III. BILATERAL AND REGIONAL NEGOTIATIONS AND AGREEMENTS

A. Free Trade Agreements

1. Australia

Since the United States-Australia Free Trade Agreement (FTA) entered into force on January 1, 2005, two-way goods trade between our two countries has increased by 74 percent, with U.S exports to Australia increasing from $14 billion (2004) to $26.7 billion in 2014. U.S. goods exports were $26.7 billion in 2014, and U.S. goods imports were $10.7 billion. The United States had a $16 billion goods trade surplus with Australia in 2014; the U.S. goods trade surplus with Australia is our 4th largest goods trade surplus in the world. On the services side, from 2004 to 2013 (latest data available), two-way services trade has increased from $10.5 billion to $26 billion. The United States had a $12.2 billion services trade surplus with Australia in 2013. Two-way investment has increased as well, from $86 billion (2003) to $204 billion.

Agricultural trade between the United States and Australia continued to grow in 2014, with U.S. agriculture exports to Australia reaching a record $1.5 billion. In 2014, the United States and Australia continued to closely monitor FTA implementation, including issues related to agriculture, sanitary and phytosanitary measures, investment and government procurement. The two sides worked to further deepen the trade and investment relationship in the Trans-Pacific Partnership (TPP) negotiation as well as through WTO, APEC, and other regional initiatives.

2. Bahrain

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

To manage implementation of the FTA, the agreement establishes a central oversight body, the United States-Bahrain Joint Committee (JC), chaired jointly by USTR and Bahrain's Ministry of Industry and Commerce. The second meeting of the JC was held in October 2009.

In April 2011, the American Federation of Labor and Congress of Industrial Organizations filed a submission with the U.S. Department of Labor alleging that the government of Bahrain took certain actions related to the protests of that year which could be inconsistent with Bahrain's commitments under the FTA Labor Chapter. In December 2012, the U.S. Department of Labor issued a public report concluding that despite significant progress by Bahrain, several issues remained regarding freedom of association and employment discrimination. The report recommended that the United States request formal consultations under the FTA Labor Chapter and work with Bahrain to develop an action plan to address outstanding concerns.

In May 2013, the United States requested formal consultations under the Labor Chapter, and USTR led a U.S. Government delegation to Bahrain in July 2013 and June 2014 to discuss these issues. During these visits, USTR and the U.S. Departments of Labor and State held extensive consultations with officials from Bahrain's Ministries of Labor, Industry and Commerce, and Foreign Affairs, as well as labor unions and business representatives. During the remainder of 2014, U.S. Government agencies continued a dialogue with the government of Bahrain to explore concrete actions to ensure workers in Bahrain can fully exercise their fundamental labor rights. Areas of ongoing discussion include compliance with labor laws related to anti-union practices, collective bargaining issues, particularly in the context of recent reforms that allow for multiple unions in the workplace, improving Bahrain's capacity to respond to cases of employment discrimination, and strengthening tripartite social dialogue in the context of international labor standards and labor-management relations. The government of Bahrain also signed an agreement in 2014 with the General Federation of Bahrain Trade Unions and the Bahrain Chamber of Commerce and Industry to address many of the issues stemming from the 2011 dismissals, including employment discrimination. This agreement led to the successful closing of a complaint filed with the International Labor Organization by Bahrain's unions. Local stakeholders report that challenges remain in fulfilling the terms of the agreement, and the U.S. government remains committed to working closely with the government of Bahrain on labor issues of mutual interest.

3. Central America and the Dominican Republic

Overview

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

Central America and the Dominican Republic represent the third largest U.S. goods export market in Latin America, behind Mexico and Brazil. U.S. goods exports to the CAFTA-DR countries were valued at $31.3 billion in 2014. Combined total two-way trade in 2014 between the United States and Central American CAFTA-DR Parties and the Dominican Republic was $59.7 billion.

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

Elements of the CAFTA-DR

Operation of the Agreement

The central oversight body for the CAFTA-DR is the Free Trade Commission (FTC), composed of the U.S. Trade Representative and the trade ministers of the other CAFTA-DR Parties, or their designees. On September 25-26, 2014, the CAFTA-DR Coordinators, who are technical-level staff of the Parties, met in the Dominican Republic, and on December 1-2 they met in Washington, D.C., to define the agenda and undertake the preparatory work for an upcoming meeting of the FTC. The FTC will review implementation of the CAFTA-DR to take actions to further strengthen the operation of the Agreement.

Under the Agreement, 100 percent of U.S. consumer and industrial goods may enter duty free in all the other CAFTA-DR countries' markets effective January 1, 2015. Nearly all U.S. textile and apparel goods meeting the Agreement's rules of origin have been entering the other CAFTA-DR countries' markets duty free and quota free, promoting opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies and for regional integration. Also under the CAFTA-DR, more than half of U.S. agricultural exports now enter the other CAFTA-DR countries' markets duty free. The majority of remaining tariffs on nearly all U.S. agricultural products will be eliminated by 2020, with a few most sensitive products having slightly longer phase-out periods. For certain products, tariff-rate quotas permit some duty-free access for specified quantities during the tariff phase-out period, with the duty-free amount expanding during that period.

Labor

Ongoing labor capacity building activities are supporting efforts to promote worker rights and improve the effective enforcement of labor laws in the CAFTA-DR countries, including by supporting efforts to protect the rights of workers in the informal economy and lift barriers to formalization, build the capacity of workers and their organizations to constructively advocate for worker rights with public authorities and employers, and ensure that workers and employers develop skills and expertise to resolve disputes. In 2014, the U.S. Department of State continued its funding of a program to strengthen the capacity of unions to organize and represent workers, expand the inclusion of marginalized worker populations within worker organizations, and bolster unions' skills to effectively engage employers and public authorities. The U.S. Department of State also funded a new program to combat labor violence in Honduras and Guatemala.

On September 19, 2014, the United States moved ahead with the dispute settlement proceedings for the labor enforcement case brought by the United States against Guatemala under the CAFTA-DR. This action followed extensive engagement with Guatemala in an effort to improve labor law enforcement, including the signing of a groundbreaking Labor Enforcement Plan between the United States and Guatemala in April 2013. Under the Enforcement Plan, Guatemala agreed to take significant actions to strengthen labor inspections, expedite and streamline the process of sanctioning employers and ordering remediation of labor violations, increase labor law compliance by exporting companies, improve the monitoring and enforcement of labor court orders, publish labor law enforcement information, and establish mechanisms to ensure that workers are paid what they are owed when factories close. As a result of reaching an agreement on the Enforcement Plan, the work of the arbitration panel handling the dispute was suspended. The United States engaged extensively in 2014 to monitor implementation of the Enforcement Plan, including through two interagency technical monitoring trips and a high level trip led by U.S. Trade Representative Michael Froman. In addition, to support Guatemala's implementation of the Enforcement Plan and other labor commitments, in 2014, the U.S. Department of State provided additional funding under a grant awarded to the International Labor Organization in 2013 for a project that seeks to build the capacity of the labor inspectorate; assist the Ministry of Labor to better enforce Guatemalan labor laws, train judges, magistrates, and prosecutors in core labor rights; and support tripartite engagement.

Guatemala took a number of important steps to implement the Enforcement Plan and to improve enforcement of worker rights. For example, Guatemala took steps to enhance its ability to enforce labor laws, strengthened exporting companies' compliance with these laws, and worked to address procedures for payments to workers following abrupt closure of workplaces. However, critical actions agreed to under the Enforcement Plan remained outstanding and Guatemala also failed to demonstrate that the legal reforms it had undertaken were being effectively implemented, leading to concrete improvements on the ground. Therefore, the United States proceeded with the dispute settlement process. The United States filed its first written submission in the case on November 3, 2014. For additional information, visit http://www.ustr.gov/about-us/press-office/press-releases/2013/October/US-Guatemala-enforcement-worker-rights.

In December 2011, a submission was filed with the U.S. Department of Labor (DOL) alleging that the government of the Dominican Republic failed to ensure the effective enforcement of labor laws in the Dominican sugar sector, which, if substantiated, would be inconsistent with the Dominican Republic's commitments under the CAFTA-DR labor chapter. The DOL accepted the submission for review and issued a public report in September 2013 which highlights concerns about potential and apparent violations of Dominican Republic labor laws in the sugar sector with respect to: (1) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health; (2) a minimum age for the employment of children and the prohibition and elimination of the worst forms of child labor; and (3) a prohibition on the use of any form of forced or compulsory labor. The DOL also noted concerns in the sugar sector with respect to Dominican labor law on freedom of association, the right to organize, and collective bargaining. In addition, the report raised significant concerns about procedural and methodological shortcomings in the inspection process that undermine the government's capacity to effectively identify labor violations. The Administration continued to engage with the government of the Dominican Republic as well as with the sugar industry and civil society on the concerns identified in this report, including through two DOL delegation trips to the Dominican Republic, in March and August 2014. The U.S. Government will continue to monitor and assess progress towards addressing the labor concerns identified in the report and, at the same time, will consider additional ways to support any such efforts and whether further action is needed.

In March 2012, the AFL-CIO and 26 Honduran worker and civil society groups filed a submission with the DOL alleging that the government of Honduras had failed to enforce its labor laws in the manufacturing, agriculture, and port operations sectors, which, if substantiated, would be inconsistent with Honduras' commitments under the CAFTA-DR labor chapter. Since then, the U.S. Government has regularly engaged with Honduran officials on the submission. In 2014, the DOL traveled to Honduras to attend meetings with civil society representatives who formed a commission to track the government of Honduras' efforts to address the submission. As part of these visits, the DOL attended a public forum where representatives from unions, employer organizations, and the government discussed issues raised in the submission, including occupational safety and health and freedom of association, as well as the possible implications of labor practices on the competitiveness of Honduran businesses. In 2014, Secretary of Labor Thomas Perez led the U.S. delegation to the inauguration of Honduran President Juan Orlando Hernandez, and met with several government officials, civil society representatives, and labor stakeholders during his visit to discuss issues identified in the submission. Also in 2014, the DOL placed a DOL official at the U.S. Embassy in Honduras for several months to directly support the ongoing review of the submission and engage with Honduran government officials and civil society on submission issues. The U.S. Government will continue to monitor issues identified in the submission and the DOL is expected to issue a public report during 2015.

The U.S. Government is funding a number of technical cooperation projects in Honduras to support labor rights, including programs by the U.S. Department of State to promote freedom of association, union formation, and labor-management relations, and a new $7 million DOL project in 2014 to reduce child labor and improve labor rights.

Environment

The CAFTA-DR countries continued efforts to advance environmental protection and implement the commitments of the CAFTA-DR Environment Chapter. The officials responsible for trade and environment under CAFTA-DR met twice in 2014 to discuss priorities for environmental capacity building programming, the implementation of Environment Chapter obligations, and the preparation for senior-level meetings of the Environmental Affairs Council (Council) in 2014 and 2015. In April 2014, the Council met in New Orleans, Louisiana, and Council Members reported on progress made in their countries to implement core commitments of the CAFTA-DR Environment Chapter, including efforts to improve levels of environmental protection, strengthen environmental laws and environmental law enforcement, and promote public participation in environmental decision making. The Council recognized the contributions of the CAFTA-DR Secretariat for Environmental Matters, which accepts submissions from the public on environmental enforcement matters to improve environmental enforcement in the CAFTA-DR countries.

The Council also discussed key environmental cooperation achievements including; the provision of training for customs and border officials on wood identification to combat trade in illegally harvested timber; collaboration with hundreds of small and medium sized enterprises (SMEs) to help reduce their use of water, energy, and raw materials; and support for the Central American Wildlife Enforcement Network (CAWEN) to enhance regional enforcement of wildlife trafficking laws.

The Council Members committed to continue working together on a number of pressing environmental issues ranging from building additional capacity, to conducting environmental impact assessments, to engaging in a concerted effort to further broaden the scope of outreach to public stakeholders including those in remote communities. Stakeholders attended a public forum held at the Port of New Orleans where Council Members engaged in a question and answer session.

Trade Capacity Building

In addition to the labor and environment programs discussed above, trade capacity building programs and planning in other areas continued throughout 2014 with the Office of the U.S. Trade Representative and other agencies. The U.S. Agency for International Development (USAID) and other donors, including U.S. agencies such as the U.S. Departments of Agriculture (USDA), State, and Commerce, carried out bilateral and regional projects with the CAFTA-DR partner countries.

In 2014, USAID continued working under the Regional Trade and Market Alliances Project to build trade and institutional capacity in CAFTA-DR countries to improve trade facilitation and border management. Through this project, USAID provides assistance to governments and businesses in areas related to coordinated border management, including customs administration and other border control agencies, promoting improved information technology and efficient procedures, harmonizing regulations and other steps to reduce the time and cost to trade across borders, and enhancing public-private dialogue around trade facilitation. During 2014, USAID, in partnership with the World Bank and International Finance Corporation, also launched the Central America Regional Trade Logistics Project that will work with Ministries of Health to streamline mutual recognition procedures for sanitary registries.

USAID has also partnered with USDA to continue supporting CAFTA-DR countries so that their private sectors can take advantage of the trade agreement. For example, USAID and USDA provide technical assistance and capacity building on various agricultural technical issues, including sanitary and phytosanitary measures (SPS) as they relate to intraregional trade and exports to the U.S. market. During 2014, USAID and USDA coordinated closely with the U.S. Food and Drug Administration (FDA) to build awareness of the U.S. Food Safety Modernization Act, possible impacts thereof, and practical ways to operate domestic food safety processes. Also, in 2014, USAID, in collaboration with USDA and FDA, provided funds through the Food and Agricultural Sustainability Training (FAST) Program. Assistance aims to inform countries and private sector exporters of ways to not only meet new U.S. import requirements, but also options to strengthen their food safety systems and processes in order to improve the safety of domestic food supplies. The FAST Program targets some CAFTA-DR countries as well as countries in the Caribbean and South America.

