

IV. OTHER TRADE ACTIVITIES

A. Trade and the Environment

During the course of 2014, the Administration achieved significant results on trade and environment matters in multiple fora, including through multilateral, regional, and bilateral trade initiatives. In the WTO, the United States and 13 other WTO Members launched the Environmental Goods Agreement (EGA) negotiations, an initiative aimed at achieving global free trade in environmental technologies such as wind turbines, water treatment filters, and solar water heaters. In the TPP negotiations, the United States continued to press for commitments to address environmental issues in the Asia-Pacific region, including such conservation challenges as combating wildlife trafficking and illegal logging and addressing marine fisheries issues, as well as commitments to liberalize trade in environmental goods and services. The Administration continued to prioritize implementation of the free trade agreements (FTAs) currently in force, including by working closely with the government of Peru to implement a bilateral action plan to advance forest sector reforms. In keeping with the increased integration of environmental considerations across multiple multilateral, regional, and bilateral fora, this section includes an assessment of recent developments on trade and environment in specific sections devoted to these various fora.

1. Multilateral Fora

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

On July 8, 2014, the United States and 13 other WTO members, accounting for 86 percent of global trade in environmental goods, launched the EGA negotiations in Geneva, Switzerland under WTO auspices. The EGA aims to eliminate tariffs affecting a broad set of environmental technologies, building on APEC Leaders' commitment to reduce applied tariffs on a list of 54 environmental goods to 5 percent or less by the end of 2015. Global trade in environmental goods is estimated at nearly \$1 trillion annually, and some WTO Members charge tariffs as high as 35 percent on these goods. The United States exported \$111 billion of environmental goods in 2013, and U.S. exports of environmental goods have been growing at an annual rate of 6.3 percent since 2009. By eliminating tariffs on these products, we can improve access to the technologies that the United States and other countries need to protect our environment, while unlocking opportunities for U.S. exporters and spurring innovation in green technologies. The United States, Australia, Canada, China, Costa Rica, the European Union, Hong Kong, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Chinese Taipei, and Turkey are participating in the EGA negotiations.

USTR continues to participate in formulating and carrying out U.S. policy regarding various multilateral environmental agreements (MEAs) to enhance compatibility between activities under those agreements and U.S. trade policy. USTR continued to play an active role in the ongoing United Nations Framework Convention on Climate Change negotiations. Additional examples of MEAs where USTR contributed to U.S. policy development include the Minamata Convention on Mercury, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the International Convention for the Conservation of Atlantic Tunas, International Maritime Organization conventions, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, the Convention on Biological Diversity and its Cartagena Protocol

and Nagoya Protocol, and the Stockholm Convention on Persistent Organic Pollutants. USTR also actively engaged in U.S. policy development under relevant regional fisheries management organizations and the International Tropical Timber Organization.

2. Bilateral and Regional Activities

As described in more detail in Chapter III of this report, USTR ensured concrete achievements supporting green growth and trade during 2014.

USTR made substantial progress in 2014 in advancing an ambitious set of environmental proposals in the TPP negotiations, including with respect to effectively enforcing environmental laws, enhancing transparency and public participation, combating wildlife trafficking and illegal logging and associated trade, disciplining harmful fisheries subsidies that contribute to overfishing and overcapacity or support vessels engaged in illegal fishing, and promoting trade in environmental goods and services. Together, these U.S. proposals offer the opportunity to strengthen environmental protection throughout the dynamic Asia-Pacific region and forge a new high standard for environmental provisions in trade agreements. Likewise, in the T-TIP negotiations, the Administration is seeking ambitious environmental commitments including commitments relating to the protection and conservation of wildlife, marine fisheries, and forest resources.

During 2014, USTR was active in monitoring implementation of environmental provisions in FTAs. For example, with respect to the Peru Trade Promotion Agreement (PTPA), the United States and Peru held multiple meetings with broad participation from a range of government agencies, as well as stakeholders, to discuss issues relating to implementation of the Environment Chapter of the PTPA and the Annex on Forest Sector Governance (Forest Annex). Notably, the two governments finalized the arrangements to establish an independent environmental secretariat to receive submissions from the public in accordance with Article 18.8 of the PTPA alleging that a Party is failing to effectively enforce its environmental laws. In addition, in August 2014, officials from USTR, the Environmental Protection Agency, and the Department of State travelled to Peru to meet with Peruvian government officials and civil society groups on recent economic reforms that include changes to Peru's environmental laws. The United States is continuing to engage closely with Peru to discuss and assess these reforms and will monitor their implementation in light of Peru's PTPA environmental commitments.

