commerce's application of the alternative methodology to all sales, rather than only to so-called pattern sales, and Commerce's use of "zeroing" in connection with the alternative methodology, were inconsistent with the second sentence of Article 2.4.2 of the AD Agreement. The panel found that Commerce's use of a rebuttable presumption that all producers and exporters in China comprise a single entity under common government control – the China-government entity – to which a single antidumping margin is assigned, both as used in specific proceedings and generally, is inconsistent with certain obligations in the WTO Antidumping Agreement concerning when exporters and producers are entitled to a unique antidumping margin or rate. Finally, the Panel agreed with the United States that China had not established that Commerce has a general norm whereby it uses adverse inferences to pick information that is adverse to the interests of the China-government entity in calculating its antidumping margin or rate. The panel also decided to exercise judicial economy with respect to the information Commerce utilized in particular proceedings.

On November 18, 2016, China appealed certain of the panel's findings regarding Commerce's "targeted dumping methodology," use of "adverse facts available," and the "single rate presumption." The Appellate Body held a hearing in Geneva on February 27-28, 2017, and issued a report on May 11, 2017. The Appellate Body rejected virtually all of China's claims on appeal and did not make any additional findings of inconsistency against the United States.

On May 22, 2017, the DSB adopted the panel and Appellate Body reports. On June 19, 2017, the United States stated that it intends to implement the recommendations of the DSB in this dispute in a manner that respects U.S. WTO obligations, and that it will need a reasonable period of time in which to do so. On October 17, 2017, China requested that an Article 21.3(c) arbitrator determine the RPT for implementation. The award of the arbitrator is expected in early 2018.

United States – Conditional Tax Incentives for Large Civil Aircraft (DS487)

On December 19, 2014, the EU requested consultations with the United States with respect to "conditional tax incentives established by the State of Washington in relation to the development, manufacture, and sale of large civil aircraft." The EU alleges that such tax incentives are prohibited subsidies that are inconsistent with Articles 3.1(b) and 3.2 of the SCM Agreement. Consultations were held on February 2, 2015, and a panel was established on February 23, 2015. The panel was composed by the Director General on April 22, 2015, as follows: Mr. Daniel Moulis, Chair; Mr. Terry Collins-Williams and Mr. Wilhelm Meier, Members.

On November 28, 2016, the panel report was circulated to the Members finding only the Washington State B&O tax incentive to be a prohibited subsidy. Six other tax incentives were found to be subsidies, but they were not deemed to be illegal under WTO rules.

Findings against the EU

- The EU failed to demonstrate that the aerospace tax measures are *de jure* contingent upon the use of domestic over imported goods with respect to the First Siting Provision in Washington State's Engrossed Substitute Senate Bill (ESSB 5952) considered separately.
- The EU failed to demonstrate that the reduced B&O tax rate for the manufacture and sale of commercial airplanes is *de jure* contingent upon the use of domestic over imported goods with respect to the Second Siting Provision in ESSB 5952 considered separately.
- The EU failed to demonstrate that the aerospace tax measures are *de jure* contingent upon the use of domestic over imported goods with respect to the First Siting Provision and the Second Siting Provision considered jointly.

Findings against the United States

- The seven aerospace tax measures at issue constitute a subsidy within the meaning of Article 1 of the SCM Agreement.
- The Washington State B&O tax rate for the manufacturing or sale of commercial airplanes under the 777X program is inconsistent with Article 3.1(b) of the SCM Agreement.
- The United States acted inconsistently with Article 3.2 of the SCM Agreement.

On November 28, 2016, the panel report was circulated to the Members finding only the Washington State B&O tax incentive to be a prohibited subsidy. Six other tax incentives were found to be subsidies, but they were not deemed to be illegal under WTO rules.

The United States appealed certain aspects of the Panel's findings on December 16, 2016. The EU filed a notice of other appeal on January 17, 2017. The Division assigned to hear the appeal consisted of Mr. Thomas R. Graham (Presiding Member), Mr. Shree B.C. Servansing, and Mr. Peter Van den Bossche. The Appellate Body held an oral substantive hearing with the parties and third parties on June 6, 2017.

The Appellate Body circulated its report on September 4, 2017. The Appellate Body found that none of the seven challenged programs were prohibited import-substitution subsidies, as alleged by the EU. Accordingly, the United States had no compliance obligations, and the dispute ended with a complete U.S. victory.

United States — Anti-Dumping Measures on Oil Country Tubular Goods from Korea (DS488)

On December 22, 2014, the United States received from Korea a request for consultations pertaining to antidumping duties imposed on oil country tubular goods from Korea. Korea claimed that the calculation by Commerce of the constructed value profit rate for Korean respondents was inconsistent with U.S. obligations under Articles 2.2, 2.2.2, 2.4, 6.2, 6.4, 6.9, and 12.2.2 of the Antidumping Agreement and Articles I and X:3 of the GATT 1994. Korea also claimed that Commerce's decision regarding the affiliation of a certain Korean respondent to a supplier, and the effects of that decision, was inconsistent

with Articles 2.2.1.1 and 2.3 of the Antidumping Agreement and that its selection of two mandatory respondents was inconsistent with Article 6.10, including Articles 6.10.1 and 6.10.2. Korea further claimed that Commerce's methodology for disregarding a respondent's exports to third-country markets was inconsistent "as such" and "as applied" in the investigation at issue with Article 2.2 of the Antidumping Agreement.

The United States and Korea held consultations on January 21, 2015. On February 23, Korea requested the establishment of a panel. The DSB established a panel on March 25, 2015, and the Parties agreed to the composition of the panel on July 13 as follows: Mr. John Adank, Chair; and Mr. Abd El Rahman Ezz El Din Fawzy and Mr. Gustav Brink, Members. Subsequently, Mr. Adank withdrew as Chair prior to the second substantive meeting of the Panel, and the Parties agreed that Mr. Crawford Falconer would replace Mr. Adank as Chair. The panel met with the parties on July 20-21, 2016, and November 1-2, 2016.

The panel circulated its report on November 14, 2017. The panel found that the United States had acted inconsistently with the chapeau of Article 2.2.2 of the Antidumping Agreement because Commerce did not determine profit for constructed value based on actual data pertaining to sales of the like product in the home market. The panel also found that the United States had acted inconsistently with Articles 2.2.2(i) and (iii) because Commerce relied on a narrow definition of the "same general category of products" in concluding it could not determine profit under Article 2.2.2(i) and in concluding it could not calculate a profit cap under Article 2.2.2(iii). The panel further found that the United States had acted inconsistently with Article 2.2.2(iii) because Commerce failed to calculate and apply a profit cap. The panel exercised judicial economy with respect to Korea's claims that the United States acted inconsistently the chapeau of Article 2.2.2 because Commerce did not determine profit for constructed value based on actual data pertaining to sales of the like product in third-country markets and with respect to Articles 1 and 9.3 as a consequence of substantive violations of Articles 2.2.2, 2.2.2(i), and 2.2.2(iii). Finally, the panel found two of Korea's claims with respect to profit for constructed value to be outside its terms of reference, specifically its claim that the United States had violated Article 2.2.2(iii) because Commerce had determined the profit rate based on a certain company's financial statements and its claim that the United States had violated Article X.3(a) of the GATT 1994, because Commerce had purportedly acted contrary to its agency practice of determining profit.

The panel otherwise rejected the remaining claims asserted by Korea with respect to the investigation at issue, including claims regarding the use of constructed export price and the selection of costs for calculation of constructed normal value; found such claims to be outside its terms of reference; or exercised judicial discretion. For example, the panel specifically found that Korea failed to demonstrate that the United States acted inconsistently with Articles 6.10 and 6.10.2 of the Antidumping Agreement in its selection of mandatory respondents. The panel also specifically rejected Korea's claims that Commerce's methodology for disregarding a respondent's exports to third-country markets was inconsistent "as such" and "as applied" in the investigation with Article 2.2 of the Antidumping Agreement. Finally, the panel exercised judicial economy with respect to Korea's claim that the United States had acted inconsistently with Article 2.4.

On January 12, 2018, the DSB adopted the panel report in this dispute.

United States – Anti-Dumping and Countervailing Measures on Certain Coated Paper from Indonesia (DS491)

On March 13, 2015, Indonesia requested consultations concerning antidumping and countervailing duty measures pertaining to certain coated paper suitable for high-quality print graphics using sheet-fed presses. Indonesia alleged inconsistencies with Article VI of the GATT 1994, Articles 1, 3.5, 3.7 and 3.8 of the Antidumping Agreement, and Articles 2.1, 12.7, 10, 14(d), 15.5, 15.7 and 15.8 of the SCM Agreement.

With respect to the countervailing duty measures, Indonesia challenged Commerce's determinations that Indonesia's provision of standing timber, log export ban and debt forgiveness program are countervailable subsidies. Indonesia claimed that Commerce determined both that the standing timber was provided for less than adequate remuneration and that the log export ban distorted prices without factoring in prevailing market conditions. Indonesia also alleged, in regards to all three subsidies, that Commerce failed to examine whether there was a plan or scheme in place sufficient to constitute a "subsidy programme" within the meaning of the SCM Agreement. Indonesia further claimed that Commerce did not identify whether each subsidy was "specific to an enterprise ... within the jurisdiction of the granting authority," as required by the SCM Agreement. In addition, Indonesia challenged Commerce's facts available determination in which it concluded that the government of Indonesia forgave debt.