In 2013, the U.S. Department of State's Pathways to Prosperity in the Americas initiative included a broad trade facilitation element, working with other international donors in the region on various customs and border process related issues to foster trade among CAFTA-DR partners. This work continued into 2014. Under Pathways, CAFTA-DR countries are working with the support of the Inter-American Development Bank and participation by the Association of American Chambers of Commerce of Latin America (AACCLA) to create a single-window customs network among CAFTA-DR partners and others in Latin America (Mexico, Chile, Ecuador, Panama, and Colombia). With funding support from the U.S. Department of State, and in coordination with the U.S. Department of Homeland Security (DHS), the U.S. Department of Commerce continued a series of customs and border modernization workshops in the region, and a Phase I conclusion conference was held in Chile in 2013 to highlight achievements and best practices of the project's beneficiary countries: Costa Rica, El Salvador, and Honduras. Phase II of this project, which began in 2012, is working with Guatemala, the Dominican Republic, Peru, and Uruguay to increase customs technical expertise of the public and private sectors.

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

Other Implementation Matters

In 2014, CAFTA-DR partners worked to carry out various FTC decisions adopted to strengthen implementation of the Agreement.

The Parties continued work to update the Agreement's product-specific rules of origin to reflect changes to the International Convention on the Harmonized Commodity Description and Coding System in 2012 (HS Update). Discussions also addressed modifications to reflect the amendments to certain rules of origin for textile and apparel goods, which had been agreed to by the CAFTA-DR FTC in February 2011 and designed to enhance the competitiveness of the region's textiles sector through regional sourcing and integration, in the updated product-specific rules of origin. The HS Update, expected to be endorsed at the next FTC meeting, will further facilitate traders' tariff claims and customs administrations' application of the Agreement's rules of origin. During 2014, technical-level staff also discussed countries' respective domestic processes and proposed rules of origin modifications under Article 4.14 in order to create additional opportunities for trade under the Agreement.

Recognizing the importance of an effective dispute settlement mechanism to the integrity of the Agreement, USTR and the U.S. Department of Commerce's Trade Agreement Secretariat (FTA Secretariat) provided technical support to assist Guatemala in establishing its responsible office, charged with carrying out administrative functions in CAFTA-DR dispute settlement proceedings. USTR and the FTA Secretariat also held a technical exchange with the CAFTA-DR partners to identify issues for coordination and best practices in the administration of dispute settlement proceedings. As part of that exchange, USTR, together with the U.S. Department of State's Office of the Assistant Legal Adviser for International Claims and Investment Disputes (L/CID), engaged with the CAFTA-DR country Coordinators on issues relating to investor-State disputes on December 2, 2014; a follow-on discussion is being planned for 2015. In 2014, a panel issued the first report in a dispute brought under the dispute settlement mechanisms of the CAFTA-DR. The panel ruled in favor of Costa Rica in its challenge to El Salvador's tariff treatment for goods from Costa Rica, in particular those produced in free-trade zones.

The United States also continued to work closely with its CAFTA-DR partners on bilateral matters related to the Agreement, with a particular focus on ensuring that its partners properly implement the Agreement.

For example, the U.S. Government continued to work with several CAFTA-DR partners on implementation of agricultural trade matters such as the administration of tariff-rate quotas and SPS issues as well as government procurement issues. The U.S. Government also worked with several CAFTA-DR countries to promote effective protection of intellectual property rights, including a focus on the balance between trademark and geographical indication protection, as reflected in the CAFTA-DR.

4. Chile

Overview

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

The FTA eliminates tariffs and opens markets, reduces barriers for trade in services, provides protection for intellectual property, ensures regulatory transparency, guarantees nondiscrimination in the trade of digital products, commits the Parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective labor and environmental enforcement. In 2014, U.S. goods exports to Chile decreased by 5 percent to $16.6 billion, while U.S. goods imports from Chile decreased by 8.6 percent to $9.5 billion. Chile is currently our 29th largest goods trading partner with $26.1 billion in total (two way) goods trade during 2014. The U.S. goods trade surplus with Chile was $7.1 billion in 2014.

Trade in services with Chile (exports and imports) totaled $4.8 billion in 2013 (latest data available). U.S. services exports were $3.6 billion and services imports from Chile were $1.2 billion for the same period. The U.S. services trade surplus with Chile was $2.4 billion in 2013.

U.S. foreign direct investment (FDI) in Chile was $41.1 billion in 2013 (latest data available), an 8.7 percent increase from 2012, mostly in the manufacturing and finance/insurance sectors.

Elements of the United States-Chile FTA

Operation of the Agreement

The central oversight body for the FTA is the United States-Chile Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Chilean Director General of International Economic Affairs or their designees. The FTC held its ninth meeting in June 2014. The FTC reviewed implementation of the FTA and suggested actions to further strengthen the operation of the Agreement. The meetings included discussions on the importance of Chile completing its work to fully implement the FTA's intellectual property obligations and Chile's new nutritional labeling law.

Labor

In July 2014, the U.S. Department of Labor (DOL) met with a delegation of Chilean officials in Washington, D.C., led by Chile's Ministry of Labor, to discuss Trafficking in Persons issues and labor inspections. Experts from DOL's Wage and Hour Division shared best practices on combatting trafficking of persons in the United States, and exchanged information on labor inspections with the Chilean delegation, which included several representatives from nongovernmental organizations. DOL officials are also conducting research and monitoring certain labor issues in Chile, including in the agricultural sector and subcontracting. A particular focus of DOL research in 2014 was draft Chilean legislation on labor contracts for seasonal workers that could limit collective bargaining and union rights.

Environment

The United States and Chile continued to advance their work to implement the Environment Chapter of the FTA and the associated Environmental Cooperation Agreement, building on the discussion at the January 9, 2013, meetings of the Environmental Affairs Council (EAC) and U.S.-Chile Joint Commission for Environmental Cooperation (Joint Commission) held in Santiago, Chile.

In 2014, key environmental cooperation activities included strengthening Chile's environmental institutions and enforcement capacity and training on natural resource management, biodiversity conservation, cleaner production, and environmental enforcement.

The United States and Chile are preparing for the next EAC and Joint Commission meeting, which will be held in 2015, which will include the development of a new environmental cooperation work program.

5. Colombia

Overview

The United States-Colombia Trade Promotion Agreement (CTPA) entered into force on May 15, 2012. The United States' two way goods trade with Colombia totaled $38.6 billion in 2014, with U.S. goods exports to Colombia totaling $20.3. Under the CTPA, duties on over 80 percent of U.S. exports of consumer and industrial products to Colombia were eliminated immediately upon entry into force, with remaining tariffs phased out over 10 years. Average Colombian tariffs on U.S. industrial exports were over 9 percent prior to the CPTA's entry into force. More than half of U.S. agricultural exports to Colombia became duty free immediately upon entry into force, with virtually all remaining tariffs to be eliminated within 15 years. Tariffs on a few most sensitive agricultural products will be phased out in 17 years to 19 years. In addition, with limited exceptions, U.S. services suppliers gained access to Colombia's estimated $200 billion annual services market in 2013. Colombia also agreed to important new disciplines in investment, government procurement, intellectual property rights, labor, and environmental protection.

Elements of the United States-Colombia TPA

Operation of the Agreement

The CTPA's central oversight body is the United States-Colombia Free Trade Commission (FTC), composed of the U.S. Trade Representative and the Colombian Minister of Trade, Industry, and Tourism or their designees. The FTC is responsible for overseeing implementation and operation of the CTPA. The FTC met on November 19, 2012. At that meeting, the two sides concluded that the Agreement was functioning smoothly and was already benefiting both countries. In 2014, The United States and Colombia continued to work together to carry out initiatives launched at the November 2012 FTC, such as consideration of accelerating tariff elimination, establishment of certain dispute settlement mechanisms, and updates to the rules of origin. USTR expects to hold the second FTC meeting to review implementation of the CTPA in 2015.

Labor

The CTPA Labor Chapter includes commitments requiring both countries to adopt, maintain, and implement laws, regulations, and other measures to protect the fundamental labor rights described in the 1998 Declaration of Fundamental Principles and Rights at Work of the International Labor Organization, and not to fail to effectively enforce their labor laws or to reduce labor protections to encourage trade or investment. The obligations of the Labor Chapter are subject to the same dispute settlement provisions as the other obligations in the CTPA and therefore are subject to the same remedies, and all of the Labor Chapter commitments are meant to enable workers and businesses to compete on a level playing field.

The entry into force of the CTPA was also accompanied by further progress by Colombia under the Action Plan Related to Labor Rights. During 2014, the Obama Administration continued intensive engagement with the Colombian government to support its efforts to improve the protection of worker rights, prevent violence against trade unionists, and ensure the prosecution of the perpetrators of such violence. The Colombian government has taken several important steps since the Action Plan's launch to strengthen labor rights, including the establishment of a new Labor Ministry to elevate the importance of labor issues in the Colombian government, issuing new laws to increase fines for labor violations, and hiring hundreds of new labor inspectors for a total of 716 inspectors. The Colombian government has also assessed over $31 million in fines since the Action Plan's launch for practices that violated labor rights.

As a result of these efforts, there has been some important progress under the Action Plan, particularly for workers on Colombian sugar plantations. As of 2014, more than 70 percent of sugar cane cutters (totaling roughly 7,000 workers) who were previously in illegal cooperatives in Colombia's sugar sector have formed unions and negotiated collective bargaining agreements with subsidiaries of the main sugar processing companies. Labor unions in the sugar sector report that the subsidiaries are properly funded and that the unions are able to negotiate over wages and working conditions. The United States will continue to work closely with Colombia on labor enforcement issues related to the Action Plan, particularly in areas where important work remains, such as collecting fines (Colombia has collected approximately $1.5 million in fines in 2014) and addressing new forms of abusive contracting that undermine labor rights.

To address the issue of violence, Colombia's Prosecutor General's Office has 23 prosecutors located throughout Colombia who are part of a specialized sub-unit that focuses on violence against unionists and approximately 80 judicial police investigators from Colombia's National Police to support the work of the prosecutors. Progress in this area includes a declining murder rate for union members. The Obama Administration is committed to working with Colombia to ensure that this trend continues.

As part of continuing engagement with high level Colombian officials, in April 2014 U.S. Trade Representative Michael Froman met with the Colombian Minister of Commerce Industry and Tourism at that time, Santiago Rojas Arroyo, to urge additional actions in areas where concerns remain. In October, Secretary of Labor Thomas Perez met with Colombian Minister of Labor Luis Eduardo "Lucho" Garzon to discuss issues such as collection of fines, sub-contracting, and investigations of violence against trade unionists. In addition, the U.S. Department of Labor (DOL) has been funding a five year, $7.8 million project with the International Labor Organization (ILO) to support Colombia's efforts to meet these challenges. Launched in 2011, the project has worked to strengthen both the overall capacity of the Colombian Ministry of Labor and the institutional capacity of the Colombian government to ensure that perpetrators of violence against trade union leaders, members, and activists do not have impunity for their crimes. The U.S. Department of State also continued to support the ILO's efforts through an 18-month, $495,000 program started in 2013 to strengthen the capacity of tripartite institutions to promote the full implementation of core labor rights with particular attention to the rights of marginalized groups. DOL is also funding two additional projects. One is a three year, $1.5 million project started in 2012 with Colombia's National Union School (Escuela Nacional Sindical), a labor rights NGO, to create "Workers' Rights Centers" in four Colombian cities. All four centers are operating in 2014 and provide free legal advice to workers to raise awareness of labor laws and to improve workers' ability to protect and claim their labor rights, for example, by filing well documented complaints with the Ministry of Labor. The other is a four year, $9 million project that supports the Colombian government's efforts to reduce child labor in the informal and artisanal mining sector, including by promoting safe work and mitigating the risk of injuries for adult workers. The project works with the Government of Colombia to develop policies to combat child labor in the mining sector, to strengthen the government's capacity to identify and address violations of child labor and occupational safety and health laws in the sector, and to provide education and livelihood opportunities for households vulnerable to child labor in mining communities in the departments of Antioquia and Boyacá. Mining is one of the priority sectors identified in the Action Plan. USTR and DOL will continue to work in close collaboration with stakeholders in both countries and with the Colombian government to achieve the underlying goals of the Action Plan and to support the efforts of workers to exercise their fundamental rights.

Environment

To promote environmental stewardship, and ensure that trade and environmental priorities are mutually supportive, the CTPA contains an Environment Chapter with commitments requiring both countries to strive to provide for and encourage high levels of environmental protection. The United States and Colombia are also obligated to adopt, maintain, and implement laws, regulations, and other measures to fulfill their obligations under certain multilateral environmental agreements, and not to fail to effectively enforce their environmental laws or to reduce environmental protections to encourage trade or investment. The environmental obligations under the CTPA are subject to the same dispute settlement provisions as the other obligations in the CTPA and therefore are subject to the same remedies.

The CTPA established an Environmental Affairs Council (Council) composed of senior level officials who will meet annually to consider and discuss implementation of the Environment Chapter. These meetings are an important tool to evaluate progress to implement the environmental commitments of the CTPA, discuss priority areas needing further attention, formulate a plan to achieve further progress, and provide for public participation.

The United States and Colombia held the inaugural Council meeting on December 18, 2013, in conjunction with a meeting of the Environmental Cooperation Commission (Commission), a related body established under the United States-Colombia Environmental Cooperation Agreement (ECA), which entered into force on June 28, 2013. The Council reviewed implementation of the Environment Chapter of the CTPA, including actions taken by the United States and Colombia to increase levels of environmental protection and ensure effective enforcement of environmental laws. The Council also agreed to work towards designation of a secretariat to receive and consider submissions from the public on matters regarding enforcement of environmental laws pursuant to Article 18.8 of the CTPA, including by first identifying an entity within which to house the secretariat. The secretariat mechanism is intended to promote public participation in the identification and resolution of environmental enforcement issues. The Commission approved and signed the first United States-Colombia Work Program for Environmental Cooperation under the ECA, which provides a framework for advancing environmental cooperation activities to support implementation of the Environment Chapter, such as strengthening enforcement of environmental laws and regulations.