With respect to forestry issues, the United States provided comments on Peru's draft regulation to implement its new Forestry and Wildlife Law. The United States and Peru also advanced implementation of the 2013 five point Action Plan by continuing to work closely with Peruvian counterparts in support of Peru's development of an electronic chain of custody system, which, when fully implemented, will enable Peruvian officials to track harvested trees from stump to port. U.S. officials also conducted training workshops for environmental prosecutors, police, customs agents, and forest service authorities.

USTR also convened environmental affairs councils and related fora under the CAFTA-DR, Colombia TPA, Morocco FTA, Oman FTA, and Panama TPA to discuss, monitor, and oversee implementation of FTA environmental obligations. USTR also ensured that these meetings included sessions open to the public, consistent with our commitment to transparency. USTR continued to convene meetings of the TPSC Subcommittee on FTA Environment Chapter Monitoring and Implementation to consider the implementation of environment chapter commitments by our FTA partners in accordance with the Subcommittee's plan for monitoring our trading partners' implementation of their FTA environment chapter obligations. The monitoring plan forms part of the Administration's ongoing efforts to ensure that our trading partners comply with their FTA environmental obligations.

In APEC, the United States continued its leadership role in promoting mutually supportive trade and environmental objectives. In August 2014, the Public-Private Partnership on Environmental Goods and Services (PPEGS) held its inaugural meeting in Beijing, in which representatives from APEC governments and the private sector convened to discuss ways APEC can address nontariff barriers to trade in clean and renewable energy technologies. APEC economies also agreed to submit implementation plans by May 2015, pursuant to APEC Leaders' commitment to reduce applied tariffs on a list of 54 environmental goods to 5 percent or less by the end of 2015. The APEC Experts Group on Illegal Logging and Associated Trade continued its work to combat illegal logging in the region, including by supporting APEC economies' efforts to implement credible timber legality verification systems, and developing policy guidelines on the scope of laws that are relevant in identifying timber that has been taken illegally. The APEC Oceans and Fisheries Working Group continued its work to encourage transparency in fisheries subsidies, including by updating a 2000 study on APEC economies' fisheries subsidies programs. In addition, APEC's fourth Oceans ministerial declaration encouraged APEC economies to improve the transparency and reporting of fisheries subsidies through the WTO, eliminate subsidies that contribute to overcapacity and overfishing, and refrain from introducing new, or extending or enhancing existing, such subsidies. APEC Leaders also reaffirmed their commitment to combat wildlife trafficking, including by enhancing international cooperation through Wildlife Enforcement Networks (WENs), reducing supply and demand for illegally traded wildlife, increasing public awareness and education related to wildlife trafficking and its impacts, and treating wildlife trafficking crimes seriously.

B. Trade and Labor

The Administration's trade policy agenda includes a strong commitment to ensure that American workers and their families benefit from trade. The Administration has continued its efforts to improve respect for labor rights and to increase monitoring and enforcement of trade agreement labor provisions. The Administration also continues to enhance U.S. Government engagement with trade partners on labor rights through the formal mechanisms of trade agreements and trade preference programs, as well as innovative new initiatives. In 2014, the inaugural Labor Affairs Council meeting was held under the United States-Panama Trade Promotion Agreement (TPA). Labor Affairs Council meetings or labor subcommittee meetings also were held under trade agreements with Peru, Morocco, and Jordan. At all of these meetings, high-level government officials discussed labor rights and employment issues and held open sessions to meet with labor stakeholders and the general public. Labor issues were also on the agenda of commission meetings under existing trade agreements, as well as meetings under Trade and Investment Framework Agreements (TIFAs) and in multilateral fora, including the Asia Pacific Economic Cooperation (APEC) forum.

On September 19, 2014, the United States reactivated the dispute settlement process for the labor enforcement case brought by the United States against Guatemala under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). In June 2013, President Obama suspended the Generalized System of Preferences (GSP) trade benefits of Bangladesh based on that country's failure to take steps to afford internationally recognized worker rights. In 2014, USTR continued to lead the interagency review of Bangladesh's progress on the GSP Action Plan presented at the time of suspension, which provides clear steps that Bangladesh must take in order to address the worker rights and safety concerns and regain its GSP benefits. The July 2013 European Union-United States-Bangladesh-International Labor Organization (ILO) Sustainability Compact reflected many of those steps. In June 2014, the President terminated the eligibility of Swaziland for trade preferences under the African Growth and Opportunity Act (AGOA) based on concerns related to inadequate protection of worker rights. The change in status for Swaziland took effect January 1, 2015. It was accompanied by an indication of clear steps that the Kingdom of Swaziland must take to address the concerns.