With respect to both the antidumping and countervailing duty measures, Indonesia alleged that the USITC threat of injury determination breached both the AD Agreement and SCM Agreement because it relied on allegation, conjecture, and remote possibility; was not based on a change in circumstances that was clearly foreseen and imminent; and showed no causal relationship between the subject imports and the threat of injury to the domestic industry.

Indonesia also raised an "as such" claim with respect to 19 U.S.C. § 1677(11) (B). Indonesia contended that, with respect to threat of injury cases, the law does not consider or exercise "special care" as a result of the requirement that a tie vote be treated as an affirmative ITC determination.

Consultations between Indonesia and the United States took place in Geneva on June 25, 2015. A panel was established on September 28, 2015, and on February 4, 2016, the Director-General composed the panel as follows: Mr. Hanspeter Tschani, Chair; and Mr. Martin Garcia and Ms. Enie Neri de Ross, Members. The panel held its first substantive meeting with the parties, in Geneva, on December 6-7, 2016. The panel held its second substantive meeting with the parties, in Geneva, on March 28-29, 2017. On December 6, 2017, the Panel circulated its report to the Members. The report rejected all of Indonesia's claims. Indonesia chose not to appeal, and the DSB adopted the report on January 22, 2018.

United States — Measures Concerning Non-Immigrant Visas (DS503)

On March 3, 2016, India requested consultations with the United States regarding certain measures relating to (1) fees for the L-1 and H-1B categories of non-immigrant visas, under which the United States permits the temporary entry of foreign workers that meet certain criteria; and (2) an alleged U.S. commitment to issue a certain amount of H-1B visas to nationals of Singapore and Chile on an annual basis. India's request alleges that these measures are inconsistent with Articles II, III:3, IV:1, V:4, VI:1, XVI, XVII, and XX of the GATS; and paragraphs three and four of the GATS Annex on the Movement of Natural Persons Supplying Services. Consultations between India and the United States took place in Geneva on May 11-12, 2016.

United States – Countervailing Measures on Supercalendered Paper from Canada (DS505)

On March 30, 2016, Canada requested consultations with the United States to consider claims related to U.S. countervailing duties on supercalendered paper from Canada (Investigation C-122-854). Consultations between the United States and Canada took place in Washington, D.C. on May 4, 2016.

On June 9, 2016, Canada requested the establishment of a panel challenging certain actions of the U.S. Department of Commerce with respect to the countervailing duty investigation and final determination, the countervailing duty order, and an expedited review of that order. The panel request also presents claims with respect to alleged U.S. "ongoing conduct" or, in the alternative, a purported rule or norm, with respect

to the application of facts available in relation to subsidies discovered during the course of a countervailing duty investigation.

Canada alleges that the U.S. measures at issue are inconsistent with obligations under Articles 1.1(a)(1), 1.1(b), 2, 10, 11.1, 11.2, 11.3, 11.6, 12.1, 12.2, 12.3, 12.7, 12.8, 14, 14(d), 19.1, 19.3, 19.4, 22.3, 22.5, and 32.1 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement); and Article VI:3 of the General Agreement on Tariffs and Trade 1994 (GATT 1994).

A panel was established on July 21, 2016. On August 31, 2016, the Panel was composed by the Director-General to include: Mr. Paul O'Connor, Chair; and Mr. David Evans and Mr. Colin McCarthy, Members. The panel met with the parties on March 21-22, 2017, and on June 13-14, 2017. The panel is expected to circulate its report in 2018.

United States – Certain Measures Relating to the Renewable Energy Sector (DS510)

On September 9, 2016, India requested WTO consultations regarding alleged domestic content requirement and subsidy measures maintained under renewable energy programs in the states of Washington, California, Montana, Massachusetts, Connecticut, Michigan, Delaware, and Minnesota. India's request alleges inconsistencies with Articles III:4, XVI:1 and XVI:4 of the GATT 1994, Article 2.1 of the TRIMS Agreement; and Articles 3.1(b), 3.2, 5(a), 5(c), 6.3(a), 6.3(c), and 25 of the SCM Agreement. Consultations between India and the United States took place in Geneva on November 16-17, 2016.

United States – Countervailing Measures on Cold- and Hot-Rolled Steel Flat Products from Brazil (DS514)

On November 11, 2016, Brazil requested consultations concerning countervailing duty measures pertaining to cold- and hot-rolled steel flat products from Brazil. Brazil alleges inconsistencies with Article VI of the GATT 1994; Articles 1, 2, 10, 11 (in particular, Articles 11.2, 11.3, 11.4, and 11.9), 12 (in particular, Articles 12.3, 12.5, and 12.7), 14, 15, 16, 17, 19, and 32.1, and Annexes II and III of the SCM Agreement.

Brazil characterizes its claims as claims related to the procedures applied in the countervailing duty investigations, claims related to the determinations of injury and domestic industry, claims related to the characterization of certain measures as countervailable subsidies, and claims related to the calculation and determination of the subsidy margins for certain tax legislation and loans. With respect to the procedures, Brazil alleges that the United States initiated countervailing duty investigations in the absence of sufficient evidence and inappropriately drew adverse inferences or relied upon adverse facts available. With respect to the determination of injury and domestic industry, Brazil claims that it is not clear that the decision on injury was based on positive evidence or an objective examination of the facts, and that the domestic industry definition did not refer to the domestic producers as a whole. With respect to the characterization of certain measures as countervailable subsidies, Brazil alleges that the United States failed to demonstrate that certain legislation (related to the "IPI" (tax on industrialized products) levels for capital goods, the integrated drawback scheme, the *ex-tarifario*, the "REINTEGRA," the payroll tax exemption, and the FINAME and "Desenvolve Bahia") entailed a financial contribution and conferred a benefit within the meaning of the SCM Agreement; that the United States failed to demonstrate that the tax legislation is specific within the meaning of the SCM Agreement; and that, with regard to FINAME, the United States failed to demonstrate that the loans conferred a benefit and were specific within the meaning of the SCM Agreement. Finally, with respect to the calculation and determination of subsidy margins for tax legislation and loans, Brazil alleges that the subsidies were calculated in excess of the actual benefit provided, because the benchmarks used were flawed.

The parties consulted on this matter on December 19, 2016.

United States – Measures Related to Price Comparison Methodologies (DS515)

On December 12, 2016, China requested consultations with the United States regarding its use of a non-market economy (NME) methodology in the context of anti-dumping investigations involving Chinese producers. In its request, China asserts that WTO Members were required to terminate the use of an NME methodology by December 11, 2016, and thereafter apply the provisions of the AD Agreement and the GATT 1994 to determine normal value.

Specifically, China alleges that the following “measures” are inconsistent with Articles 2.1, 2.2, 9.2, 18.1, and 18.4 of the Antidumping Agreement and Articles I:1, VI:1, and VI:2 of GATT 1994:

- Sections 771(18) and 773 of the Tariff Act of 1930, as amended;
- Part 351.408 of Commerce’s regulations, 19 C.F.R. § 351.408;
- Commerce’s 2006 determination that China is a ‘non-market economy’ for purposes of the Tariff Act of 1930, as amended; and
- The failure of the United States, by way of omission, to revoke the 2006 determination or otherwise modify its laws with respect to antidumping investigations and reviews of Chinese products initiated and/or resulting in preliminary or final determinations after December 11, 2016.

China also challenges Section 773(e) of the Tariff Act of 1930 – the constructed value provision that applies to market economies – to the extent that it permits the use of “surrogate values.” Consultations took place on February 7-8, 2017, in Geneva.

China requested supplemental consultations on November 3, 2017, which took place on January 4, 2018, in Geneva. As part of its supplemental consultations request, China further alleged that certain of the following “measures” are also inconsistent with Articles 2.1, 2.2, 5.2, 5.3, 7.1(ii), 9.2, 9.3, 11.1, 11.2, 11.3, 18.1, and 18.4 of the Antidumping Agreement, Articles I:1, VI:1, and VI:2 of GATT 1994, and Article XVI:4 of the Marrakesh Agreement Establishing the World Trade Organization:

- Commerce’s 2017 determination that China is a “non-market economy” for purposes of the Tariff Act of 1930, as amended;
- The policy or practice of using surrogate values to determine normal value in both original and administrative review determinations in antidumping proceedings involving Chinese products, whether that conduct is pursuant to Section 773(c) of the Tariff Act, Section 773(e), or any other provision of U.S. law;
- Certain named Commerce final determinations of normal value in antidumping investigations or administrative reviews of Chinese imports made subsequent to December 11, 2016, which were based on the use of “surrogate values”;
- Commerce’s preliminary affirmative determinations in *Certain Hardwood Plywood Products From the People's Republic of China* (June 23, 2017); *Certain Aluminum Foil From the People's Republic of China* (October 26, 2017); and *Carton-Closing Staples from the People's Republic of China* (October 27, 2017);
- Certain named Commerce final determinations in sunset reviews in which Commerce relied on margins of dumping calculated on the basis of “surrogate values”;
- The policy or practice of making final determinations in sunset reviews of antidumping orders applicable to Chinese products relying on margins of dumping calculated on the basis of surrogate values, whether pursuant to Section 773(c) of the Tariff Act of 1930, Section 773(e), or any other provision of U.S. law; and

- The failure of Commerce, by way of omission, to conduct “reviews based on changed circumstances” pursuant to Section 751(b) of the Tariff Act in the antidumping investigations of Chinese products, by virtue of the expiration of Section 15(a)(ii) of China’s Accession Protocol.