In 2014, the Parties regularly engaged to advance the issues discussed at the December 2013 Council and Commission meetings, including by taking concrete steps to identify an entity to house the secretariat. The Parties also made progress on implementing the new Work Program for Environmental Cooperation, such as bringing an additional 225,000 hectares of land with significant biodiversity under better management or protection.

6. Israel

The United States-Israel Free Trade Agreement (FTA) is the United States' first FTA. It entered into force in 1985 and continues to serve as the foundation for expanding trade and investment between the United

States and Israel by reducing barriers and promoting regulatory transparency. In 2014, U.S. goods exports to Israel increase 10 percent to $15.1 billion.

The United States-Israel Joint Committee (JC) is the central oversight body for the FTA. At its last meeting in 2012, the JC explored ways to engage in collaborative efforts to increase bilateral trade and investment. During the meeting, the United States and Israel noted progress made in addressing a number of specific standards-related and customs impediments to bilateral trade and opened two dialogues to address these issues. In October 2013, Israel enacted revisions to its standards regime aiming to expand significantly the recognition of standards of internationally respected standards bodies, including those of the United States. The new standards law has facilitated the enhanced importation into Israel of a broad range of U.S. products. The United States and Israel are also working to make it easier for exporters to gain approvals when claiming duty-free status under the FTA for individual products.

During the 2012 JC meeting, discussions continued among the Parties on negotiating a new permanent agreement on trade in agricultural products and resolving several outstanding sanitary and phytosanitary (SPS) issues. In 1996, the United States and Israel concluded an Agreement Concerning Certain Aspects of Trade in Agricultural Products (ATAP), which provided for duty free or other preferential tariff treatment of a number of agricultural products. The 1996 agreement was extended through 2003 and a new agreement was concluded in 2004. While this agreement originally was scheduled to expire at the end of 2008, it has been extended annually since then to allow negotiations on a new ATAP agreement to continue.

In June 2014, the United States proposed revised modalities for a new ATAP agreement, seeking to capitalize on progress to date and to streamline the negotiations while liberalizing trade to the maximum degree possible. Each side is reviewing the proposals put forward by the other in preparation for the next round of negotiations, tentatively planned for 2015. In December 2014, the two sides agreed to extend the ATAP agreement through December 31, 2015, while the aforementioned negotiations continue.

In November 2013, the United States and Israel brought a telecommunications mutual recognition agreement into force. This agreement streamlines conformity assessment processes. It facilitates trade by permitting recognized U.S. laboratories to test U.S. telecommunications equipment for conformity with Israeli technical regulations. The agreement also provides that in the future, the United States and Israel can agree to the mutual acceptance of equipment certifications issued by recognized conformity assessment bodies in the United States and Israel.

7. Jordan

In 2014, the United States and Jordan continued to benefit from their economic partnership. A key element of this relationship is the United States-Jordan Free Trade Agreement (FTA), which entered into force on December 17, 2001, and was implemented fully on January 1, 2010. In addition, the Qualifying Industrial Zones (QIZs) program, established by the U.S. Congress in 1996, allows products to enter the United States duty free if manufactured in Jordan, Egypt, or the West Bank and Gaza, with a specified amount of Israeli content. The program has succeeded in stimulating significant business cooperation between Jordan and Israel.

Together these measures have played a significant role in boosting overall U.S.-Jordanian economic ties. U.S. goods exports to Jordan were an estimated $2.1 billion in 2014, down 14 percent from 2013. QIZ products account for about 5 percent of Jordanian exports to the United States. The QIZ share of these exports is declining relative to the share of exports shipped to the United States under provisions of the FTA. This shift toward exporting products manufactured outside of the QIZs demonstrates the important role the FTA plays in helping Jordan diversify its economy.

The United States-Jordan FTA has expanded the trade relationship between the two countries by reducing barriers for services, requiring cutting edge protection for intellectual property, promoting regulatory transparency, and requiring effective labor and environmental enforcement. At the Joint Committee's most recent meeting in October 2012, the United States and Jordan crafted an action plan outlining concrete steps to boost trade and investment bilaterally, and between Jordan and other countries in the Middle East region. Among its first steps under the action plan during 2013, Jordan endorsed Joint Principles on International Investment and Joint Principles for Information and Communication Technology (ICT) Services.

Another area of focus includes the environment, where work continues to make progress. In 2014, the United States and Jordan signed the 2014-2017 Work Program for Environmental Technical Cooperation and continued their cooperation on institution strengthening for the effective enforcement of environmental laws, biodiversity conservation, improved cleaner production processes, and increased public participation and transparency in environmental decision making and enforcement. With United States support, the U.S. Forest Service (USFS) brought 53,200 hectares of areas of biological significance under improved management through partnerships with Jordan's Royal Society for the Conservation of Nature. In 2014, USFS launched a nursery and watershed management improvement program with Jordan's Forestry Department.

The United States also continued to work with Jordan in the area of labor standards, particularly through ongoing efforts under the Implementation Plan Related to Working and Living Conditions of Workers in Jordan, signed in 2013. The Plan addresses labor concerns in Jordan's garment factories including anti-union discrimination against foreign workers, conditions of accommodations for foreign workers, gender discrimination and harassment.

In June 2014, government officials from the United States and Jordan convened the Labor Subcommittee of the United States-Jordan FTA, comprised of officials from the trade, labor and foreign affairs ministries of each country. The Subcommittee held detailed discussions regarding implementation of the labor obligations of the FTA, including progress and remaining work under the Implementation Plan. The Subcommittee also exchanged information and explored future cooperative activities as set out in a December 2013 Memorandum of Understanding between the U.S. Department Labor (DOL) and the Jordanian Ministry of Labor designed to strengthen labor law enforcement institutions in Jordan through technical cooperation and capacity building.

The Subcommittee meeting concluded with a public session involving stakeholders from Jordan's worker organizations, Jordanian businesses, international clothing brands that source from Jordanian garment factories, and other interested members of the public, as part of a shared commitment to a participatory process. The public session included a roundtable discussion with labor unions, garment factory owners and representatives of the International Labor Organization's (ILO) Better Work Jordan program. The ILO Better Work program, which was funded by the USAID in 2014 and which will continue in 2015 with support from the U.S. Department of Labor, monitors compliance with labor standards in over 90 percent of Jordan's garment factories.

The U.S. and Jordanian governments also discussed cooperation to improve labor law enforcement nationally to prevent and eliminate child labor, particularly recognizing that the influx of Syrian refugees increases vulnerability to child labor. In 2014, DOL funded two projects aimed at supporting the Jordanian government in building capacity on child labor and strengthening policies such as the National Framework for Child Labor to ensure strong enforcement efforts to identify and eliminate child labor and to refer children and families vulnerable to child labor to relevant social services. At the request of the Jordanian government, DOL provided a $2 million extension for the ILO project to conduct a national child labor survey, develop and train officials on a child labor monitoring system, raise awareness of child labor, and refer at-risk children and families to social services and educational and vocational opportunities.

8. Republic of Korea

Overview

The United States-Korea Free Trade Agreement (KORUS) entered into force on March 15, 2012. As of January 1, 2015, four rounds of tariff cuts have taken place under KORUS. As the Korean economy started to recover in late 2013, and as Korea's tariff reductions and other obligations have come into effect, U.S. goods and services exports have continued to grow. U.S. goods and services exports combined are up 4.1 percent between full year 2011 (pre-FTA) and 2013, and are up 7.0 percent between the first three quarters of 2014 and the same period in 2013. In comparison, U.S. goods and services exports to the world were up 2.9 percent for 2014. For 2014, goods exports to Korea were up 6.8 percent compared to 2013. U.S. exports of key agricultural products continued to post significant gains – up 31.2 percent to $6.9 billion for 2014 – and Korea is currently our fifth-largest market for agricultural exports. This was more than seven times faster than U.S. agricultural export growth to the world.

Operation of the Agreement

The agreement's central oversight body is the Joint Committee, chaired by the U.S. Trade Representative and the Korean Trade, Industry and Energy Minister. The third Joint Committee meeting was convened on December 15, 2014, and substantial issues of interest to both parties – including automotive and financial services issues – were discussed. A Senior Officials Meeting (SOM) was also held on November 24, 2014 to coordinate and report on the activities of the committees and working groups established under the agreement, and to pave the way for discussions at the December 2014 Joint Committee meeting on the above-mentioned issues.

In addition to the Joint Committee and the SOM, three committees and working groups established under the KORUS met in 2014. USTR has consulted and will continue to consult closely with stakeholders regarding the work of the FTA committees, including with respect to potential agenda items.

On February 27, 2014, the Financial Services Committee met and reviewed Korea's implementation of its commitments contained in Section B of Annex 13-B (Transfer of Information) in the Financial Services chapter. In particular, the Committee discussed Korea's new legal regime, including regulations adopted in June 2013 and subsequent administrative guidelines issued in December 2013. Following the February Committee meeting, a quarterly Financial Services Implementation meeting process was set up to review progress toward implementing the regulations and guidelines. Both the United States and the EU (due to very similar obligations included in the Korea-EU Free Trade Agreement and the multinational nature of the financial services industry) participate in these quarterly meetings in the government-to-government sessions, and there is also a separate session that includes industry participants.

The Committee on Services and Investment met on November 24, 2014 and discussed implementation of the Services and Investment Chapter of KORUS. The United States sought an update on Korea's plans for implementing its obligations related to legal services scheduled to go into effect in 2017. Korea proposed discussion of how various aspects of Investor State Dispute Settlement (ISDS) operate.

On November 24, 2014, the second meeting of the Committee on Outward Processing Zones (OPZ) was also held. The Korean government provided an overview of the Gaesong Industrial Complex.

The U.S. Government also addresses KORUS compliance and other trade issues on a continual basis through regular inter-sessional consultations, through our respective embassies, and through other engagement with the Korean government, including at senior levels, in order to resolve issues in a timely manner. In 2014, we focused on issues related to Korea's implementation of its obligations with regard to origin verification, automotive trade, financial services data transfer, and medical devices. Through our engagement with Korea we succeeded in making significant progress in addressing issues in all of these areas.

9. Morocco

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

Since the entry into force of the FTA, two way U.S.-Morocco trade in goods was $3.1 billion in 2014, up from $927 million in 2005 (the year prior to entry into force). U.S. goods exports to Morocco in 2014 were $2.1 billion, down 17 percent from the previous year. Corresponding U.S. imports from Morocco in 2014 were $991 million, up 1 percent from 2013.

In 2014, the United States and Morocco continued their cooperation in support of the Labor Chapter of the FTA. The FTA Subcommittee on Labor Affairs met in September 2014; at that meeting, U.S. and Moroccan officials reviewed implementation of the obligations each side had undertaken under the FTA's Labor Chapter. The two parties exchanged views and updates on issues affecting labor laws and implementation, and also discussed areas for future cooperation, including technical assistance. Following the meeting of the Labor Subcommittee, the U.S. Department of Labor (DOL) launched two DOL-funded projects in Morocco, including a $1 million project to promote gender equality in the workplace, and a $5 million project to reduce child labor in the Marrakesh-Tensift-Al-Haouz region by promoting children's participation in educational and vocational training programs. In December 2014, the Federal Mediation and Conciliation Services—after three years of DOL-funded trainings to the Moroccan labor inspectorate on mediating labor disputes and building trust among social partners—concluded a five year memorandum of understanding to develop a coordinated program within the Ministry of Employment and Social Affairs and among the social partners to improve their internal capacities to mediate conflict. Also during 2014, the U.S. Department of State, through a grant to the International Labor Organization, continued to provide technical support and training to the Moroccan Ministry of Labor to enforce labor laws and to promote social dialogue.

The FTA Subcommittee on Environmental Affairs met in October 2014 to discuss progress in implementing obligations under the Environment Chapter, including obligations to establish high levels of environmental protection; effectively enforce domestic environmental laws; and provide opportunities for public participation in matters related to the implementation of the chapter. Delegations also discussed ongoing environmental cooperation activities and adopted an updated environmental cooperation work program. U.S. and Moroccan officials held a public session, which included participation from civil society, business, and members of the press.

In addition to discussions held in the Environmental Subcommittee meeting, Morocco and the United States in 2014 signed the 2014-2017 Plan of Action for Environmental Cooperation and continued cooperation on effective enforcement of environmental laws, biodiversity conservation, improved private sector environmental performance, and increased public participation and transparency in environmental decision making. The U.S. technical assistance program supports a wide range of activities conducted by various U.S. Government agencies and other entities with Moroccan partners in the environmental area. These included training and other cooperative activities involving the U.S. Environmental Protection Agency, the U.S. Department of Interior, the U.S. Forest Service, the U.S. National Oceanic and Atmospheric Administration, the World Environment Center, and the High Atlas Foundation

10. North American Free Trade Agreement

Overview

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada, and Mexico (NAFTA) entered into force. All remaining duties and quantitative restrictions were eliminated, as scheduled, on January 1, 2008. The NAFTA created the world's largest free trade area, which now links 474 million people producing roughly $20.5 trillion worth of goods and services.

Trade between the United States and its NAFTA partners has soared since the agreement entered into force. U.S. two way goods trade with Canada and Mexico exceeds U.S. goods trade with the European Union and Japan combined. U.S. goods exports to the NAFTA partners have increased by 289 percent between 1993 and 2014, from $142 billion to $552 billion. The combined NAFTA market is also our largest export market for agriculture, totaling $44.8 billion in 2014. Services exports have also grown significantly, and are up by 232 percent since 1993 to $91.0 billion. By dismantling barriers, the NAFTA has led to increased trade and investment, growth in employment, and enhanced competitiveness.