The Administration also continued to work closely with the government of Colombia in 2014 to continue the implementation of the Colombian Action Plan Related to Labor Rights, which was jointly announced by the U.S. and Colombian governments in April 2011. The Administration, among other things, continued to provide strong support for Colombia's Labor Ministry and its greatly enhanced labor inspectorate. The Administration also pursued high-standard labor obligations through the continuing negotiations of TPP and with the European Union as part of T-TIP. During the President's visit to Burma (Myanmar) in November 2014, the United States, Burma, Japan, Denmark, and the International Labor Organization launched an innovative *Initiative to Promote Fundamental Labor Rights and Practices in Myanmar*.

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

1. Multilateral and Regional Fora

In the Ministerial Declaration adopted during the WTO Ministerial Conference in Singapore (1996) and reaffirmed in Ministerial Declarations adopted during Ministerial Conferences in Doha (2001) and Hong Kong (2005), WTO Members renewed their commitment to observe internationally recognized core labor standards and took note of collaboration between the WTO and ILO Secretariats. In 2014, the ILO undertook research and hosted international conferences as part of a multi-year project to study the inclusion of labor provisions in trade and investment agreements. The ILO will continue this work in 2015, including further conferences and publishing research on the topic of trade and labor linkages.

The Administration has continued to promote the discussion of labor rights as one of the topics relevant to the effort to strengthen economic integration and to build high quality trade agreements in the Asia-Pacific region. In APEC, the United States has continued to support inclusion by APEC economies of labor and social issues in next generation trade agreements.

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

IACML members carried out several meetings and activities in 2014 to implement the Plan of Action that was endorsed at the 18th IACML, which was held in Colombia in October 2013 and marked the 50th anniversary of the conference. The 2013 Plan of Action includes commitments in the areas of "professional training, employment services and active policies for youth access to the labor market; exploring ways to design and put forward a hemispheric mechanism that will facilitate the recognition of nominal contributions to social security in all countries of the region; employment as a central objective of public policies and as a pillar of equality; and, protection of workers' rights and social dialogue." IACML activities in 2014 included a study on multilateral social security agreements, and workshops on social safety nets, labor inspection and social dialogue. The 19th IACML is scheduled to be held in Mexico in November 2015.

2. Bilateral Agreements and Preference Programs

FTAs

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

The United States engages our trade partners on labor issues as part of our ongoing monitoring and implementation of U.S. trade agreements. For instance, as part of engagement efforts in 2014, USTR led an interagency delegation to Bahrain to continue labor consultations under the FTA labor chapter to discuss the apparent targeting of trade unionists and leaders for dismissal after a general strike in March 2011 and labor laws that do not provide adequate protection on these issues. The delegation held extensive consultations with officials from Bahrain's Ministries of Labor, Industry and Commerce, and Foreign Affairs, as well as labor unions and business representatives. Also in 2014, the government of Bahrain signed an agreement with unions and employers to address several issues stemming from the 2011 dismissals. The 2014 agreement led to the closing of an ILO complaint filed by Bahrain's unions.

USTR also led an interagency delegation to Jordan in 2014 to convene a meeting of the Labor Subcommittee under the United States-Jordan Trade Agreement and review implementation of the labor provisions of the agreement. During the Subcommittee meeting, officials discussed Jordan's commitments and initiatives under the Implementation Plan Related to Working and Living Conditions of Workers, which was concluded in 2013, and includes commitments to increase access for unions in garment factories and improve standards and oversight of dormitories for foreign workers. Officials also discussed labor cooperation issues as part of a Memorandum of Understanding which designates an office within each country's Labor Ministry to serve as points of contact to coordinate cooperative activities, and held a public session where officials interacted directly with labor and business stakeholders from Jordan. The United States also worked with trade partners to advance labor rights through technical cooperation efforts, particularly in CAFTA-DR countries, Morocco, Peru, and Colombia in 2014 (*for additional information, see Chapter III.A*).

In January 2014, government officials from the United States and Panama convened the inaugural meeting of the Labor Affairs Council under the United States-Panama Trade Promotion Agreement. Panama's Vice Ministers of Labor and Commerce and Industry and officials from USTR and the U.S. Department of Labor discussed the labor obligations of the agreement as well as Panama's efforts to improve respect for freedom of association, collective bargaining, and the abolition of child labor. The Council meeting concluded with a public session consistent with the parties' commitment to a participatory process (*for additional information, see Chapter III.A*).

In 2014, the United States worked closely with Colombia to continue implementation of the Colombian Action Plan Related to Labor Rights, which focuses on improving protection of labor rights, preventing violence against trade unionists, and prosecuting perpetrators of such violence. USTR led an interagency delegation to Colombia during the year to monitor implementation of the Action Plan, and held extensive meetings with government officials and interested stakeholders. In April, USTR and the U.S. Department of Labor issued a report on the third anniversary of the Action Plan, which includes detailed information on progress under the plan as well as remaining challenges. To view the report, visit <https://ustr.gov/sites/default/files/Colombia%20Labor%20Action%20Plan%20update%20final-April2014.pdf> (for additional information, see Chapter III.A).