China further added that the “measures at issue are “not justifiable” under the second Supplementary Provision of Article VI:1 of GATT 1994, as referenced in Article 2.7 of the Antidumping Agreement.

United States – Countervailing Measures on Certain Pipe and Tube Products from Turkey (DS523)

On March 8, 2017, Turkey requested consultations concerning countervailing duty measures imposed by the United States pursuant to four final countervailing duty determinations issued by Commerce pertaining to certain pipe and tubes products. Turkey alleges inconsistencies with Articles 1.1(a)(1), 1.1(b), 2.1(c), 2.4, 10, 12.7, 14(d), 15.3, 19.4, and 32.1 of the SCM Agreement; and Article VI:3 of the GATT 1994.

Turkey challenges the application of measures in four final countervailing duty determinations with respect to the provision of hot-rolled steel for less than adequate remuneration. Specifically, Turkey challenges Commerce’s “public bodies” determination, use of facts available, and determination of specificity of the subsidy program. Turkey also challenges Commerce’s calculation of benchmarks, both as applied and “as such.”

With respect to the injury determinations, Turkey challenges the Tariff Act of 1930, in particular section 771(7)(G)(i) regarding cross-cumulation of imports.

Consultations between the United States and Turkey took place in Geneva on April 28, 2017. A panel was established on June 19, 2017, and on September 14, 2017, the Director-General composed the panel as follows: Mr. Guillermo Valles, Chair; and Ms. Luz Elena Reyes de la Torre and Mr. Jose Antonio de la Puente Leon, Members. The panel will hold its first substantive meeting with the parties on February 28–March 1, 2018, in Geneva.

United States – Countervailing Measures on Softwood Lumber from Canada (DS533)

On November 28, 2017, the United States received from Canada a request for consultations pertaining to the final determination issued by Commerce following a countervailing duty investigation regarding softwood lumber from Canada. Canada claimed that Commerce’s determination is inconsistent with U.S. commitments and obligations under Articles 1.1(a), 1.1(b), 2.1(a), 2.1(b), 10, 11.2, 11.3, 14(d), 19.1, 19.3, 19.4, 21.1, 21.2, 32.1, and 32.5 of the SCM Agreement, and Article VI:3 of the GATT 1994. Specifically, Canada challenged Commerce’s determinations regarding benchmarks for stumpage, log export permitting processes, and non-stumpage programs.

The United States and Canada held consultations on January 17, 2018.

United States – Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada (DS534)

On November 28, 2017, the United States received from Canada a request for consultations pertaining to the final determination issued by Commerce following an antidumping investigation regarding softwood lumber from Canada. Canada claimed that Commerce’s determination is inconsistent with U.S. commitments and obligations under Articles 1, 2.1, 2.4, and 2.4.2 of the AD Agreement, and Articles VI:1 and VI:2 of the GATT 1994. Specifically, Canada challenged Commerce’s application of a differential pricing methodology, including the United States’ use of zeroing when applying the average-to-transaction comparison methodology.

The United States and Canada held consultations on January 17, 2018.

I. Trade Policy Review Body

Status

The Trade Policy Review Body (TPRB) is the subsidiary body of the General Council, created by the Marrakesh Agreement Establishing the WTO, to administer the Trade Policy Review Mechanism (TPRM). The TPRM examines domestic trade policies of each Member on a schedule designed to review the policies of the full WTO Membership on a timetable determined by trade volume. The express purpose of the review process is to strengthen Members' adherence to WTO provisions and to contribute to the smoother functioning of the WTO. Moreover, the review mechanism serves as a valuable resource for improving the transparency of Members' trade and investment regimes. Members continue to value the review process, because it informs each government's own trade policy formulation and coordination.

The Member under review works closely with the WTO Secretariat to provide pertinent information for the process. The Secretariat produces an independent report on the trade policies and practices of the Member under review. Accompanying the Secretariat's report is the Member's own report. In a TPRB session, the WTO Membership discusses these reports together, and the Member under review addresses issues raised in the reports and answers questions about its trade policies and practices. Reports cover the range of WTO agreements – including those relating to goods, services, and intellectual property – and are available to the public on the WTO's website at <http://www.wto.org>. Documents are filed on the website's "Documents Online" database under the document symbol "WT/TPR."

TPRs of LDC Members often perform a technical assistance function, helping them improve their understanding of their trade policy structure's relationship with the WTO Agreements. The reviews have also enhanced these countries' understanding of the WTO Agreements, thereby better enabling them to comply and integrate into the multilateral trading system. In some cases, the reviews have spurred better interaction among government agencies. The reports' wide coverage of Members' policies also enables Members to identify any shortcomings in policy and specific areas where further technical assistance may be appropriate.

The TPRM requires Members, in between their reviews, to provide information on significant trade policy changes. The WTO Secretariat uses this and other information to prepare reports by the Director General on a regular basis on the trade and trade-related developments of Members and Observer Governments. The reports are discussed at informal meetings of the TPRB. The Secretariat consolidates the information it collects and presents it in the Director General's Annual Report on Developments in the International Trading Environment.

Major Issues in 2017

During 2017, the TPRB reviewed the trade regimes of 23 Members. Members reviewed were Belize, Bolivia (Plurinational State of), Brazil, Cambodia, European Union, Iceland, Jamaica, Japan, Mexico, Mozambique, Nigeria, Paraguay, Sierra Leone, Switzerland and Liechtenstein, and the members of the West African Economic and Monetary Union (WAEMU) (Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo).

Since its inception in 1989 to the end of 2017, the TPRB has conducted 467 reviews. The reviews have covered 153 of 164 Members. Those Members not yet reviewed by the end of 2017 are Afghanistan, Cuba, Kazakhstan, Lao PDR, Liberia, Montenegro, Samoa, Seychelles, Tajikistan, Vanuatu, and Yemen. Of the 36 LDC Members of the WTO, the TPRB had reviewed 31 by the end of 2016.

While each review highlights the specific issues and measures concerning the individual Member, certain common themes emerged during the course of the reviews conducted in 2017. These included:

- transparency in policy making and implementation;
- economic environment and trade liberalization;
- implementation of the WTO Agreements (including acceptance and implementation of the WTO TFA);
- regional trade agreements and their relationship with the multilateral trading system;
- tariff issues, including the differences between applied and bound rates;
- customs valuation and customs clearance procedures;
- the use of trade remedy measures such as antidumping and countervailing duties;
- technical regulations and standards and their alignment with international standards;
- sanitary and phytosanitary measures;
- intellectual property rights legislation and enforcement;
- government procurement policies and practices;
- trade-related investment policy issues;
- sectoral trade policy issues, particularly liberalization in agriculture and certain services sectors; and
- technical assistance in implementing the WTO Agreements and experience with Aid for Trade, and the Enhanced Integrated Framework.

In July, the General Council agreed to amend the TPRM contained in Annex 3 to the Marrakesh Agreement Establishing the WTO to adjust the cycle of TPRs amid the rising number of WTO Members. Currently, Members undergo a TPR every two, four, or six years depending on the size of their economy. From 2019, the frequency will be changed to three, five, or seven years, respectively. This is the first amendment to the TPRM since it was established in 1989 under the GATT and made permanent under the WTO, as part of the 1994 Uruguay Round agreements.

Prospects for 2018

The TPRM will continue to be an important tool for monitoring Members' compliance with WTO commitments and an effective forum in which to encourage Members to meet their obligations and to adopt further trade liberalizing measures. For 2018, the proposed program of reviews is: Armenia; China; Chinese Taipei; Colombia; the members of the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda; Egypt; The Gambia; Guinea and Mauritania; Hong Kong, China; Israel; Malaysia; Montenegro; Nepal; Norway; Philippines; United States of America; Uruguay; and Vanuatu.

J. Other General Council Bodies/Activities

1. Committee on Trade and Environment

Status

The WTO General Council created the Committee on Trade and Environment (CTE) on January 31, 1995, pursuant to the Marrakesh Ministerial Decision on Trade and Environment. Since then, the CTE has discussed a broad range of important trade and environment issues. These issues include: market access associated with environmental measures; the TRIPS Agreement and the environment; labeling for environmental purposes; and capacity-building and environmental reviews, among others.