The NAFTA was also the first U.S. FTA to link free trade with obligations to protect labor rights and the environment, and we are seeking to update and strengthen these commitments through the TPP negotiations. In connection with the NAFTA, the United States and Mexico also agreed to fund a development bank to address environmental infrastructure needs along the U.S.-Mexico border.

Elements of NAFTA

Operation of the Agreement

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

The FTC held its most recent meeting in Washington, D.C. on April 3, 2012. Since October 2012, trade ministers, senior officials, and experts met regularly to expand and deepen trade and investment opportunities in North America and beyond through the Trans-Pacific Partnership negotiations. Such work accelerated in 2014. In addition, the Parties furthered their work to liberalize the NAFTA rules of origin.

NAFTA and Labor

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

In 2014, representatives from the three Parties' NAOs met periodically to discuss ways to strengthen coordination and communication among the NAOs and provide updates on pending public submissions. Consultations on one set of submissions regarding certain U.S. visas began in 2014. In particular, in 2003, 2005, and 2011, the Mexican NAO received three separate submissions under the NAALC concerning the rights of workers in the United States on H-2A and H-2B visas. In November 2012, the Mexican NAO published a report that covered all three submissions, and, in May 2013 the NAO requested ministerial consultations with the U.S. Department of Labor (DOL). In response to the request, Mexico and the United States agreed to undertake educational activities in the United States and Mexico to inform workers on H-2A and H-2B visas about their rights under U.S. law and employers of H-2 workers about their responsibilities. In April 2014, U.S. Secretary of Labor Thomas Perez and Mexican Secretary of Labor and Social Welfare Alfonso Navarrete signed a joint ministerial declaration that announced these consultations and directed the NAOs to develop an action plan to carry out the agreed upon activities. In June 2014, the DOL and the Mexican Secretariat of Labor and Social Welfare (STPS) published the joint work plan on the DOL website (available at http://www.dol.gov/ilab/trade/preference-programs/US-Mexico.htm). Educational activities under that joint work plan have taken place across the United States and in Mexico and are scheduled to conclude early in 2015.

Regarding the other set of submissions, in January 2012, the U.S. and Canadian NAOs accepted for review public submissions from the Mexican Union of Electrical Workers (Sindicato Mexicano de Electricistas) and over 90 other organizations concerning Mexico's obligations under the NAALC regarding worker rights. At a meeting of the three NAOs in July 2014, officials from the U.S. and Canadian NAOs provided an update on the status of their reviews of these submissions, as well as other issues. The U.S. and Canadian NAOs reported that the Mexican Union of Electrical Workers is currently in negotiations with the Government of Mexico about issues that formed the basis of its submission and that NAOs were continuing to monitor the status of these negotiations before issuing their reports.

NAFTA and the Environment

The Parties continued their efforts to ensure that trade liberalization and efforts to protect the environment are mutually supportive. In July 2014, the Council of the Commission for Environmental Cooperation (CEC) under the North American Agreement on Environmental Cooperation (NAAEC) agreed on the 2015-2020 Strategic Plan, which includes three priority areas: Climate Change Mitigation and Adaptation; Green Growth; and Sustainable Communities and Ecosystems.

Articles 14 and 15 of the NAAEC establish a process for members of the North American public to make an assertion that a Party is failing to effectively enforce its environmental law. In 2014, the CEC implemented a new reporting approach for submissions on enforcement matters (SEM) as part of a continued commitment to transparency and to the SEM modernization process. The CEC Secretariat did not receive any new submissions that assert that one of the Parties is failing to effectively enforce its environmental law in 2014.

In November 1993, Mexico and the United States agreed on arrangements to help border communities with environmental infrastructure projects in furtherance of the goals of the NAFTA and the NAAEC. The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB) are working with communities throughout the United States-Mexico border region to address their environmental infrastructure needs. As of December 30, 2014, NADB had contracted a total of $2.34 billion in loans and/or grant resources to partially finance 204 infrastructure projects certified by the BECC with an estimated cost of $6.87 billion.

11. Oman

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

The central oversight body for the FTA is the United States-Oman Joint Committee (JC), chaired jointly by USTR and Oman's Ministry of Commerce and Industry. Meetings of the JC have addressed a broad range of trade issues, including efforts to increase bilateral trade and investment levels; efforts to ensure effective implementation of the FTA's customs, investment and services chapters; possible cooperation in the broader MENA region; and additional cooperative efforts related to labor rights and environmental protection. Dates for the third meeting of the JC have not yet been set.

During the first meeting of the Subcommittee on Labor Affairs in April 2012, officials discussed the complaint mechanism of the labor chapter and potential areas of future labor cooperation. In 2014, Oman renewed the International Labor Organization's Decent Work Country Program. The program will work with the Omani government, in collaboration with unions and businesses, to promote social dialogue and resolve labor disputes, improve labor inspections, and strengthen technical and vocational training programs. The ILO program was launched in 2010 and will now continue through 2016, in part through funding from the U.S. Department of State. The renewal agreement was signed by the Sultanate of Oman, the General Federation of Oman Trade Unions and the Oman Chamber of Commerce and Industry. The Oman trade union federation was formed in 2006, as a result of major labor reforms by the government of Oman enacted in the context of concluding the FTA, which allowed independent unions in Oman for the first time. The Obama Administration is exploring new avenues to support the ongoing expansion of trade unions in Oman in 2015.

In June 2014, U.S. and Omani trade and environment officials met to discuss progress made to implement the Environment Chapter of the FTA. The governments reported on and discussed their progress in implementing obligations under the chapter, including those to establish high levels of environmental protection; effectively enforce domestic environmental laws; and provide opportunities for public participation in matters related to the implementation of the chapter. They held a public session, which included participation from civil society, business, and members of the press.

The officials also discussed ongoing environmental cooperation activities and adopted an updated plan of action for environmental cooperation. As part of this effort, the U.S. Department of the Interior worked with the Omani Ministry of Environment and Climate Affairs (MECA) to build technical capacity for the implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora. In addition, the U.S. Department of Justice worked with MECA to update Oman's environmental laws, particularly the law on Conservation of the Environment and Prevention of Pollution and the Regulation on Controlling Air Pollutants Emitted by Immobile Sources. The U.S. Forest Service (USFS) helped Oman improve its institutional capacity to respond to oil spills and other environmental disasters and coordinated four Incident Command System planning courses in Oman. A total of 125 Omani officials from the MECA, Ministry of Health, and the National Committee for Civilian Defense participated in USFS trainings.

12. Panama

Overview

The United States-Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012. The United States' two way goods trade with Panama was $10.8 billion in 2014, with U.S. goods exports to Panama totaling $10.4 billion. Under the TPA, tariffs on 86 percent of U.S. consumer and industrial goods exports to Panama (based on 2011 trade flows) were eliminated upon entry into force, with any remaining tariffs phased out within 10 years. Additionally, nearly half of U.S. agricultural exports became duty-free, with most remaining tariffs to be phased out within 15 years. Tariffs on a few most sensitive agricultural products will be phased out in 18 years to 20 years. Following the first tariff reduction under the TPA on October 31, 2012, subsequent tariff reductions occur on January 1 of each year; the fourth round of tariff reductions took place on January 1, 2015. The TPA also provides significant new access to Panama's nearly $28 billion services market and includes disciplines related to customs administration and trade facilitation, technical barriers to trade, government procurement, telecommunications, electronic commerce, intellectual property rights, and labor and environmental protection.

Elements of the United States-Panama TPA

Operation of the Agreement

The TPA's central oversight body is the United States-Panama Free Trade Commission (FTC), composed of the U.S. Trade Representative and the Panamanian Minister of Trade and Industry or their designees. The FTC is responsible for overseeing implementation and operation of the TPA. The United States and Panama worked intensively during 2014 to continue to implement the provisions of the TPA and address issues of concern that arose during the year. The FTC held its first meeting on May 28, 2014, in Panama City, Panama. At the FTC meeting the United States and Panama reviewed the the first 19 months of implementation of the TPA. Both sides agreed that implementation was proceeding and providing new opportunities for our traders and investors. Recognizing the importance of an effective dispute settlement procedure to ensuring both countries' rights and benefits under the Agreement, the FTC took decisions establishing model rules of procedures for the settlement of disputes, a code of conduct for panelists, and remuneration of panelists, assistants, and experts, and the payment of their expenses.

The United States and Panama also worked together to establish four rosters of potential panelists for disputes that may arise under the TPA concerning general matters, as well as under the Labor, Environment, and Financial Services chapters of the TPA. The parties expect to finalize the rosters in 2015. The United States and Panama also made substantial progress in updating the TPA's rules of origin to correspond to the 2007 and 2012 changes in the Harmonized System (HS) nomenclature and expect to complete this effort in 2015. Completing this update will contribute to easing customs administration for customs authorities, producers, exporters and importers.

Labor

The TPA includes a Labor Chapter with commitments requiring both countries to adopt, maintain, and implement laws, regulations, and other measures to protect the fundamental labor rights described in the 1998 Declaration of Fundamental Principles and Rights at Work of the International Labor Organization, and not to fail to effectively enforce their labor laws or to reduce labor protections to encourage trade or investment. The obligations under the Labor Chapter are subject to the same dispute settlement provisions as the other obligations in the TPA and therefore are subject to the same remedies, and all of the Labor Chapter commitments are meant to enable workers and businesses to compete on a level playing field.

Panama undertook a series of major legislative and administrative actions beginning in 2009 to further strengthen its labor laws and labor enforcement. Panama reformed its laws to protect the right to strike, eliminate restrictions on collective bargaining, and protect the rights of temporary workers. Panama also took administrative actions to address concerns in the areas of subcontracting, temporary workers, employer interference with unions, bargaining with non-union workers, strikes in essential services, and labor rights in the maritime sector. In 2013 and 2014, Panama continued to conduct a series of targeted inspections to monitor compliance with laws on subcontracting and temporary workers, and publicly issued findings citing specific companies for violations.

The TPA also established a Labor Affairs Council comprising cabinet-level officials to oversee implementation and progress under the Labor Chapter. The inaugural meeting of the Council was held in Panama City on January 27-28, 2014. USTR and the U.S. Departments of Labor and State attended the meeting to engage with Panama's Ministry of Labor and Ministry of Commerce and Industry to review progress on the implementation of the TPA labor obligations and discuss areas for cooperation on labor rights issues. Cooperation activities in 2014 included promoting fundamental labor rights, improving labor inspections, increased monitoring of temporary work contracts and subcontracting arrangements, and reducing child labor. The Council concluded the inaugural meeting with an open public session where more than 50 stakeholders from Panama's labor unions, business groups, and other civil society organizations interacted directly with the Council representatives, including Panama's Vice Minister of Labor.

Environment

To promote environmental stewardship, and ensure that trade and environmental priorities are mutually supportive, the TPA contains an Environment Chapter with commitments requiring both countries to strive to provide for and encourage high levels of environmental protection. The United States and Panama are also obligated to adopt, maintain, and implement laws, regulations, and other measures to fulfill their obligations under certain multilateral environmental agreements, and not to fail to effectively enforce their environmental laws or to reduce environmental protections to encourage trade or investment. The environmental obligations under the TPA are subject to the same dispute settlement provisions as the other obligations in the TPA and therefore are subject to the same remedies.

The TPA established an Environmental Affairs Council (Council) composed of senior level officials who will meet annually to consider and discuss implementation of the Environment Chapter. These meetings are an important tool to evaluate progress to implement the environmental commitments of the TPA, discuss priority areas needing further attention, formulate a plan to achieve further progress, and provide for public participation. The United States and Panama held the inaugural Council meeting in Panama City, Panama on January 29, 2014, in conjunction with a meeting of the Environmental Cooperation Commission (Commission), a related body established under the United States-Panama Environmental Cooperation Agreement (ECA), which entered into force on December 7, 2013. The Council and Commission also held a public session on January 30, 2014, pursuant to the TPA Environment Chapter and the ECA, where over 30 stakeholders participated and had an opportunity to ask questions of, and provide comments to, officials from both countries.

At the January 29, 2014, meeting, the Council exchanged information on the operation of their respective environmental systems, and identified areas for further collaboration, such as sharing experiences about the role their advisory committees play in shaping environmental decision-making. The Council also reviewed implementation of the Environment Chapter of the TPA, including actions taken by the United States and Panama to increase levels of environmental protection, ensure effective enforcement of environmental laws, and provide opportunities for public participation in environmental governance and the trade policy setting processes. In particular, the United States reported, among other things, on the establishment of six new wildlife refuges since 2012 and the revision of national ambient air quality standards for harmful fine particulate matter. The United States also reported on enforcement activity by the U.S. Department of Justice's Environment Division. Panama reported, among other things, that it has assumed relevant commitments to implement laws for strict environmental protections, such as signing the Minimata Convention (which aims to protect human health and the environment from the adverse effects of mercury). Panama also reported it has encouraged social responsibility in business through cleaner production programs. Regarding enforcement, Panama indicated that in 2013, it assessed 181 fines for failure to comply with environmental laws, 92 forest related sanctions, and 60 sanctions for noncompliance with environmental impact assessments.

At the January 29 meeting, the Council also agreed on the next steps to designate a secretariat to receive and consider submissions from the public on matters regarding enforcement of environmental laws pursuant to Article 17.8 of the TPA. The secretariat mechanism is intended to promote public participation in the identification and resolution of environmental enforcement issues. In 2014, the Parties identified an entity to house the secretariat and took other steps to establish a secretariat.

Also on January 29, the Commission approved and signed the first United States-Panama Work Program for Environmental Cooperation under the ECA, which provides a robust framework for advancing environmental cooperation activities to support implementation of the Environment Chapter, such as strengthening enforcement of environmental laws and regulations, promoting sustainable management of environmental resources, and promoting environmental education, transparency, and public participation in environmental decision-making and enforcement.

13. Peru

Overview

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

The United States' two way trade in goods with Peru was $16.1 billion in 2014, with U.S. goods exports to Peru totaling $10.1 billion and U.S. goods imports from Peru were $6.1 billion. U.S. exports of agricultural products to Peru totaled $1.2 billion in 2014. Leading categories include: corn ($472 million), wheat ($146 million), cotton ($130 million), and dairy products ($69 million). U.S. foreign direct investment (FDI), primarily in the mining sector, in Peru (stock) was $10.1 billion in 2013 (latest data available), a 16.1 percent increase from 2012.

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

Elements of the PTPA

Operation of the Agreement

The PTPA establishes a Free Trade Commission (FTC) to supervise the implementation of and oversee the further elaboration of the PTPA. The FTC is led by the U.S. Trade Representative and the Peruvian Minister of Foreign Trade and Tourism or their designees. In June 2014, the FTC met for the fourth time to review the progress made under the PTPA since its entry into force. The FTC heard reports from several committees established under the PTPA that met and advanced their issues during 2014, such as Technical Barriers to Trade (TBT), and Small and Medium Size Enterprises (SMEs), to enhance cooperation and consultation between the Parties and address ongoing bilateral issues. The FTC also discussed a number of ongoing bilateral issues and cooperation efforts in other trade fora such as the ongoing work in the Trans-Pacific Partnership (TPP). TBT issues included Peru's Law to Promote Healthy Eating Among Children and Adolescents and Peru's Labeling of Biotechnology Foods. SMEs meetings discussed ways to ensure the economic inclusion of micro, small, and medium-sized enterprises that spur economic development and support jobs.

Labor

USTR continues to engage with the government of Peru to review progress on the implementation of the PTPA's labor provisions, including at the June 2014 FTC meeting. Concerns were raised by some U.S. apparel companies, as well as Peruvian and international civil society organizations, about Peru's laws on nontraditional exports, which include textiles, agricultural industry, and mining, where use of temporary workers and subcontracting are reportedly used with the effect of limiting workers' freedom of association and accrual of benefits. With trade capacity building funds, USAID implemented programs to improve the enforcement capacity of the Peruvian Ministry of Labor and to strengthen worker organizations as well as educate workers on their labor rights. In addition, the U.S. Department of Labor (DOL) is supporting the Solidarity Center to build the capacity of worker organizations in the textile/apparel, agricultural industry, and mining sectors in Peru.

In August 2014, USTR officials travelled to Lima, Peru to discuss environmental issues and held two meetings on labor issues, one with the Ministry of Labor and other Peruvian government officials, and a second jointly with the government of Peru and a wide range of labor stakeholders. In September 2014, DOL announced that it would fund a project to help build the labor law enforcement capacity of the Peruvian labor inspectorate. Funds for the project were awarded in December 22. In October 2014, government officials from the United States and Peru convened a second meeting of the Labor Affairs Council charged with overseeing the PTPA Labor Chapter's implementation in Lima, Peru. The Council is comprised of high-level government officials and oversees the implementation of the Labor Chapter, including the activities of the Labor Cooperation and Capacity Building Mechanism. The Council discussed ongoing cooperation on labor issues, and also exchanged information on the implementation of the Labor Chapter, which includes Peru's efforts to improve labor inspections, and address issues related to labor contracting. Also discussed at this meeting were a series of labor reforms Peru enacted in 2014, and stakeholder concerns regarding their impact on occupational safety and health norms, as well as the level of fines for labor law violations. The Council meeting concluded with an open public session, with the participation of more than 100 stakeholders from labor unions, businesses, and other interested groups.

Environment

The Environment Chapter of the PTPA contains commitments to ensure trade and environmental policies are mutually supportive, that environmental protection and enforcement are strengthened, and that public participation in environmental decision making is prioritized. It also contains a groundbreaking Annex on Forest Sector Governance (Forest Annex) that sets out a series of obligations for Peru to strengthen forest sector governance, combat illegal logging and illegal trade in timber and wildlife products, and further sustainable management of forest resources.

In 2014, the Parties continued to work closely to achieve further progress under the PTPA Environment Chapter and its Forest Annex, including through two meetings in Lima, Peru and one in Washington, D.C., both with broad participation by a range of government agencies from the United States and Peru. Following consultation with the Interagency Committee on Trade in Timber Products from Peru and other stakeholders, the United States submitted comments on Peru's draft regulation to implement its new Forestry and Wildlife Law in February 2014, with particular emphasis on those provisions that will support Peru's continued implementation of the Forest Annex. The United States and Peru met on several occasions to discuss these comments. In August 2014, officials from USTR, the Environmental Protection Agency, and the U.S. Department of State travelled to Peru to engage with Peruvian government officials and civil society groups on recent economic reforms that include changes to environmental provisions in Peru's laws. The United States is continuing to engage closely with Peru to discuss these reforms and will monitor their implementation in light of Peru's environmental commitments in the PTPA.

The United States and Peru also advanced implementation of the five Point Action Plan agreed to in January 2013. The Action Plan addresses specific challenges in Peru's forestry sector, including implementing anti-corruption measures, improving systems to track and verify the chain of custody of timber exports, ensuring timely criminal and administrative proceedings for forestry related crimes and infractions, and strengthening development of accurate annual operating plans for timber producers. In particular, the United States and Peru continued efforts to develop and implement an electronic system to verify and track the legal origin and proper chain of custody of timber harvested from Peru's forests, from stump to port. Additionally, in November 2014, the United States Forest Service and United States Department of Justice conducted the first of two training workshops to assist the government of Peru in combatting illegal logging pursuant to the Forest Annex and Action Plan. The Environmental Prosecutor's Office of Peru's Public Ministry hosted the workshop, which was widely attended by environmental prosecutors, police, customs agents, and forest service authorities.

Pursuant to Article 18.8 of the PTPA Environment Chapter, the United States and Peru also worked extensively to finalize the documents necessary to establish an independent environmental secretariat to receive submissions from the public alleging that one or both Parties is failing to effectively enforce its environmental laws.

A fact sheet outlining examples of progress to implement the PTPA Environment Chapter and Forest Annex is available at the following link: http://www.ustr.gov/sites/default/files/2013-Progress-under-the-Forest-Annex.pdf.

14. Singapore

United States-Singapore trade relations continued to grow steadily in 2014. U.S. goods exports were $30.5 billion in 2014, and U.S. goods imports were $16.5 billion. The United States had a $14.1 billion goods trade surplus with Singapore in 2014; the U.S. goods trade surplus with Singapore is our 5th largest goods trade surplus in the world. Since the United States.-Singapore Free Trade Agreement (FTA) entered into force in 2003, two-way goods trade between our two countries has increased by 48 percent, with U.S goods exports to Singapore increasing from 16.6 billion (2003) to 30.5 billion in 2014. Two-way investment has increased as well, from 53 billion (2003) to 174 billion.

The United States continued to monitor implementation of the FTA throughout 2014, consulting regularly with Singapore. The two sides also continued to discuss measures to further expand access for U.S. beef to the Singapore market, protection of intellectual property rights, and other issues reflecting a deep trade and investment relationship. The two sides worked to further deepen the trade and investment relationship in the Trans-Pacific Partnership (TPP) negotiation as well as through APEC, U.S-ASEAN, and WTO initiatives.

B. Other Bilateral and Regional Initiatives

1. The Americas

Free Trade Agreements

The United States continued to implement, enforce, and benefit from its six FTAs covering the following countries in the Americas: Canada and Mexico under NAFTA; Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua under CAFTA-DR; and separate bilateral FTAs with Chile, Colombia, Panama, and Peru. In addition, Canada, Chile, Mexico, and Peru are parties to the TPP negotiations, making the Americas region a very significant presence in the negotiation of this twenty-first century agreement. (*A description of USTR's FTA focused activity in this region during 2014 can be found in Chapter III.A.*).

Trade and Investment Framework Agreements and other Bilateral Trade Mechanisms

USTR chairs bilateral meetings with non-FTA partners in the Americas to discuss market opening opportunities, including improving access for small and medium sized enterprises (SMEs) and resolving trade issues with those governments. In May of 2013, the United States signed a Trade and Investment Framework Agreement (TIFA) with the Caribbean Community (CARICOM) to update and enhance a prior TIFA signed in 1991. The Trade and Investment Council established by the TIFA with CARICOM met for the second time on October 28, 2014, in Nassau, Bahamas. It addressed intellectual property rights protection, the development of electronic commerce infrastructure, the removal of barriers to bilateral trade, and U.S. technical assistance on sanitary and phytosanitary measures for agricultural products. USTR hosted a meeting of the United States – Uruguay Trade and Investment Council on May 9, 2014 during which the parties discussed market access for certain agricultural products, Uruguay's interest in joining the plurilateral negotiations on a Trade in Services Agreement, increased cooperation on SMEs, and intellectual property rights protection.

Other Priority Work

The United States continued its engagement with other countries in the region, aimed at fostering bilateral trade relations and resolving trade problems during 2014. Highlights of USTR's other priority activities in the region include:

Brazil

In October 2014, the United States and Brazil signed an MOU to permanently end the WTO cotton dispute, eliminating a longstanding irritant in our bilateral relationship. Under the terms of the MOU, Brazil formally terminated the WTO dispute and gave up its right to introduce countermeasures against U.S. trade or initiate any further proceedings in the dispute. Brazil also agreed not to bring new WTO actions against U.S. cotton support programs until September 30, 2018 or against agricultural export credit guarantees under the GSM-102 export credit guarantee program as long as the program is operated consistent with the agreed terms set out in the MOU. The United States made a final contribution of $300 million to the Brazil Cotton Institute. The MOU permits additional uses for the funds, in particular for research in conjunction with U.S. institutions and infrastructure used solely for the cotton sector.

Bilateral dialogue with Brazil is conducted under the Agreement on Trade and Economic Cooperation (ATEC), which was signed during President Obama's March 2011 trip to Brazil. The ATEC was intended to deepen U.S. engagement with Brazil and expand the trade and investment relationship on a broad range of issues including trade facilitation, intellectual property rights and innovation, and technical barriers to trade. USTR plans to hold the next meeting under the ATEC during the first half of 2015.

Canada

President Obama and Prime Minister Stephen Harper created the U.S.-Canada Regulatory Cooperation Council (RCC) on February 4, 2011. Since then, U.S. and Canadian regulators have engaged in an unprecedented dialogue to facilitate closer cooperation between the two countries to help develop smarter and more effective approaches to regulations, and to help make the U.S. economy stronger and more competitive. In August 2014, the United States and Canada released the RCC Joint Forward Plan, which builds upon experience and advances the RCC from its initial, issue-based 2011 Joint Action Plan to new partnership arrangements and a framework of more institutionalized commitments by U.S. and Canadian regulators.

The United States-Canada Beyond the Border Executive Steering Committee (ESC) met on September 4, 2014 to discuss progress in the three years since President Obama and Prime Minister Harper launched the Beyond the Border initiative to enhance cooperation on trade facilitation and ensure security at our shared border. The ESC includes participation from a number of U.S. and Canadian government agencies, as well as a Mexican government representative as an observer. The ESC will release the third annual Implementation Report to Leaders in the coming months.

As a result of the 1998 United States-Canada Record of Understanding on Agricultural Matters, the U.S.-Canada Consultative Committee on Agriculture (CCA) and the Province/State Advisory Group were formed in 1999 to strengthen bilateral agricultural trade relations and to facilitate discussion and cooperation on matters related to agriculture. The CCA met in February and December 2014 to reinforce the close working relationship between the United States and Canada and our respective agricultural sectors.

Mexico

In May 2013, President Obama and Mexican President Peña Nieto established the High Level Economic Dialogue (HLED) to further elevate and strengthen the dynamic bilateral commercial and economic relationship. The HLED, which is led at the cabinet level, is a flexible platform intended to advance strategic economic and commercial priorities central to promoting mutual economic growth, job creation, and global competitiveness. On January 6, 2015, Ambassador Froman joined Vice President Biden and other cabinet members for the second meeting of the HLED. The cabinet officials noted success in meeting 2014 strategic goals (*see* http://www.whitehouse.gov/the-press-office/2015/01/06/fact-sheet-us-mexico-high-level-economic-dialogue) and set out goals for 2015.

In October 2014, the U.S. Department of Transportation (DOT) announced the successful completion of a three year pilot program for cross-border trucking services with Mexico and converted all Mexican firms participating in the pilot program to regular DOT operating authority status. On January 15, 2015, DOT published procedures for additional Mexican firms to apply for cross-border trucking operating authority. Mexico will continue to operate its program, begun in 2007, for U.S. firms seeking to provide cross-border trucking services in Mexico. These steps were taken pursuant to the NAFTA's cross-border services provisions.

Also in 2014, the United States and Mexico, with support from the Standards Alliance, a public-private partnership between the U.S. Agency for International Development and the American National Standards Institute, conducted two important trainings in Mexico City to help facilitate trade. On November 3-7, a program entitled "Training on Conformity Assessment for Young Professionals," was held to raise awareness for developing the best practices in conformity assessment for regulations. On December 10-11, the North American Conference on Good Regulatory Practices was held to discuss best practices in regulatory development and ways to improve regulatory cooperation.

2. Europe and the Middle East

USTR's Office of Europe and the Middle East is responsible for bilateral trade relations with the European Union (EU) and its 28 Member States, non-EU European countries, Russia, certain countries of western Eurasia, the Middle East, and North Africa. During 2014, the Office of Europe and the Middle East focused on pursuing negotiations on a comprehensive Transatlantic Trade and Investment Partnership (T-TIP) agreement with the EU; monitoring Russia's implementation of its WTO commitments and responding to

Russia's illegal actions in Ukraine; building initiatives in the Middle East/North Africa (MENA) region to support ongoing political and economic reforms as well as trade and investment integration, including through the implementation of FTAs, BITs, and TIFAs; and working with countries wherever possible, through TIFAs and other arrangements, to resolve trade concerns, expand trade and investment opportunities, and foster commercial and trade policies grounded in the rule of law.