Major Issues in 2017

In 2017, the CTE met twice under the Chairmanship of the Permanent Representative of Kazakhstan, in June and November, 2017.

Both meetings of the CTE covered a range of trade and environment issues, including fisheries, environmental standards, and environmental provisions in regional trade agreements. Across this range of issues, WTO Members provided updates on their respective policies and programs. Additionally, several international organizations, including the Organization for Economic Cooperation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Framework Convention on Climate Change (UNFCCC), and the International Organization for Standardization (ISO), briefed the CTE on recent activities. The Secretariat also provided an update of the Environmental Database (EDB) and sought input from WTO Members regarding how to make the database more accessible for Members. The EDB contains all environment-related notifications submitted by WTO members as well as environmental measures and policies mentioned in the Trade Policy Reviews (TPRs) of WTO members and is updated on an annual basis.

Prospects for 2018

The United States will participate in the CTE, and will continue to explore fresh and innovative approaches to challenging trade and environment issues.

2. Committee on Trade and Development

Status

The Committee on Trade and Development (CTD) was established in 1965 to strengthen the GATT 1947's role in the economic development of less developed GATT Contracting Parties. In the WTO, the CTD is a subsidiary body of the General Council. Since the Doha Development Round was launched, Members have established four additional subgroups of the CTD: a Subcommittee on LDCs; a Dedicated Session on Small Economies; a Dedicated Session on Regional Trade Agreements (RTAs); and a Dedicated Session on the Monitoring Mechanism.

The CTD addresses trade issues of interest to Members with particular emphasis on issues related to the operation of the "Enabling Clause" (the 1979 Decision on Differential and More Favorable Treatment, Reciprocity, and Fuller Participation of Developing Countries). In this context, the CTD focuses on the Generalized System of Preferences (GSP) programs, the Global System of Trade Preferences among developing country Members, and regional integration efforts among developing country Members. In addition, the CTD focuses on issues related to the fuller integration of all developing country Members into the international trading system, technical cooperation and training, trade in commodities, market access in products of interest to developing countries, and the special concerns of LDCs, small, and landlocked economies.

The CTD has been the primary forum for discussion of broad issues related to the nexus between trade and development. Since the initiation of the DDA, the CTD has intensified its work on issues related to trade and development. The CTD has focused on issues such as transparency in preferential trade agreements, expanding trade in products of interest to developing country Members, the WTO's technical assistance and capacity building activities, and an overall assessment of the development aspects of the DDA and sustainable development goals. As directed in the 2005 Hong Kong Ministerial Declaration, the CTD also

conducts annual reviews of steps taken by WTO Members to implement the decision on providing DFQF market access to the LDC Members.

Work in the Subcommittee on LDCs and the Dedicated Sessions on Small Economies and RTAs has included review of market access challenges related to exports of LDC Members, LDC accessions to the WTO, trade-related needs of small, vulnerable economies, including island and landlocked states, and review of Member RTAs notified under the Enabling Clause.

The Monitoring Mechanism was established in 2013 at the Ninth Ministerial Conference. It serves as a focal point within the WTO to analyze and review the implementation of special and differential treatment provisions. The Monitoring Mechanism operates on the basis of submissions by Members. To date, no submissions have been made.

Major Issues in 2017

The CTD in Regular Session held five formal sessions in January, March, May, June, and November 2017. Activities of the CTD and its subsidiary bodies in 2017 included:

- *Focused Work on Trade and Development:* At the Eighth Ministerial Conference of the WTO, “Ministers reaffirm[ed] that development is a core element of the WTO’s work. They also reaffirm[ed] the positive link between trade and development and call[ed] for focused work in the Committee on Trade and Development” (WT/MIN(11)/11). In 2017, Members continued their consideration of submissions containing proposals for work under the MC8 mandate through the consideration of specific proposals.
- *Technical Cooperation and Training:* The Committee considered the final report of the evaluation of the WTO’s technical assistance, prepared by an outside consultant, along with the WTO management response to the evaluation. The consultant presented 28 recommendations directed to WTO Members and senior management. The discussion of the evaluation will feed into the development of the next Biennial Technical Assistance and Training Plan for 2018-2019. The Committee took note of the 2016 Annual Report on Technical Assistance and Training (WT/COMTD/W/225). According to the report, a total of 274 activities were undertaken by the Secretariat in 2015, a slight increase from the previous year. Overall, approximately 18,600 participants were trained during the year, which was an increase of 25 percent over 2015.
- *Duty Free, Quota Free Market Access for LDC Members:* The Decision taken at the Hong Kong Ministerial Conference on DFQF market access for LDCs remains a standing item on the CTD’s agenda. A number of Members shared information on the steps they are taking to provide DFQF market access to LDCs’ products, including in respect of preferential rules of origin.
- *Dedicated Session on Small Economies:* The Dedicated Session on Small Economies held two formal meetings, in May and November 2017. The Secretariat circulated a paper on “Challenges and Opportunities experienced by Small Economies in their Efforts to Reduce Trade Costs, Particularly in the Area of Trade Facilitation.” This paper drew on the Aid-for-Trade Monitoring and Evaluation exercise of 2015 to analyze best practices and policy approaches to enhance productive capacity and export competitiveness.
- *Aid for Trade:* The CTD held three sessions on Aid for Trade in 2017, in February, May, and November. The 2017 Global Review of Aid for Trade was held in July 2017. The theme of the event was “Promoting Trade, Inclusiveness and Connectivity for Sustainable Development.” The breadth of

topics addressed was diverse and included digital and physical infrastructure, e-commerce, investment, inclusiveness, SMEs, public-private partnerships, trade facilitation, and trade finance. The United States organized a session on “New Trends in Digital Economy and Connectivity, Innovation and Assistance.”

- *LDC Subcommittee:* The LDC Subcommittee held two meetings in 2017, in May and October. During those meetings, Members considered market access for LDCs and trends in LDC trade, trade-related technical assistance and accession of LDCs.
- *Dedicated Session on Regional Trade Agreements:* The Dedicated Session on Regional Trade Agreements met once in 2017. The Committee considered the Free Trade Agreement between the Association of Southeast Asian Nations (ASEAN) and India, a goods-only agreement.

Prospects for 2018

The CTD is expected to continue to monitor developments as they relate to issues of concern to developing country Members, including technical assistance and market access. It is anticipated that efforts to identify “focused work” will continue, taking into consideration the relevant sections of the applicable Ministerial Declarations. Members will also continue to work with the Secretariat in dedicated sessions to identify the challenges and opportunities experienced by small economies when linking into global value chains. In addition, the CTD’s examination of RTAs between developing country Members will continue as new RTAs are notified to the WTO. Work will continue on implementing the transparency mechanism for preferential trade agreements. The implementation of the Monitoring Mechanism, agreed to at the Bali Ministerial (WT/MIN(13)/W/17), will also continue in dedicated sessions of the CTD.

3. Committee on Balance-of-Payments Restrictions

Status

The Uruguay Round Understanding on Balance-of-Payments (BOP) clarified GATT disciplines on balance-of-payments-related trade measures. The Committee on Balance-of-Payments Restrictions works closely with the International Monetary Fund (IMF) in conducting consultations on balance of payments issues. Full consultations involve examining a Member’s trade restrictions and BOP situation, while simplified consultations provide for more general reviews. Full consultations are held when restrictive measures are introduced or modified, or at the request of a Member in view of improvements in its BOP.

Major Issues in 2017

On April 2, 2015, Ecuador notified the introduction of temporary tariff surcharges for balance of-payments purposes (WTO document WT/BOP/N/79 and Add.1, Add.2). Ecuador indicated that the measure, which came into force on March 11, 2015, would be in place for 15 months. The Committee held full consultations with Ecuador in June and October 2015, in accordance with the terms of reference of Article XVIII:B of the GATT 1994, and the Understanding on the Balance-of-Payments Provisions of the GATT 1994. During these consultations, the United States and many other members expressed their concerns regarding the compatibility of the measures with Ecuador’s commitments and called for the elimination of these measures, while at the same time recognizing the difficulties of the situation. Following the October meeting, Ecuador presented a timetable for the dismantlement of the measure (WT/BOP/G/23), offering to reduce the tariff surcharges and then eliminate them in June 2016.

The Committee continued its full consultations with Ecuador throughout 2016. On May 9, 2016, Ecuador notified Resolution No. 006-2016, which deferred elimination of the surcharge until June 2017. Ecuador's notification justified this change of plans based on an April earthquake that it claimed further worsened its balance of payments. The Committee met again in November 2016, with the United States and other Members pressing Ecuador to eliminate its surcharges as soon as possible in 2017.

The Committee met three times in 2017 and continued its full consultations with Ecuador. In June 2017, Ecuador notified the Committee of the complete elimination of the tariff surcharges (WT/BOP/N/84). A draft report of the consultations was circulated among Members for comments (WT/BOP/W/43). During the July 2017 meeting, proposed changes were discussed and a final text for the report was agreed upon. The Committee decided to conclude consultations and approve the report with the changes agreed during that meeting (WT/BOP/R/114). The report was submitted to the General Council for approval on October 26, 2017.

Prospects for 2018

The Budget Committee will continue to monitor the financial and budgetary situation of the WTO on an ongoing basis. The United States expects the Committee to continue to ensure that balance-of-payments provisions are used as intended to address legitimate problems through the imposition of temporary, price-based measures.

4. Committee on Budget, Finance and Administration

Status

The Committee on Budget, Finance and Administration (the Budget Committee) is responsible for establishing and presenting the budget for the WTO Secretariat to the General Council for Members' approval. The Budget Committee meets throughout the year to address the financial requirements of the WTO. The budget process in the WTO operates on a biennial basis; the WTO is currently in the sixth consecutive year of "zero nominal growth" budgets. As is the practice in the WTO, decisions on budgetary issues are taken by consensus. The United States is an active participant in the Budget Committee.

In the WTO, the assessed contribution of each Member is based on the share of that Member's trade in goods, services, and intellectual property. The United States, as the Member with the largest share of world trade, makes the largest contribution to the WTO budget. For the 2016 budget, the U.S. assessed contribution was 11.24 percent of the total budget assessment, or Swiss Francs (CHF) 21,974,200 (about \$22 million) (*details required by Section 124 of the Uruguay Round Agreements Act on the WTO's consolidated budget are provided in Annex II*).

Major Issues in 2016

The Committee met periodically throughout the year and presented six reports to the General Council in 2016. The Committee obtained and reviewed on a quarterly basis reports on the financial and budgetary situation of the WTO, the arrears of contributions from Members and Observers, the WTO Pension Plan, WTO risk management and internal oversight activities, and the financial situation due to negative interest impact. The Committee reviewed and took note of the annual report on diversity in the WTO Secretariat, the staff learning program, and the Human Resources annual report on grading structure and promotions. The Committee also reviewed and approved proposed revisions to the WTO Financial Rules. A dedicated working group examined the possible establishment of an Audit Committee for the WTO, as recommended by the WTO's external and internal auditors; however, this working group was unable to reach a consensus

on whether an Audit Committee was necessary or appropriate for the particular circumstances of the WTO. Members of the Budget Committee also monitored the development, by the WTO Secretariat, of a strategy for addressing long-term sustainability of the medical insurance plan provided to WTO employees and retirees. The Committee also received regular updates on an Organizational Review process launched by the Director General in December 2013.

Prospects for 2017

The Budget Committee will continue to monitor the financial and budgetary situation of the WTO on an ongoing basis. The Committee is expected, among other 2017 priorities, to establish a budget for the 2018-2019 biennium and to continue to monitor implementation of the strategy for sustainability in the WTO's provision of health insurance. The Committee may also continue its consideration of the possible establishment of an Audit Committee for the WTO.

5. Committee on Regional Trade Agreements

Status

The Committee on Regional Trade Agreements (CRTA), a subsidiary body of the General Council, was established in early 1996 as a central body to oversee all regional agreements to which Members are party.

The CRTA is charged with conducting reviews of individual agreements, seeking ways to facilitate and improve the review process, implementing the biennial reporting requirements established in the Uruguay Round Agreements, and considering the systemic implications of such agreements and regional initiatives for the multilateral trading system. Prior to 1996, these reviews were typically conducted by a “working party” formed to review a specific agreement.

GATT Article XXIV is the principal provision governing free trade areas (FTAs), customs unions (CUs), and interim agreements leading to an FTA or CU concerning goods. Additionally, the 1979 Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries, commonly known as the “Enabling Clause,” provides a basis for certain agreements between or among developing country Members, also concerning trade in goods. The Uruguay Round added three more provisions: the Understanding on the Interpretation of Article XXIV, which clarifies and enhances the requirements of Article XXIV of GATT 1994; and Articles V and Vbis of the GATS, which govern services and labor markets integration agreements. FTAs and CUs are authorized departures from the principle of MFN treatment, if relevant requirements are met.

Major Issues in 2017

As of December 31, 2017, 479 regional trade agreements (RTAs) have been notified to the GATT or WTO, of which 284 are in force (140 covering goods only, 1 covering services only, and 143 covering goods and services). RTAs include bilateral or plurilateral free trade agreements (FTAs), customs unions, and services agreements covered under GATS Articles V and Vbis.

At the end of 2006, the General Council established, on a provisional basis, a new transparency mechanism for all RTAs. The main features of the mechanism, agreed upon in the Negotiating Group on Rules, include: the early announcement of any RTA; guidelines regarding the notification of RTAs; the preparation by the WTO Secretariat, on its own responsibility and in full consultation with the parties, of a factual presentation on each notified RTA to assist Members in their consideration of the notified RTA; timeframes associated with the consideration of RTAs; provisions regarding subsequent notification and reporting with respect to

notified RTAs; technical support for developing countries; and a division of work between the CRTA, entrusted to implement the mechanism *vis-à-vis* RTAs falling under Article XXIV of GATT 1994 and Article V of the GATS, and the Committee on Trade and Development (CTD), entrusted to do the same for RTAs falling under the Enabling Clause.

Since the implementation of the transparency mechanism in 2007, 259 agreements, counting goods and services notifications separately, have been considered (10 factual presentations representing 16 notifications in 2017). Of these agreements, 251 have been reviewed in the CRTA and eight in the CTD.

Under the transparency mechanism, the WTO Secretariat was tasked to establish and maintain an updated electronic database on individual RTAs. The database was launched in January 2009 and includes extensive information, all of which is available to the public. The RTAs database may be accessed at: <http://rtais.wto.org>.

Prospects for 2018

Four sessions of the Committee on Regional Trade Agreements are foreseen in 2018. The United States will continue to push other Members to comply with WTO transparency obligations applicable to their RTAs.

6. Accessions to the World Trade Organization

Status

There are 22 applicants for WTO Membership. Of these 22 applicants⁶⁵, six appeared to be actively engaged in the WTO accession process as of the end of 2017. Five applicants provided the technical inputs necessary to convene formal meetings of their respective Working Parties (WP). The WP for Azerbaijan convened in July; the WP for Belarus met in January and September; the WP for Comoros met in June and October; and the WP for Sudan met in January and July. The WP for Bosnia and Herzegovina may convene in early 2018. In addition, Timor-Leste in July submitted to the WP the first draft of its Memorandum of Foreign Trade Regime (MFTR), which is required for negotiations to commence.

Six WTO accession applicants (Equatorial Guinea, Libya, Sao Tome and Principe, Somalia, and South Sudan, and Syria) have not submitted the initial documents describing their respective foreign trade regimes. As a result, negotiations on their accessions have not commenced. Accession negotiations with nine other applicants – Algeria, Andorra, the Bahamas, Bhutan, Ethiopia, Iran, Lebanon, Serbia, and Uzbekistan – remained dormant in 2017.

Background

Countries and separate customs territories seeking to join the WTO must negotiate the terms of their accession with current Members, as Article XII of the WTO Agreement provides. The accession process, with its emphasis on the implementation of WTO provisions and the establishment of stable and predictable market access for goods and services, provides a proven framework for the adoption of policies and practices that encourage trade and investment and promote growth and development.

⁶⁵ Accession Working Parties have been established for Algeria, Andorra, Azerbaijan, the Bahamas, Belarus, Bhutan*, Bosnia and Herzegovina, Comoros*, Equatorial Guinea, Ethiopia*, Iran, Iraq, Lebanon, Libya, Sao Tome and Principe*, Serbia, Somalia*, South Sudan*, Sudan*, Syria, Timor-Leste*, and Uzbekistan (the 8 countries marked with an asterisk are LDCs).

In a typical accession negotiation, a government writes to the WTO Director General seeking accession to the WTO. This application is circulated to WTO Members and placed on the agenda of the next meeting of the WTO General Council, which establishes a WP composed of all interested WTO Members to review the applicant's trade regime, conduct the negotiations, and make a recommendation to the General Council on the application. To initiate negotiations on the terms of its WTO Membership, the applicant then provides an initial description of its trade practices—the MFTR—and responds to questions and comments submitted by Members on that document. The WTO Secretariat schedules a first meeting of the WP and subsequent meetings as justified by new developments and documentation. The number of WP meetings needed to complete the negotiations, as well as the overall length of the accession process, largely depends on the speed with which the applicant addresses the issues identified by WP Members and moves to conclude bilateral negotiations to liberalize trade through specific commitments on market access for goods and services, based on requests from WP Members. In addition, applicants are expected to make necessary legislative changes to implement WTO institutional and regulatory requirements and to eliminate existing WTO-inconsistent measures. Almost all “developed country” accession applicants, and many “developing country” accession applicants, take all of these actions on WTO rules prior to conclusion of the accession negotiations.⁶⁶

At the conclusion of its work, the WP adopts the documents recording the agreed results of the negotiations (the “terms of accession” for the applicant developed with WP Members in bilateral and multilateral negotiations) and transmits them with its recommendation for approval to the General Council or to the Ministerial Conference. These terms, *i.e.*, the accession “package,” consist of the “Report of the Working Party” and “Protocol of Accession,” consolidated schedules of specific commitments on market access for goods and services, and agriculture schedules that include commitments on export subsidies and domestic supports. After General Council or Ministerial Conference approval, accession applicants submit the package to their domestic authorities for acceptance (ratification).⁶⁷ Thirty days after the WTO receives the applicant's instrument accepting the terms of accession, the applicant becomes a WTO Member.