Deepening U.S.-EU Trade and Investment Relations

The U.S. trade and investment relationship with the EU is the largest and most complex economic relationship in the world. Transatlantic trade flows (goods and services trade plus earnings and payments on investment) averaged an estimated $4.7 billion each day of 2014[30]. The total stock of transatlantic investment was $4.0 trillion in 2012. These enormous trade and investment flows constitute a key pillar of prosperity for the United States and Europe, and countries around the world benefit from access to the markets, capital, and innovations of the transatlantic economy.

To further strengthen this critical trade and investment relationship, President Obama announced on February 13, 2013 his intention to pursue comprehensive trade and investment negotiations with the EU. On June 17, 2013, President Obama and EU Leaders announced the launch of negotiations on a T-TIP agreement. By the end of 2014, negotiators have met in seven formal rounds, including four in 2014. President Obama and EU Leaders in November 2014 publicly reaffirmed their support for a comprehensive and ambitious agreement and directed their teams to make meaningful progress in 2015.

In establishing U.S. negotiating objectives for the T-TIP agreement, the Administration consulted closely with the U.S. Congress and a wide range of public and private sector stakeholders. The United States is seeking in T-TIP to:

- Further open EU markets to increase the $468 billion in goods and private services the United States exported in 2013 to the EU, our largest export market;
- Strengthen rules based investment to grow the world's largest investment relationship. The United States and the EU already maintain a total of $4.0 trillion in investment in each other's economies (as of 2013);
- Eliminate all tariffs on trade in goods;
- Tackle costly unnecessary "behind the border" nontariff barriers that impede the flow of goods, including agricultural goods;
- Obtain improved market access for trade in services;
- Significantly reduce the cost of unnecessary differences in regulations, standards, and conformity assessment procedures by, for example, promoting greater transparency, public participation and accountability in regulatory procedures, and by achieving greater compatibility in the U.S. and EU approaches to regulation in several economically significant sectors, while maintaining our high levels of health, safety, and environmental protection;
- Develop rules, principles, and new modes of cooperation on issues of global concern, including intellectual property and market-based disciplines addressing state-owned enterprises; and,
- Promote the global competitiveness of small- and medium-sized enterprises.

Ongoing Engagement with the Middle East and North Africa

The revolutions and other changes that swept through the Middle East and North Africa beginning in 2011 have provided new opportunities, as well as new challenges, with respect to U.S. trade and investment

[30] Based on trade for first three quarters of 2014.

relations with MENA countries (especially countries in transition such as Tunisia, Morocco, Jordan, Egypt, and Libya). Pursuant to the President's call in his May 2011 speech to establish a new trade and investment partnership initiative with the MENA region, USTR has coordinated with other Federal agencies, outside experts, and stakeholders in both the United States and MENA partner countries to identify prospective areas for cooperation that could yield the quickest results in terms of increased trade and investment, in addition to developing longer term trade and investment objectives with regional trading partners. In 2014, the United States continued to monitor, implement, and enforce U.S. FTAs in the region (Bahrain, Israel, Jordan, Morocco, and Oman); pursued TIFA consultations with Tunisia and Algeria (and sought revived engagement with Algeria as part of its WTO accession efforts); and sought new opportunities to cooperate more closely with Egypt.

In 2014, the United States enhanced its engagement with the Gulf Cooperation Council (GCC) countries as a group by negotiating the United States-GCC "Framework Agreement for Trade, Economic, Investment and Technical Cooperation." Delegations from the United States, the GCC Secretariat, and the six Member States (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) held a meeting under the Agreement in June 2014, discussing key trade and investment issues including customs, intellectual property, control procedures for food imports, standards development, legal harmonization, and WTO initiatives. Enhanced U.S. dialogue with the GCC should help ensure that U.S. interests are fully represented as the GCC continues to develop as a regional organization that aims to harmonize standards, import regulations, and conformity assessment systems among its member states.

Responding to Russian Actions in Ukraine

In the first year of Russia's WTO membership, there were encouraging signs that Russia would continue its integration into the global trading community and become a constructive WTO Member. However, in the second year of Russia's WTO membership, that trajectory changed. Russia's use of unjustified and retaliatory trade measures against many of its neighbors, as well as against the United States, rejects the core principle of open trade based on the rule of law that sustains the WTO. Furthermore, as a result of Russia's illegal actions in Ukraine, the Obama Administration suspended almost all engagement with Russia on economic issues. USTR supported the Administration's efforts to politically isolate and impose economic costs on Russia through a carefully constructed sanctions regime.

Although the United States has restricted its bilateral engagement with Russia as a result of Russia's illegal actions in Ukraine, it has continued, and will continue, to remind Russia of its WTO commitments, and the benefits to Russia and to other WTO Members of Russia complying with those commitments. As reflected in USTR's second annual report on "Russia's Implementation of the WTO Agreement" issued in December 2014, https://www.ustr.gov/sites/default/files/Russia-WTO-Implementation-Report%20FINAL-12-20-13.pdf, as well as the its "Report on WTO Enforcement Actions: Russia" issued in June 2014, the United States has spent the past year urging Russia to implement fully its WTO commitments and using various WTO mechanisms to obtain compliance where Russia appears to fall short (for further information see the Enforcement Report available at http://www.ustr.gov/sites/default/files/06182014-2014-Russia-Enforcement-Report-FINAL.pdf). The United States will continue to monitor Russia's implementation of its WTO obligations and use all available tools of the WTO, as appropriate, to enforce those obligations.

In light of the sanctions regime against Russia, the United States has engaged only minimally with the Eurasian Economic Commission (EEC), the administrative arm of the Russia-Kazakhstan-Belarus Eurasian Economic Union (EEU), on issues that fall within the EEC's competence (*e.g.*, TBT, SPS, and tariffs). As the EEC assumes more responsibility over the external trade policy of the Customs Union Parties, USTR will work with the EEC as well as with Russia to ensure compliance with the WTO rules and to open the EEU's markets to exports of U.S. goods.

Other Priority Trade Activities

In addition to the countries referenced above, the United States also engaged with other key countries in the European, western Eurasian and Middle East/North African regions to promote enhanced trade and investment ties, increase U.S. exports, foster the development of intraregional economic ties, and, where relevant, advance countries' accessions to the WTO (*see Chapter II.J.6. for more information on WTO accessions*).

Notable activities in 2014 included:

- *Turkey*: U.S. bilateral economic ties with Turkey have grown steadily over the last 15 years. Recognizing Turkey's growing importance as a trading partner, the U.S. Trade Representative and the Secretary of Commerce co-chair U.S participation in a ministerial level forum for enhancing bilateral engagement on economic and trade issues, known as the Framework for Strategic Economic and Commercial Cooperation (FSECC), which aims to reduce or eliminate barriers to bilateral trade and investment. U.S. and Turkish officials to date have conducted three formal FSECC meetings: October 2010 (Washington); June 2012 (Ankara); and May 2014 (Washington). The next meeting is envisioned for 2015 in Turkey. Given Turkey's concerns about the potential for U.S.-EU T-TIP negotiations to affect its trade relations with both the United States and the EU, in May 2013 the United States and Turkey agreed to form a High Level Committee (HLC), associated with the FSECC to assess such potential impacts and seek new ways to promote bilateral trade and investment; the United States and Turkey held several working level consultations under the HLC in 2014. USTR Michael Froman and Turkish Minister of the Economy Zeybekci chair the HLC and most recently met in May 2014.

- *Ukraine*: The United States persuaded Ukraine to rescind its request to revise its tariff bindings. The United States also continued to work with the government of Ukraine to improve the protection and enforcement of intellectual property rights. Finally, the United States, working with the EU and other countries, sought to assemble an international financing package, including a bilateral loan guarantee, stabilize Ukraine's economy and support needed reforms.

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

Japan

United States-Japan Trade Relations

In 2014, the United States continued to engage Japan on a broad array of trade and trade-related issues, with the goal of eliminating barriers to trade and expanding access to Japan's market. The United States engaged in numerous rounds of negotiations with Japan in the context of the Trans-Pacific Partnership (TPP) negotiations, which Japan joined in July 2013. The United States and Japan likewise continued to hold negotiations in parallel to Japan's participation in the TPP talks to address issues of concern in the motor vehicle and insurance sectors, as well as other nontariff measures in areas such as express delivery, transparency, government procurement, and sanitary and phytosanitary measures. These negotiations yielded significant progress, but important gaps remained as 2014 drew to a close.

In addition, the United States worked closely with Japan to address trade issues of common interest, including those in third-country markets, bilaterally and multilaterally. This included closely coordinating on World Trade Organization (WTO) dispute settlement matters, working toward the successful conclusion of negotiations to expand the WTO Information Technology Agreement, and working closely together in the Asia-Pacific Economic Cooperation (APEC) forum on addressing localization barriers to trade, improving supply chain performance in the region, and promoting trade liberalization in environmental services and manufacturing-related services.

Republic of Korea (Korea)

(*See Chapter III.A.8 for discussion of the United States-Korea Free Trade Agreement.*)

In addition to close engagement with counterparts in the Korean government in FTA committee meetings and working groups under the U.S.-Korea Free Trade Agreement (KORUS FTA), USTR continues to hold bilateral consultations with Korea in a variety of formats to address bilateral trade issues in a timely fashion, as well as to discuss emerging issues that may fall outside the scope of the FTA. These meetings, which USTR leads, and in which other U.S. international economic agencies participate, are augmented by a broad range of senior level policy discussions. In 2014, the United States and Korea held a number of bilateral trade consultations, in which the United States raised a number of issues, including the importance of Korea not imposing regulations in the automotive sector that could restrict trade, and urging Korea to address concerns about unlicensed or infringing uses of copyrighted or patented products.

Korea has provided important market access for U.S. beef and beef products from animals less than 30 months of age since reopening its market to imports of U.S. beef in June 2008. In 2014, U.S. exports of beef and beef products to Korea topped $847 million, making Korea the fifth largest U.S. beef export market.

The United States and Korea cooperated extensively in a range of multilateral and regional fora to advance opening markets. In APEC, the two economies worked together closely to achieve significant and concrete outcomes on a variety of initiatives to strengthen regional economic integration in the Asia-Pacific, in particular by improving supply chain performance in the region, addressing localization barriers to trade, and ensuring that APEC member economies implement their groundbreaking commitment to reduce tariffs on environmental goods. The United States also supported Korea's capacity building initiative for helping developing economies participate in ongoing regional trade agreement negotiations. Korea joined with the United States and others to launch negotiations in 2013 to conclude a Trade in Services Agreement (TiSA). TiSA now includes 23 economies and almost two-thirds of world services exports.

APEC

Overview

Since it was founded in 1989, the Asia-Pacific Economic Cooperation (APEC) forum has been instrumental in promoting regional and global trade and investment. In 2011, the United States hosted APEC for the first time since 1993, which provided a unique opportunity to reduce barriers to U.S. exports and to more closely link our economy with the dynamic Asia-Pacific region. Since then, the United States worked with successive APEC hosts (Russia, Indonesia, and China) to build on the momentum created in its host year and ensure that APEC remains a forum that achieves concrete trade and investment outcomes of practical value to stakeholders.

In 2014, China hosted APEC for the first time since 2001, the year it joined the World Trade Organization and deepened its integration into the international community. China used its host year to send a signal to the Asia-Pacific region and the rest of the world that its commitment to regional economic integration, shared prosperity, and a cleaner environment was strong. The United States worked closely with China throughout the year on making its trade and investment initiatives as concrete as possible, with a view to delivering practical results by the Leaders' meeting and in the future.

APEC Leaders and Ministers in their meetings in Beijing in the first week of November agreed to a number of outcomes for 2014 to promote regional economic integration by preventing trade barriers, creating more transparent and open regulatory cultures, and reducing trade costs by making supply chains more efficient. The activities below describe the key outcomes that advance the United States trade and investment agenda in the region.

According to the APEC Secretariat, the 21 member economies collectively account for approximately 40 percent of the world's population, approximately 55 percent of world GDP and about 44 percent of world trade. In 2014, United States-APEC total trade in goods was $2.5 trillion. Total trade in services was $407 billion in 2013 (latest data available). The significant volume of U.S. trade in the Asia-Pacific region underscores the importance of the region as a market for U.S. exports.

2014 Activities

Regulatory Transparency: Building on the Good Regulatory Practices initiative started in the United States' host year in 2011, APEC economies agreed to make public consultations on proposed regulations more open, transparent, and accessible to stakeholders through use of information technology and the Internet. Economies can draw from a set of voluntary steps for improving the conduct of their public consultations. These steps include using public web portals to provide early notice of proposed rules; providing a period, such as 30 days to 60 days, for public comment when conducting public consultations online; and accepting online comments from any stakeholder anywhere in the world and taking those comments into account. Economies also agreed to explore using social media tools to reach out to stakeholders during regulatory processes. The United States will provide capacity building and technological solutions to help economies implement these actions.

Supply Chain Connectivity and Performance: APEC Leaders in 2013 established a new Supply Chain Connectivity Sub-Fund; instructed officials to develop a capacity building plan to assist economies, particularly developing economies, in overcoming specific obstacles they face in enhancing supply chain performance; and encouraged economies to contribute necessary resources to the Sub-Fund to execute the capacity building plan. In 2014, APEC continued its work by (1) endorsing a plan for robust, targeted capacity building in individual economies to improve supply chain performance and implement the WTO Trade Facilitation Agreement; (2) establishing a new public-private body, the APEC Alliance for Supply Chain Connectivity, that focuses on helping with this capacity building; and (3) completing a set of APEC commissioned studies that explain how economies can further reduce the time, cost, and uncertainty of moving goods through the region by addressing specific chokepoints in supply chains. APEC's supply chain work will make it significantly cheaper, easier, and faster for businesses to trade in the region. Examples of the types of chokepoints include burdensome customs procedures and documentation requirements, inefficient clearance of goods at the border, and inadequate transportation infrastructure, all important to the logistics sector.