Undertaking accession negotiations is a serious decision for any country. Applicants already committed to economic reform, or that demonstrate a strong interest in using WTO provisions as the basis for their trade regimes, usually are the most successful in moving their accession towards completion (*e.g.*, by submitting usable documentation, market access offers, and legislation for WP review on a timely basis). Thus, the pace of the accession process generally depends on the applicant.

The accession process requires attention and active engagement from both applicants and WTO Members. Importantly, the accession process ensures that new Members understand and implement WTO rules from the outset. The process also offers current Members the opportunity to secure market access opportunities from acceding countries, to work with accession applicants towards full implementation of WTO obligations, and to address outstanding trade issues covered by the WTO in a multilateral context.

U.S. Leadership and Technical Assistance: The United States has traditionally taken a leadership role in all aspects of the accession negotiations, including in the bilateral, plurilateral, and multilateral aspects of the negotiations. The U.S. objectives are to ensure that the applicant fully implements WTO provisions

⁶⁶ As outlined below, negotiations with applicants designated as “least developed” by the United Nations are subject to special guidelines, and LDCs do not, as a rule, fully implement all WTO provisions prior to accession. Transitional periods may also be negotiated, if necessary, with developing or other applicants that request them and can justify their necessity.

⁶⁷ The WP decision to adopt the accession package is by “consensus,” *i.e.*, without objection by any WP Member. While there are provisions in the WTO Agreement for the Ministerial Conference or General Council to approve accessions by an affirmative vote of two-thirds of all Members, in practice, the Ministerial Conference or General Council also approve the terms of accession by consensus.

when it becomes a Member, to encourage trade liberalization in developing and transforming economies, and to use the opportunities provided in these negotiations to expand market access for U.S. exports. The United States also has provided technical assistance to countries seeking accession to the WTO to help them meet the requirements and challenges presented, both by the negotiations and the process of implementing WTO provisions in their trade regimes. The U.S. Agency for International Development (USAID), the USDA, the Commercial Law Development Program (CLDP) of the U.S. Department of Commerce, and the U.S. Trade and Development Agency have provided this assistance on behalf of the United States.

The U.S. assistance can include providing short term technical expertise focused on specific issues (*e.g.*, customs procedures, intellectual property rights protection, or sanitary and phytosanitary matters and technical barriers to trade), and/or a WTO expert in residence in the acceding country or customs territory. A number of the WTO Members that have acceded since 1995 received technical assistance in their accession process from the United States at one time or another, including Afghanistan, Albania, Armenia, Bulgaria, Cape Verde, Croatia, Estonia, Georgia, Jordan, Kazakhstan, Kyrgyz Republic, Latvia, Laos, Liberia, Lithuania, Macedonia, Moldova, Montenegro, Nepal, Russia, Tajikistan, Ukraine, Vietnam, and Yemen. The United States provided resident experts for most of these countries for some portion of the accession process.

Among current accession applicants, Algeria, Azerbaijan, Belarus, Bosnia and Herzegovina, Ethiopia, Iraq, Lebanon, Serbia, and Uzbekistan have received U.S. technical assistance in their accession processes. In addition, Afghanistan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Ukraine continue to receive assistance with implementing their membership commitments.

LDC Accessions

WTO Members are committed to facilitating the accession processes of LDCs and to making WTO accession more accessible to these applicants. The accession negotiations for all LDC accession applicants are guided by the simplified and streamlined procedures developed for these countries in response to the WTO General Council Decision on Accessions of Least Developed Countries (WT/L/508) adopted at the end of 2002, and in its addendum, adopted in July 2012 by the General Council.⁶⁸ The expanded guidelines established by these documents include provisions under the following pillars: (i) Benchmarks on Goods Concessions; (ii) Benchmarks on Services Commitments; (iii) Transparency in Accession Negotiations; (iv) Special and Differential (S&D) Treatment and Transition Periods; and, (v) Technical Assistance. Points (i) and (ii) establish that market access negotiations for the WTO accession of LDCs are to be guided by special principles and benchmarks more appropriate to the development level of LDC applicants. The transparency provisions confirm evolving practice in LDC accessions for the use of the good offices of the Chairperson of the Sub-Committee on LDCs, as well as the Chairpersons of the LDCs' Accession Working Parties to assist the conclusion of the accession process for LDCs. S&D treatment and technical assistance provisions of the guidelines also confirm the need for restraint and the broad use of transitional provisions when constructing market access commitments, as well as the utility for detailed action plans for transitional implementation of WTO provisions. Further, the guidelines confirm the need for enhanced technical assistance and capacity building in LDC accessions.

The United States and other developed country WTO Members support both the 2002 and the 2012 Decisions on LDC Accessions, adhering to the guidelines established by these documents in formulating more flexible negotiating positions on market access and WTO implementation commitments for LDCs. The purpose of the guidelines is to ensure that LDCs are prepared for the responsibilities of WTO Membership by promoting use of technical assistance, structuring transitional periods with action plans, and, in general, making extra efforts to facilitate LDC integration into the trading system. The guidelines

⁶⁸ WT/L/508 and WT/L/508/Add.1.

will continue to maintain the WTO accession process for LDCs as a tool for economic development, incorporating the applicant's own development program and schedule for receiving technical assistance into an action plan for progressive implementation of WTO rules.

Major Issues in 2017

After a relatively quiet period in 2016, several WTO accession applicants sought to make substantive progress in their accession processes in 2017. Seven formal WP meetings were held: Azerbaijan (1), Belarus (2), Comoros (2), and Sudan (2). An informal WP meeting was held for Iraq, at which the Iraqi authorities signaled their intent to reengage in the accession process in 2018. In addition, Bosnia and Herzegovina passed critical legislation in September, and the 13th meeting of its WP may be convened in early 2018. Timor-Leste tabled the first draft of its MFTR and is working to respond to Members' initial questions.

Other applicants took steps in 2017 toward engaging in their accession processes. The Bahamas expressed an intent to restart work on its accession; Equatorial Guinea signaled its interest in beginning work to draft its MFTR; Lebanon submitted several of the documents necessary to convene the first meeting of its WP since 2009; Somalia made significant progress toward drafting its MFTR; and Uzbekistan signaled its intent to reengage in the process.

In December, South Sudan submitted an application to pursue WTO accession, and the Ministerial Conference established a Working Party to negotiate terms.

Azerbaijan

Azerbaijan's 14th WP meeting convened in July 2017. WTO Members and Azerbaijan were unable to reach solutions on systemic issues, some of which stemmed from recently introduced policy measures in Azerbaijan. Members and Azerbaijan also made little progress with respect to their bilateral negotiations on goods and services.

Belarus

Belarus formally reengaged in the accession process in 2017 for the first time since 2005. Its WP met twice, in January and September. WP Members and Belarus have begun to explore a number of key issues, and further work is expected in 2018.

Comoros

Comoros' WP was established in October 2007 and has met three times, in December 2016, and in June and October of 2017. Comoros is making steady progress and is expected to address issues in several key areas identified by Members of the WP. Comoros has also made good progress in its bilateral negotiations on goods and services market access.

Sudan

Sudan's WP was established in 1994 and met in January for the first time in 13 years. It met again in July. Efforts in 2017 focused primarily on reacquainting Sudan's authorities with the WTO accession process and preparing the country to grapple with the domestic reforms that will be necessary to align its trade regime with WTO rules and principles.

Prospects for 2018

Several applicants are expected to make progress on their accessions in 2018. Bosnia and Herzegovina's accession process is advanced and could finish relatively quickly once its outstanding market access negotiations are concluded. Belarus, Comoros, Iraq, Somalia, Sudan, and Timor-Leste are expected to submit substantive inputs to their respective Working Parties.

While Serbia's accession package is relatively advanced, Serbia cannot accede to the WTO until it removes a longstanding legislative ban on trade in biotechnology products.

K. Plurilateral Agreements

1. Committee on Trade in Civil Aircraft

Status

The Agreement on Trade in Civil Aircraft (Aircraft Agreement) entered into force on January 1, 1980, and is one of two WTO plurilateral agreements (along with the Agreement on Government Procurement) that are in force only for those WTO Members that have accepted it.⁶⁹

The Aircraft Agreement requires Signatories to eliminate tariffs on civil aircraft, engines, flight simulators, and related parts and components, and to provide these benefits on a nondiscriminatory basis to other signatories. In addition, the Signatories have agreed provisionally to provide duty-free treatment for ground maintenance simulators, although this item is not covered under the current agreement. The Aircraft Agreement also establishes various obligations aimed at fostering free market forces. For example, signatory governments pledge that they will base their purchasing decisions strictly on technical and commercial factors.

There are currently 32 Signatories to the Aircraft Agreement: Albania, Canada, the EU⁷⁰ (the following 20 EU Member States are also Signatories to the Aircraft Agreement in their own right: Austria, Belgium, Bulgaria, Denmark, Estonia, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Romania, Spain, Sweden and the United Kingdom), Egypt, Georgia, Japan, Macau, Montenegro, Norway, Switzerland, Chinese Taipei and the United States. WTO Members with observer status in the Committee are: Argentina, Australia, Bangladesh, Brazil, Cameroon, China, Colombia, Gabon, Ghana, India, Indonesia, Israel, South Korea, Mauritius, Nigeria, Oman, the Russian Federation, Saudi Arabia, Singapore, Sri Lanka, Tajikistan, Trinidad and Tobago, Tunisia, Turkey, and Ukraine. The IMF and UNCTAD are also observers.

The Committee on Trade in Civil Aircraft (Aircraft Committee), permanently established under the Aircraft Agreement, provides the Signatories an opportunity to consult on the operation of the Aircraft Agreement, to propose amendments to the Agreement, and to resolve any disputes.

⁶⁹ Additional information on this agreement can be found on the WTO's website at: http://www.wto.org/english/tratop_e/civair_e/civair_e.htm.

⁷⁰ Currently comprising 28 Member States: Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden, and the United Kingdom.

Major Issues in 2017

The Aircraft Committee held a regular meeting on November 1, 2017. At the regular meeting, the Committee took note of the report of the Chairman on the developments concerning the Protocol adopted in November 2015 that updated the products list of the Civil Aircraft Agreement to be compatible with the 2007 version of the Harmonized System. The Committee also discussed proposals to further update the aviation products list covered by the Agreement to align with subsequent updates to the Harmonized System. The Chair stated that he would organize consultations and an informal meeting in due course.

Prospects for 2018

The Aircraft Committee agreed to hold its next regular meeting in November 2018. The United States will continue to encourage recently acceded WTO Members to become Signatories pursuant to their respective protocols of accession, and will continue to encourage current Committee observers and other WTO Members to become Signatories to the Aircraft Agreement.

2. Committee on Government Procurement

Status

Membership

The WTO Agreement on Government Procurement (GPA) is a “plurilateral” agreement included in Annex 4 to the WTO Agreement. As such, it is not part of the WTO’s single undertaking and its membership is limited to WTO Members that specifically signed the GPA in Marrakesh or that have subsequently acceded to it.

Forty-seven WTO Members are parties to the GPA: Armenia; Canada; the EU and its 28 Member States (Austria, Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom); Hong Kong; Iceland; Israel; Japan; South Korea; Liechtenstein; Moldova; Montenegro; the Netherlands with respect to Aruba; New Zealand; Norway; Singapore; Switzerland; Chinese Taipei; Ukraine; and the United States (collectively the GPA Parties).

As of the end of 2017, ten Members were in the process of acceding to the GPA: Albania; Australia; China; Georgia; Jordan; Kyrgyz Republic; Oman; Russia; Tajikistan; and former Yugoslav Republic of Macedonia. Five additional Members have provisions in their respective Protocols of Accession to the WTO regarding accession to the GPA: Afghanistan, Kazakhstan, Mongolia, Saudi Arabia and Seychelles.

Australia

Australia applied for accession to the GPA in June 2015 and submitted its initial market access offer on September 8, 2015. Australia submitted a revised offer on September 20, 2016. In March 2017, the United States tabled its request for improvements to Australia revised offer. Australia circulated its second revised market access offer in June 2017 that addressed all of the issues flagged in the U.S. request for improvements. In October 2017, Australia confirmed that GPA accession remained a priority and that it hoped to table a final offer in the coming months.

China

When China joined the WTO in 2001, it committed to commence negotiations to join the GPA “as soon as possible.” China submitted its application for accession to the GPA and its Initial Appendix I Offer on December 28, 2007. The United States submitted its Initial Request for improvements in China’s Initial Offer in May 2008. China submitted its first revised offer in July 2010. The United States submitted its second request for improvements in China’s revised offer in September 2010. China also submitted its responses to the Checklist of Issues for Provision of Information Relating to Accession in September 2008.

In April 2010, the United States submitted questions to China on its responses to the Checklist of Issues. China replied to U.S. questions in October 2010. On November 30, 2011, China submitted its second Revised Offer, which included several sub-central entities. On July 3, 2012, the United States submitted its third request for improvements in China’s offer. On November 29, 2012, China submitted its third revised offer. On December 30, 2013, China submitted its fourth revised offer, which included lower thresholds, increased coverage of sub-central entities, and improvements in other areas.

On December 22, 2014, China submitted its fifth revised offer. The offer was not commensurate with the coverage provided by the United States and other GPA Parties. In 2017, the United States and China held bilateral discussions on China’s accession, but China had submitted no new offer as of December 2017.

Kyrgyz Republic

The Kyrgyz Republic’s accession to the GPA, which had been inactive since 2003, moved forward in 2009 when it submitted updated responses to the Checklist of Issues. In January 2016, the Kyrgyz Republic circulated its newly revised Law on Public Procurement and submitted a “revised initial offer.” The Kyrgyz Republic followed up with its second revised offer on May 26, 2016. The United States submitted comments on the Kyrgyz Republic’s revised offer and comments on the Kyrgyz revised Law on Public Procurement in June 2016. The Kyrgyz Republic tabled its third revised offer in October 2016 that addressed most GPA Parties’ requests for improvements. The United States provided comments on the third revised offer in February 2017. The United States continues to engage with the Kyrgyz Republic on the remaining outstanding issues and will continue to review the Kyrgyz Republic’s procurement procedures to ensure consistency with WTO GPA obligations.

Russia

In its WTO Protocol, Russia committed to request observer status in the GPA and to begin negotiations to join the GPA within four years of its WTO accession. Russia became a GPA observer on May 29, 2013, and informed the GPA Parties on August 19, 2016, of its intent to initiate negotiations to join the GPA. Russia submitted its initial market access offer on June 7, 2017. As of November 2017, Russia had not circulated its replies to the Checklist of Issues.

Tajikistan

Consistent with Tajikistan’s commitment to initiate GPA accession negotiations, made in the course of its accession to the WTO in March 2013, Tajikistan applied for accession to the GPA and submitted its initial offer in February 2015. The United States submitted a request for improvement to Tajikistan’s initial offer in May 2015. In February 2016, Tajikistan submitted its replies to the Checklist of Issues and a revised market access offer. In March 2016, the United States submitted comments on Tajikistan’s revised offer. Tajikistan submitted its second revised offer in June 2016. In August 2016, the United States submitted comments on Tajikistan’s draft public procurement law and replies to the Checklist of Issues. Tajikistan circulated its third revised offer in October 2016. In February 2017, the United States circulated comments

on the third revised offer and Tajikistan circulated its fourth revised offer. In March 2017, the United States circulated comments on the fourth revised offer. The United States continues to engage with Tajikistan on the remaining outstanding issues and will continue to review Tajikistan's procurement procedures to ensure consistency with WTO GPA obligations.

Former Yugoslavia Republic of Macedonia

As part of its 2002 WTO accession, the former Yugoslav Republic of Macedonia committed to initiate GPA negotiations for membership in the GPA by tabling an initial offer. The former Yugoslav Republic of Macedonia applied for GPA accession and submitted its draft procurement law and replies to the Check list of Issues in March 2017. The United States submitted comments on both the draft procurement law and the Check List of Issues in June 2017. As of November 2017, the former Yugoslav Republic of Macedonia had not submitted an initial offer.

Observerships

Thirty-one WTO Members have observer status in the GPA Committee: Afghanistan, Albania, Argentina, Australia, Bahrain, Brazil, Cameroon, Chile, China, Colombia, Costa Rica, Georgia, India, Indonesia, Jordan, Kazakhstan, the Kyrgyz Republic, Malaysia, Mongolia, Oman, Pakistan, Panama, the Russian Federation, Saudi Arabia, Seychelles, Sri Lanka, Tajikistan, Thailand, the former Yugoslav Republic of Macedonia, Turkey, and Viet Nam. (The observerships of Afghanistan and Brazil were approved in 2017). Four intergovernmental organizations, the IMF, ITC, OECD, and UNCTAD, also have observer status.

Revised GPA

On December 15, 2011, the GPA Parties reached agreement on the conclusion of negotiations, which had been conducted over more than a decade, to revise the GPA. The outcome included a revision of the text of the GPA to streamline and clarify its obligations, to incorporate flexibilities that reflect modern procurement practices, and to facilitate its implementation. The revised GPA also significantly expanded the procurement covered under the GPA.

As part of the GPA package, the GPA parties adopted a set of Future Work Programs to be undertaken by the GPA Committee following the entry into force of the revised GPA. These include programs related to: (i) the treatment of small and medium-sized enterprises; (ii) sustainable procurement; (iii) the collection and dissemination of statistical data; (iv) exclusions and restrictions in GPA Parties' Annexes; and (v) safety standards in international procurement. The GPA Committee has also approved a decision relating to the use of electronic means to fulfill notification requirements under Articles XIX and XXII of the revised GPA.