Promoting Environmental Goods and Services: To ensure the implementation of APEC's groundbreaking 2011 commitment to reduce tariffs on environmental goods to five percent or less by the end of 2015, economies agreed to submit implementation plans by the time of the Ministers Responsible for Trade Meeting in the spring of 2015. APEC also agreed to launch a new initiative on addressing barriers to trade in services. Through the new APEC Public-Private Partnership on Environmental Goods and Services (PPEGS), the private sector and government officials discussed industry trends, avenues for cooperation, and nontariff measures impacting trade in environmental goods and services, such as local content requirements and government support measures.

Advancing Regulatory Cooperation – Electric Vehicles: To promote the widespread use of environmentally friendly, technologically advanced electric vehicles, APEC economies agreed to several steps, including: (1) using international standards as the basis for regulations on electric vehicles; (2) creating a priority list of international standards important for electric vehicles; and (3) working towards aligning regulations and avoiding regulatory divergences, particularly regarding electric vehicle charging; and establishing an APEC Electric Vehicles Interoperability in Research Center to help economies meet their regulatory alignment objectives. Implementation of these actions will encourage greater electric vehicle production and use - and greater trade and investment opportunities - while advancing APEC's green growth, connectivity, and regional economic integration objectives.

Localization Barriers to Trade: APEC noted a proposal from the United States to study 'localization policies' as a trade and investment issue that could impact global value chains. The United States intends to build on this outcome in 2015 by educating economies on why localization policies pose significant threats to regional economic integration, economic growth, and competitiveness.

Trade Secrets: APEC economies recognized the importance of trade secrets protection and enforcement to innovation, foreign direct investment, and the commercialization of research and development. Economies are now in a better position to take new steps next year on trade secrets, such as identifying best practices for trade secrets protection and enforcement.

Free Trade Area of the Asia-Pacific (FTAAP): APEC agreed to study issues related to realizing the FTAAP. The study will conduct a thorough assessment of Regional Trade Agreements and Free Trade Agreements in the region, for example by examining how existing agreements include WTO-plus provisions or provisions not otherwise addressed by the WTO. The study will also look at barriers to trade and investment among APEC members that the FTAAP could address. This study does not change the 2010 APEC Leaders' decision that the FTAAP would occur outside of APEC and would based on ongoing regional undertakings, such as the Trans-Pacific Partnership (TPP).

Supporting the Multilateral Trading System and the World Trade Organization: APEC Leaders in November, 2014 reiterated the value, centrality, and primacy of the multilateral trading system in promoting trade expansion, economic growth, job creation, and sustainable development, and agreed to stand firmly together to strengthen the rules based, transparent, nondiscriminatory, open, and inclusive multilateral trading system as embodied in the WTO. The grave concern they expressed regarding the impasse at the WTO with respect to the implementation of the Trade Facilitation Agreement facilitated the agreement the United States reached with India on overcoming this impasse in the days following the APEC Leaders meeting. APEC Leaders also reaffirmed their commitment to roll back protectionist and trade distorting measures and extended their standstill commitment to refrain from protectionist measures, including not raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO consistent measures, through 2018.

WTO Information Technology Agreement (ITA): The continued emphasis that APEC Leaders placed on swift conclusion of the negotiations to expand the product coverage of the ITA was critical in producing a bilateral understanding between the United States and China on the scope of that product coverage during the Leaders' Week meetings. Leaders encouraged the swift conclusion of a balanced and commercially significant outcome of the negotiations to expand product coverage of the WTO Information Technology Agreement, and also sought expanded membership of the ITA.

4. China, Hong Kong, and Taiwan

China

See 2014 USTR Report to Congress on China's WTO Compliance: https://ustr.gov/sites/default/files/2014-Report-to-Congress-Final.pdf.

U.S.-Hong Kong Trade Relations

The United States continued its efforts to expand trade with Hong Kong, a Special Administrative Region of the People's Republic of China. Following a partial market expansion for beef exports to Hong Kong in 2013, Hong Kong opened its market fully to all U.S. beef and beef products in June 2014. In 2013, the World Organization for Animal Health (OIE) had upgraded the U.S. risk classification for bovine spongiform encephalopathy (BSE) to negligible risk.

U.S.-Taiwan Trade Relations

The U.S.-Taiwan Trade and Investment Framework Agreement (TIFA) Council held under the auspices of the American Institute in Taiwan (AIT) and Taipei Economic and Cultural Representative Office in the United States (TECRO) remains the primary forum for both economies to resolve and make progress on a wide range of issues affecting the U.S.-Taiwan trade and investment relationship. The 2014 TIFA, co-chaired by Deputy USTR Wendy Cutler and Taiwan Vice Minister of Economic Affairs Cho Shih-Chao, was held on April 4 in Washington, D.C. Prior to the April TIFA Council meeting, experts convened meetings of the Investment Working Group and Technical Barriers to Trade Working Group established at the 2013 TIFA and held numerous expert level discussions on issues including intellectual property rights, agriculture, medical devices, and pharmaceuticals.

In 2014, the TIFA process yielded important concrete results to U.S. and Taiwan stakeholders. The TIFA provided a platform for both sides to share technical experiences in the area of protecting and enforcing against trade secret theft, and the United States welcomed amendments to Taiwan laws in 2013 and 2014 that increased penalties for trade secret theft and provided improved investigatory tools to enhance enforcement against this global problem. At the 2014 TIFA, there was also concrete progress on issues related to transparency and predictability in pharmaceutical pricing and reimbursement policies in Taiwan. Notable advancements on investment and services included clarifying the criteria used by Taiwan authorities to review investments and the lifting of data center localization requirements in the banking sector. On technical barriers to trade, Taiwan took steps to resolve longstanding U.S. concerns related to multipack labeling requirements and incombustibility testing methods. The United States and Taiwan had productive engagement on some agricultural issues of concern to both sides.

The United States hopes to build upon this progress in 2015 by ensuring full implementation of past TIFA commitments and achieving concrete progress on remaining issues. The United States remains very concerned about Taiwan agricultural policies that are not based upon science. Taiwan's ban on U.S. pork and certain beef products produced using ractopamine, as well as continued barriers affecting U.S. beef offal products are key areas of focus. Other areas of attention on agricultural matters include market access for meat products, establishing maximum residue levels for pesticides, Taiwan's rice procurement systems, issues related to the Food Safety and Sanitary Act amendments, and recognition of U.S. certified organic products in Taiwan.

In other areas, such as intellectual property rights, pharmaceuticals and medical devices, investment, and technical barriers to trade, the United States is are also looking to work to find solutions through TIFA engagement. In particular, key concerns include ensuring that there is no reduction in IPR enforcement efforts, including against online piracy (including online piracy facilitated by media boxes) and textbook piracy. We will continue to engage with intellectual property (IP) officials as Taiwan revises its Copyright Act. Transparency and predictability in pharmaceutical and medical device pricing and reimbursement, and other regulatory issues will also continue to be emphasized and work will build upon commitments to strengthen IP protections for innovative pharmaceutical products in Taiwan. The Investment Working Group and Technical Barriers to Trade Working Group under the TIFA are also continuing to meet to push for substantial progress to promote transparency and predictability in Taiwan's investment regime and to ensure that technical regulations do not create excessive burdens for the industries that they affect, such as chemicals, cosmetics, and consumer products.

5. Southeast Asia and the Pacific

Free Trade Agreements

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

Trans-Pacific Partnership

In 2014, the United States made substantial progress toward completing the Trans-Pacific Partnership (TPP), an ambitious, comprehensive, Asia-Pacific trade and investment agreement that currently includes 12 countries representing approximately 40 percent of the global economy. The TPP will advance U.S. economic interests with the fastest growing region of the world and expand U.S. exports, which are critical to U.S. economic growth and supporting and retaining high-paying, high-quality jobs in the United States. The TPP will establish high-standard rules for trade and investment among key Asia-Pacific economies, reflecting U.S. interests and values, and create a platform for more closely integrating economies across the Asia-Pacific region.

The United States and its TPP partners – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam – held four ministerial meetings and six full chief negotiator and working group meetings in 2014, as well as many bilateral and small group meetings to close the gaps on specific issues. The 12 countries worked to achieve their shared objective of concluding a high-standard agreement that will update issues traditionally included in Free Trade Agreements (FTAs), as well as address new and emerging challenges, including issues related to intellectual property, electronic commerce, competition policy and State-owned enterprises, transparency and anticorruption, environment, and labor. They also furthered their market access work with regard to goods, services, investment, and government procurement. In addition, they advanced work on cross-cutting issues to ensure that the benefits of TPP are shared as widely as possible in each TPP economy, such as making the regulatory systems of TPP countries more seamless; enhancing competitiveness and the development of regional production and distribution chains; helping SMEs, a key source of innovation and job creation, to participate more actively in international trade; and promoting development.

In November 2014, President Obama and the Leaders from the other 11 TPP countries met in Beijing, China on the margins of the APEC Leaders' Meeting. They welcomed the progress made by Ministers and negotiators toward conclusion of an agreement and noted that the end of the negotiation was coming into focus. They committed to working to complete an ambitious, comprehensive, high-standard agreement as soon as possible.

Throughout 2014, the Administration continued to consult closely with the U.S. Congress and stakeholders on the outstanding issues in the TPP negotiations. The Administration will continue to work collaboratively with the U.S. Congress and to consult with stakeholders as they work to conclude the negotiations in order to ensure that the agreement best advances U.S. economic priorities.

While the United States and the other TPP members are currently focused on completing the TPP negotiations, they intend to eventually expand the agreement to include other economies across the Asia-Pacific region that are prepared to adopt the TPP's ambitious commitments. Several economies have expressed interest in potentially joining the agreement and the Administration will continue to engage with them, in close consultation with the U.S. Congress and domestic stakeholders.

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

In 2014, the United States held several meetings with countries in Southeast Asia under our bilateral Trade and Investment Framework Agreements (TIFAs). During these meetings, the United States sought to resolve bilateral trade issues in areas such as customs, intellectual property protection and enforcement, market access for industrial and agricultural products, regulatory and other non-tariff barriers facing U.S. manufacturers and services suppliers, and other trade-related issues, including worker rights and protections. The United States also used these meetings to work with our trading partners in the region to monitor implementation of WTO commitments and to coordinate on ASEAN, APEC, and WTO issues. In addition, the U.S. Government provided updates on the TPP Agreement and discussed the interest of some ASEAN countries in potentially joining the initiative.

For example, in June, the United States held a first-ever TIFA meeting with Burma, addressing economic reform, implementation of Burma's WTO commitments, and labor rights. The U.S. Government also continued to work in 2014 to support Laos' implementation of its WTO accession commitments and commitments under the United Stated-Laos Bilateral Trade Agreement. In addition, progress was made on several economic issues with the Philippines, including significant advances in the protection and enforcement of intellectual property rights, progress on worker rights issues, actions to further strengthen bilateral agricultural trade, and special WTO treatment for the Philippines' rice imports through 2017 based on a bilateral understanding. The United States and Indonesia settled the WTO dispute regarding the U.S. ban on certain flavored cigarettes. The settlement is part of a broader understanding, according to which the United States and Indonesia have also agreed to enhance their efforts to cooperate on issues of mutual interest and build the trade relationship. The Memorandum of Understanding between Indonesia and the United States is available online: http://www.ustr.gov/countries-regions/southeast-asia-pacific/indonesia.

The United States also used our TIFAs and other bilateral meetings with Southeast Asian countries to coordinate economic assistance projects on labor rights and protections. To promote improved labor rights, the United States funded programs by the International Labor Organization to monitor labor conditions in certain Vietnamese factories and provide technical assistance to amend labor regulations, as well as programs by non-government organizations to support the capacity of workers to understand and exercise their labor rights. In November 2014, the United States launched a joint Initiative to Promote Fundamental Labor Rights and Practices together with Burma, the International Labour Organization, Japan, and Denmark. The initiative is designed to improve Burma's system of labor administration through multi-year labor law reform and foster strong relations among businesses, workers, civil society organizations, and the government of Burma through a stakeholder consultative mechanism.

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

In addition to these bilateral dialogues, the United States engaged with ASEAN under the United States-ASEAN TIFA and the ASEAN-United States Expanded Economic Engagement (E3) initiative. The United

States continues to pursue several initiatives to expand and deepen economic engagement with the fast-growing ASEAN countries, which collectively represent the fourth largest U.S. trading partner and have a combined GDP of $2.5 trillion. The United States held several high-level meetings with ASEAN in 2014 to advance initiatives under E3 and the U.S.-ASEAN TIFA, including in the areas of investment, information and communications technology, trade facilitation, small and medium-sized enterprise development, and the expansion of cooperative work on standards development and practices, including on technical barriers to trade and good regulatory practices. In August, the United States and ASEAN hosted the 2nd ASEAN-United States Business Summit, which focused on improving the capacity of SMEs to connect to regional and global supply chains.

6. Sub-Saharan Africa

Overview

During August 4-6, 2014, President Obama held a United States-Africa Leaders Summit (ALS), the first of its kind and the largest event any U.S. President has held with African heads of state and governments. Trade and investment issues were a major theme of the Summit. The Leaders agreed on the importance of expanding trade and investment ties between the United States and Africa and on the prompt, long-term renewal of an enhanced African Growth and Opportunity Act (AGOA) (*See Section V. B. 8. C.*). On August 4, 2014, President Obama issued a Presidential Memorandum that established a Trade and Investment Capacity Building Steering Group for U.S. Government programs aimed at supporting trade and investment capacity building efforts in sub-Saharan Africa.

As part of the ALS, the President also hosted the United States-Africa Business Forum. The Summit and related events strengthened ties between the United States and Africa and advanced our trade agenda with the continent.

During the Summit week, Ambassador Froman chaired the annual AGOA Ministerial Forum (see below), during which he outlined the Administration’s proposals for modernizing and renewing AGOA as well as placing it at the center of a comprehensive trade and development strategy for Africa.

During the year, USTR maintained an active program to promote U.S. trade and investment interests across sub-Saharan Africa through a range of events and initiatives, including the World Economic Forum on Africa, Trade Africa, Trade and Investment Framework Agreements (TIFAs) with various African countries and regional economic communities, Bilateral Investment Treaties (BITs), and AGOA.

World Economic Forum on Africa

Ambassador Froman participated in the World Economic Forum on Africa, held in Abuja, Nigeria May 7-9, 2014. He met with African heads of state and other government as well as private sector leaders to advance U.S. trade and investment-related issues in Africa, and, in particular, to consult on the future of the AGOA.

Trade Africa/United States-EAC Trade and Investment Partnership

During his landmark visit to sub-Saharan Africa in the Summer of 2013, President Obama announced a new initiative, Trade Africa, which is a partnership between the United States and sub-Saharan Africa that seeks to increase regional trade within Africa and expand trade and economic ties between Africa and the United States. Trade Africa initially focused on the member states of the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda. Trade Africa supports increased U.S.-EAC trade and investment, building upon the United States-EAC Trade and Investment Partnership announced in June 2012.

USTR and other agencies continued to advance the Trade Africa initiative in 2014 including by: negotiating a Cooperation Agreement Among the Partner States of the East African Community and the United States of America on Trade Facilitation, Sanitary and Phytosanitary Measures, and Technical Barriers to Trade, which will be signed on February 26, 2015; exploring a United States-EAC Investment Treaty to contribute to a more attractive investment environment in East Africa; facilitating U.S.-EAC private sector engagement under the United States-EAC Commercial Dialogue; transforming the East Africa Trade Hub into the East African Trade and Investment Hub to provide additional information, advisory services, and risk mitigation and financing to encourage linkages between United States and East African investors and exporters; and developing a new partnership with TradeMark East Africa, a multidonor project focused on supporting regional economic integration within the EAC.

In August 2014, in conjunction with the United States-Africa Leaders Summit, U.S. Trade Representative Michael Froman held a trade ministerial meeting with the EAC Secretary General and Trade Ministers from each of the five EAC countries to discuss progress in meeting the goals for the U.S.-EAC partnership.

Total two-way goods trade between the United States and the EAC was an estimated $2.8 billion in 2014, with $2.0 billion in U.S. goods exports, and U.S. goods imports totaling $743 million. Kenya was by far the United States' top trading partner within the EAC, with two-way goods trade totaling $2.2 billion, followed by Tanzania with $391 million, Uganda with $123 million, Rwanda with $62 million, and Burundi with $10 million. Top U.S. exports to EAC countries were aircraft, machinery, and electrical machinery. Top U.S. imports included apparel, coffee, macadamia nuts, ores, and semi-precious stones.

Trade and Investment Framework Agreement (TIFA) Council Meeting with Nigeria

On March 11, 2014, the United States hosted the eighth meeting of the United States-Nigeria Trade and Investment Framework Agreement (TIFA) Council. Topics discussed included improving market access, local content policies, utilization of AGOA, protection of intellectual property rights, implementation of the WTO Trade Facilitation Agreement, and improving Nigeria's investment climate. Ambassador Froman led the U.S. delegation, while Minister of Industry, Trade and Investment, Dr. Olusegun O. Aganga, represented Nigeria. This TIFA Council meeting advanced common bilateral trade and investment interests and deepened the overall bilateral relationship.

Trade and Investment Framework Agreement (TIFA) Council Meeting with Angola

On April 1-2, 2014, the United States hosted the second meeting of the United States-Angola TIFA Council. Discussions focused on the U.S.-Angola trade relationship, protection of intellectual property rights, development of agri-business, and improving bilateral investment opportunities. Discussions were led for the United States by U.S. Trade Representative Michael Froman and for Angola by Angolan Minister of Trade Dr. Rosa Escorcio Pacavira de Matos. The TIFA Council plays a key role in advancing the common trade and investment interests of the United States and Angola and in strengthening the overall U.S.-Angola relationship. It is a critical part of comprehensive U.S. engagement with the Angolan government to promote sound trade policies and advance sustainable and inclusive development.

Trade and Investment Framework Agreement (TIFA) signed with ECOWAS

On August 5, 2014, Ambassador Froman and the President of the Economic Community of West African States (ECOWAS) signed a Trade and Investment Framework Agreement aimed at enhancing U.S. discussions on trade and investment issues with countries of the West Africa region. This Agreement will provide a strategic framework and principles for dialogue on trade and investment issues between the United States and ECOWAS. Through this process, the United States and ECOWAS will consult on a wide range of issues related to trade and investment. Topics for consultation and possible further cooperation include market access issues, labor, the environment, protection and enforcement of intellectual property rights, and capacity building. The United States is a strong supporter of regional economic integration in Africa, and this agreement will provide a venue to promote and facilitate such integration in West Africa.

Progress on Bilateral Investment Treaties

Negotiations or exploratory talks on potential bilateral investment treaty negotiations continue with several African partners, including the East African Community, Gabon, and Mauritius.

7. South and Central Asia

Advancing the United States-India Trade and Investment Relationship

The United States and India continued to work in 2014 towards strengthening the bilateral economic relationship by focusing efforts on policy actions that inhibit trade and investment flows between the two countries. In September, President Barack Obama and Prime Minister Narendra Modi met in Washington, D.C. and discussed a range of trade issues. Highlighting their shared interest in promoting investment in manufacturing, they agreed to "work through the Trade Policy Forum to promote a business environment attractive for companies to invest and manufacture in India and in the United States." The two leaders also placed a priority on addressing intellectual property concerns, issuing a joint statement that they are "committed to establish an annual high-level Intellectual Property (IP) Working Group with appropriate decision-making and technical-level meetings as part of the Trade Policy Forum."

Following up on the direction from President Barack Obama and Prime Minister Narendra Modi, U.S. Trade Representative Ambassador Michael Froman met with his counterpart, Indian Minister of Commerce and Industry Ms. Nirmala Sitharaman, in New Delhi in November for the eighth ministerial-level Trade Policy Forum (TPF). The United States-India TPF is the principal bilateral forum for discussing trade and investment issues. The two governments signaled their readiness to enhance bilateral trade and investment ties in a manner that promotes economic growth and job creation in the United States and India. Ambassador Froman and Minister Sitharaman discussed and exchanged views on a range of trade and investment issues, in particular: (i) promoting investment in manufacturing, (ii) intellectual property, (iii) agriculture, and (iv) services. Technical-level working sessions convened in advance of the TPF prepared detailed work plans for continued engagement in these areas in 2015. A new Dialogue on Promoting Investment in Manufacturing will identify best practices in specific policy areas, such as notice and comment and conformity assessment procedures, that can encourage investment in manufacturing, create jobs, and increase competitiveness without distorting trade and investment in India and the United States. The new high-level Intellectual Property (IP) Working Group will focus on the protection and enforcement of intellectual property rights, with a particular emphasis on patents, copyrights, trade secrets, and traditional medicine. A wide range of agricultural and services market access issues will also be addressed through continued technical engagement in 2015.

Ambassador Froman and Minister Sitharaman also discussed the progress achieved at the WTO, where an understanding on the issue of public stockholding for food security purposes and the Trade Facilitation Agreement had been reached. The United States and India engage frequently in the WTO, as both countries are active participants in the organization. The United States uses all appropriate WTO mechanisms to address trade and investment issues with India, including a pending dispute to resolve longstanding U.S. concerns with local content requirements in India's national solar policy, and raising concerns in WTO

Committees in concert with other WTO Members about India's localization measures.

As part of its 2014-2015 budget process, India opened services sectors such as defense and railways to more foreign direct investment and is seeking to adopt measures to ease foreign investment restrictions in other areas, including insurance. The United States encouraged India to further liberalize its services regime and to eliminate tariffs in a host of sectors to help India integrate into global supply chains and achieve its investment and development goals. The United States and India also discussed future work towards concluding a high standard bilateral investment treaty (BIT).

Contributing to Regional Stability

In support of top U.S. national security objectives in Afghanistan, Pakistan, Iraq, and Central Asia in 2014, USTR strengthened engagement with these countries as part of a broader effort to boost trade, employment, and sustainable development. Working with other U.S. agencies, USTR participated in bilateral and other high-level meetings with officials from Afghanistan, Pakistan, and Iraq. Key highlights from 2014 include:

- USTR worked with Afghanistan to reform its legal and regulatory regime related to trade and investment to provide a pathway to a more stable and growing economy. Under the United States-Afghanistan Trade and Investment Framework Agreement (TIFA), both sides agreed to focus efforts on improving trade and investment flows, as well as assisting Afghanistan in joining the World Trade Organization (WTO).

- In March 2014, USTR hosted the first TIFA Council meeting with Iraq to discuss ways to advance the United States-Iraq bilateral trade relationship and better integrate the Iraqi economy into the global marketplace. Discussions focused on accession to the WTO, dispute resolution, and the use of international standards in agriculture and government procurement.

- During the May 2014 TIFA Council meeting, USTR led the development of a U.S. Government-wide implementation plan to increase trade and investment flows between the United States and Pakistan over the next five years. That goal was first outlined by President Obama and Pakistan's Prime Minister Nawaz Sharif in October 2013. Among other initiatives, Pakistan and the United States will intensify engagement on trade and investment issues by bringing together U.S. and Pakistani companies, focusing on addressing intellectual property protection issues as identified in the Special 301 Report, reviewing needed legal and regulatory reforms, addressing investment climate issues, and, if reauthorized, conducting outreach to the private sector in Pakistan to promote a better understanding of the U.S. Generalized System of Preferences (GSP) program.

- With USTR, the USAID Missions in Afghanistan, Pakistan, along with the Central Asia Regional mission have developed and supported implementation of cross-border trade agreements throughout the region, including the Afghanistan Pakistan Transit Trade Agreement (APTTA) and South Asian Free Trade Area (SAFTA) Agreement. Border crossing procedures have been enhanced with joint training and collaboration.

Supporting Workers Rights in Bangladesh

Following the 2013 suspension of Bangladesh's GSP benefits based on shortcomings related to worker rights, USTR dedicated significant time in 2014 to work with the government of Bangladesh and other stakeholders to monitor Bangladesh's progress in addressing U.S. concerns. In consultation with interagency U.S. government partners, USTR has determined that, although Bangladesh has made some progress, especially with respect to fire and building safety, more work remains on labor issues, such as worker rights to associate, union registration, and protecting labor leaders from violent reprisals, before GSP benefits can be restored. USTR will continue to work with all stakeholders in 2015 to encourage additional progress towards restoring GSP benefits.

In 2014, the United States and Bangladesh met under the United States-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA). The TICFA provides a mechanism for both governments to discuss trade and investment issues and areas of cooperation, and provides a means for the U.S. Government to track and discuss Bangladeshi efforts to improve worker safety and worker rights.

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

In 2014, the United States worked with partner governments in the region, the private sector, think tanks, the press, and U.S. Embassies to effectively explain the importance of empowering women entrepreneurs and business owners to better take advantage of trade and investment opportunities. USTR successfully completed Memoranda of Understanding (MOU) with the governments of Pakistan and Kazakhstan on Women's Economic Empowerment. These MOUs set the stage for talks with other Central and South Asian partners on how to jointly work toward empowering women, with a focus on women entrepreneurs and business owners. Empowering women and women entrepreneurs in Central and South Asia will be an important goal for USTR in the coming years.

Advancing U.S. Engagement with Central Asia

In June 2014, USTR supported the Administration's strategy towards Central Asia by hosting the United States-Central Asia TIFA Council meeting in Washington. Turkmenistan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Uzbekistan, as well as Afghanistan, an observer to the TIFA, attended the TIFA Council meeting. The United States led Working Group meetings on customs issues, women's economic empowerment, and energy trade, and conducted Bilateral Working Group consultations with each of the TIFA Parties. The next TIFA Council Meeting will take place in 2015 in Central Asia.

In 2014, the United States continued its intensive engagement with Kazakhstan, the largest economy currently actively negotiating to enter the WTO. USTR convened several bilateral meetings with senior Kazakhstani authorities to advance Kazakhstan's WTO accession process. USTR discussed U.S. concerns about Kazakhstan's agricultural policies (including domestic support, export subsidies, and tariff-rate quotas) and Kazakhstan's commitments on sanitary and phytosanitary measures. USTR also participated in Working Party meetings at the WTO aimed at revising Kazakhstan's Working Party report to reflect the changes that have taken place in Kazakhstan's trade regime and legal framework as a result of its entry into the Eurasian Economic Union with the Russian Federation and Belarus on January 1, 2015.

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

At a United States-Sri Lanka TIFA Council meeting in October 2014, USTR led a discussion on a wide range of trade and investment issues, including market access, the GSP, workers' rights, trade promotion efforts, intellectual property rights, agriculture, and sector-specific investment challenges. Progress on all of these trade and investment issues provides a strong foundation for inclusive economic development as Sri Lanka continues to emerge from its protracted civil war.

USTR re-energized its economic engagement with the Maldives in 2014 in the first-ever meeting under the United States-Maldives TIFA. USTR discussed ways to improve worker rights in the Maldives and strategies to increase bilateral trade and investment in the country's fishing and tourism industries.

Nepal is working to identify areas of cooperation with the United States on improving the trade and investment relationship. After years of interim governments, Nepal is looking to a more stable future where trade and investment can play a major role in its development.