The revised GPA entered into force on April 6, 2014 after 10 Parties, two-thirds of the Parties⁷¹ to the GPA at that time, deposited their instruments of acceptance. As of November 2017, 14 Parties had deposited their instruments of acceptance. Only Switzerland has yet to deposit its instruments of acceptance. U.S. obligations to Switzerland are defined under the 1994 GPA.

⁷¹ On April 6, 2014 the 15 Parties to the GPA were: Armenia, Canada, the EU (and its 28 Member States -- Austria, Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom), Hong Kong, Iceland, Israel, Japan, the Republic of Korea, Liechtenstein, the Netherlands with respect to Aruba, Norway, Singapore, Switzerland, Chinese Taipei, and the United States.

Major Issues in 2017

During 2017, the GPA Committee held four formal and informal meetings (in February, June, October, and November) focused on accessions and Work Programs. The GPA Committee held further discussions at the informal meetings on the accessions to the GPA of Australia, China, the Kyrgyz Republic, Russia, Tajikistan, former Yugoslavia Republic of Macedonia.

The former Yugoslavia Republic of Macedonia applied for GPA accession in March. Russia tabled its initial offer in June.

The GPA Committee accelerated its implementation of the four (of five) Work Programs that were adopted as part of the revised GPA covering: small and medium enterprises, sustainable procurement, the collection and reporting of statistical data, and exclusions and restrictions in Parties' Annexes. The GPA Committee specifically established three Work Programs to facilitate the implementation of the GPA and inform any future negotiations.

Collection and Dissemination of Statistical Data

As chair for the work program on collection and dissemination of statistical data, United States hosted small group meetings on the margins of the GPA committee meetings in February, June, and October 2017. Statistical issues discussed included classification systems of goods and services, tracking country of origin of goods and services, procurements exclude from GPA coverage, multi-year contracts, and sub-central statistics.

Treatment of Small and Medium sized Enterprises

In 2017 Parties continued work aimed at identifying practices that promote and facilitate the participation of SMEs in government procurement.

Sustainable Procurement

In February 2017, Canada and the WTO Secretariat hosted a Symposium on Sustainable Procurement. The symposium brought in sustainable procurement experts from NGOs and governments to discuss what is sustainable procurement and what are its main objectives; what are the key practices of sustainable procurement and how can sustainability be incorporated into the different stages of procurement; and how are sustainability measures in procurement processes practiced in a manner consistent with both the principle of "best-value for money" and with international trade obligations. Parties continue to work towards identifying measures and policies that are considered to be sustainable procurement practiced in a manner consistent both with the principle of "best value for money" and with the Parties' international trade obligations

Prospects for 2018

The United Kingdom is currently subject to the GPA obligations as a Member State of the EU. The United Kingdom is scheduled to withdraw from the EU at the end of March 2019. In 2018, the United States anticipates that the United Kingdom will undertake accessions discussions to join the GPA as a standalone party.

The GPA Committee will continue to work to advance GPA accessions, in particular, of Australia, China, the Kyrgyz Republic, Russia, Tajikistan, and former Yugoslav Republic of Macedonia. The GPA Committee will continue its work on implementing the Work Programs.

3. The Information Technology Agreement and the Expansion of Trade in Information Technology Products

Status

The ITA⁷² is a plurilateral agreement to eliminate tariffs on certain information and communications technology (ICT) products. The ITA covers a wide range of ICT products, including computers and computer peripheral equipment, electronic components including semiconductors, computer software, telecommunications equipment, semiconductor manufacturing equipment, and computer-based analytical instruments. To date, 82 WTO Members are ITA participants. Among these 82 ITA participants, however, Morocco has yet to submit the formal documentation to implement its ITA commitments, and El Salvador has indicated that implementation would begin after the completion of domestic legal procedural requirements.

In 2012, a subset of ITA participants launched negotiations to expand significantly the product coverage of the ITA. Those negotiations were concluded in 2015, and participants began implementation of their tariff commitments, as elaborated below.

Major Issues in 2017

The Expansion of Trade in Information Technology Products

In 2017, the Parties continued to implement ITA Expansion.⁷³ Under the agreement, each Party agreed to implement its initial tariff reductions for covered products beginning on July 1, 2016, subject to completion of its domestic procedural requirements, with a second set of reductions taking place on July 1, 2017. The majority of Parties, including key U.S. export markets, such as China, Korea, and the EU, have completed implementation of their initial tariff reductions and have put in place procedures to make subsequent reductions as called for in ITA Expansion. In addition, the majority of Parties have submitted, in accordance with the relevant WTO procedures,⁷⁴ modifications to their WTO tariff schedules of concessions, which will incorporate these duty-free tariff commitments into their overall WTO tariff commitments.

The WTO estimates that ITA Expansion will eliminate tariffs on roughly \$1.3 trillion in annual global trade of ICT products, which global industry estimates will increase annual global gross domestic product by an estimated \$190 billion. With implementation of ITA Expansion, over \$180 billion in annual American technology exports will no longer face burdensome tariffs in key markets around the globe.

ITA Committee

The ITA established the Committee of Participants on the Expansion of Trade in Information Technology Products (the ITA Committee) to carry out the provisions of the ITA, among which are to review the current product coverage with a view to incorporate additional products, and consider any divergence among ITA participants in classifying ITA products. The ITA Committee does not cover the ITA Expansion agreement; however, ITA Expansion Parties have met periodically in 2017 and continue to provide regular updates to

⁷² More formally known as the “WTO Ministerial Declaration on Trade in Information Technology Products” (WT/MIN(96)/16).

⁷³ “Declaration on the Expansion of Trade in Information Technology Products” (WT/L/956).

⁷⁴ The relevant procedures are detailed in the “Decision on 26 March 1980 on Procedures for Modification and Rectification of Schedules of Tariff Concessions” (BISD 27S/25).

the ITA Committee on the status of implementation. ITA Expansion contains a clause through which the Parties review ITA Expansion product coverage.

The ITA Committee held two formal meetings in June and November 2017.⁷⁵ In those meetings, the ITA Committee continued its deliberations on the Non-Tariff Measures (NTMs) Work Program. With regard to its work on the Electro-Magnetic Compatibility/Electro-Magnetic Interference (EMC/EMI) Pilot Project, the ITA Committee took note that 33 ITA participants (including the EU as one participant) have provided survey responses to the ITA Committee, and encouraged those that had not provided the information to do so without further delay. In considering ways to advance and expand its work on NTMs beyond EMC/EMI, the ITA Committee continues to discuss the main issues raised by Members, including transparency, standards for recognition of test results, and electronic-labeling.

To mark the 20th anniversary of the ITA, the WTO organized an ITA Symposium on June 27-28, 2017 with the participation of governments and the private sector. During the ITA Symposium, participants gave an overview of the trade liberalization made under the ITA and the evolution of global trade in ICT products over the past two decades. The participants examined the ITA's role in facilitating product diversification, technology upgrades, and innovation, and discussed how the ITA can assist developing countries and SMEs in their efforts to promote connectivity and achieve sustainable development goals. Private sector participants also discussed the evolution of technology in the ICT sector.

The ITA Committee also continued a discussion of classification divergences on certain ITA products. These discussions are aimed at eliminating differences in the way ITA participants classify ITA products in their national tariff schedules. In 2013, the ITA Committee adopted a decision to endorse the classification of 18 ITA Attachment B items in the Harmonized System (HS) 1996 nomenclature. For the 37 remaining items listed in Attachment B, or identified as "for Attachment B" in section 2 of Attachment A, the ITA Committee agreed on a Decision for the HS 2007 classification of 15 additional items.⁷⁶ The WTO Secretariat prepared and circulated a list of these remaining 22 items and their possible classification in HS2007 nomenclature. ITA participants are required to indicate those items for which their classification diverges from the list prepared by the Secretariat; if an ITA participant's classification differs, then it must identify the HS2007 sub-heading (*i.e.* HS 6-digit level) under which it classifies the Attachment B product in question. After receiving responses from ITA participants, the WTO Secretariat compiled and circulated the answers to the ITA Committee.⁷⁷ On that basis, ITA participants are able to assess the next steps to reduce any remaining divergences in the classification of such ITA products.

Prospects for 2018

With respect to implementation of ITA Expansion, the Parties will continue to implement tariff reductions, take the steps necessary to bind these tariff commitments in accordance with WTO procedures, and review ITA Expansion product coverage.

The ITA Committee will continue its on-going work to reduce divergences in the classification of products covered by the ITA as well as continue to examine non-tariff measures that impact the sector. The next meeting of the ITA Committee will be held in the first quarter of 2018.

⁷⁵ The minutes of these Committee meetings are contained in WTO documents G/IT/M/66 and G/ITA/M/67 (not yet released).

⁷⁶ The ITA Committee Decision is contained in WTO document G/IT/29.

⁷⁷ The comments on the additional items are contained in WTO document G/IT/W/40 and its addenda and supplements.