In September 2014, government officials from the United States and Morocco convened a meeting of the Labor Subcommittee under the United States-Morocco Trade Agreement. At the meeting, officials reviewed implementation of the labor chapter and the labor obligations of the trade agreement, and confirmed contact points for labor issues. The parties exchanged information on issues affecting labor laws and implementation and discussed areas for future cooperation, including two technical assistance projects designed to address child labor and gender equity. The two U.S. Department of Labor-funded projects were officially launched following the subcommittee meeting (for additional information, see Chapter III.A).

On September 19, 2014, the United States reactivated the dispute settlement process for the labor enforcement case brought by the United States against Guatemala under the Dominican Republic-Central America-United States Free Trade Agreement (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. Guatemala has taken a number of important steps to implement the Enforcement Plan; however, critical actions under the plan remained outstanding and Guatemala failed to demonstrate it had effectively implemented legal reforms, or that its actions have led to any significant improvements for Guatemalan workers. The United States filed its first written submission in the case on November 3, 2014. For additional information, visit <https://ustr.gov/sites/default/files/US%20Initial%20Written%20Submission.pdf>.

In 2014, the United States continued to monitor and assess progress towards addressing the labor concerns identified in a 2013 public report addressing labor rights in the Dominican Republic issued pursuant to the public submission provisions of the labor chapter of CAFTA-DR. In March and October 2014, the U.S. Department of Labor, in consultation with USTR and the U.S. Department of State, issued public updates on its findings. Under existing trade agreements, two submissions on labor rights were under review in 2014 involving Mexico and Honduras.

Other Bilateral Agreements and Preference Programs

Pursuant to requirements of the Haitian Hemispheric Opportunity through the Partnership Encouragement Act of 2008 (HOPE II), producers eligible for duty free treatment under HOPE II must comply with core labor standards. The U.S. Department of Labor, in consultation with USTR, is charged with identifying non-compliant producers on a biennial basis and providing assistance to such producers to come into compliance. The U.S. Department of Labor identified one such producer in 2013 and, following extensive engagement in 2014, the producer is working to resolve the problems with labor rights. USTR and DOL continue to work closely with the government of Haiti, the ILO, and other U.S. Government agencies on implementation of the program to monitor factories' compliance with core labor standards. For additional information, view the 2014 USTR Annual Report on the Implementation of the TAICNAR program at <https://ustr.gov/sites/default/files/06182014%20USTR%20Report%20Haiti%20HOPE%20II%202014.pdf>.

U.S. trade preference programs, including the African Growth and Opportunity Act (AGOA), the Caribbean Basin Trade Preferences Act, and the GSP, require the application of statutory eligibility criteria pertaining to worker rights and child labor. Although authorization of the GSP program expired in July 2013, USTR and other agencies continued in 2014 to engage with governments and stakeholders involved in ongoing GSP worker rights-related reviews of Bangladesh, Fiji, Georgia, Iraq, Niger, and Uzbekistan, as well as country eligibility reviews of Burma and Laos that included worker rights issues. Regarding Bangladesh, which was suspended from GSP eligibility in June 2013 based on worker rights concerns, USTR led two interagency reviews in 2014 that concluded that more needs to be done by the government of Bangladesh to improve worker rights and worker safety issues in the country. In April 2014, the Administration announced its intent to close the GSP review of the Philippines based on progress by the Philippines on worker rights issues.

The United States continued to engage with African countries on AGOA worker rights criteria through the AGOA annual eligibility review and bilateral and multilateral fora. In April 2014, USTR led an interagency mission to Swaziland to urge the government of the Kingdom of Swaziland to take action toward the guarantee and protection of internationally recognized worker rights. After an extensive review and years of engagement, the United States Government concluded that Swaziland had not demonstrated progress on the protection of internationally recognized worker rights and in June 2014 the President withdrew Swaziland's AGOA benefits, effective January 2015.

The United States and China committed to a dialogue on labor issues in 2009 during the first United States-China Strategic and Economic Dialogue. The fifth meeting of the labor dialogue took place in Beijing in December 2014 during which government representatives discussed various labor issues including promoting worker rights and fighting discrimination against women, persons with disabilities, and migrant workers. In August 2014 China also hosted a meeting of the United States-China Workplace Safety and Health Dialogue where senior level officials continued to address challenges to improving occupational safety and health. It was extended through Letters of Understanding signed in August 2006, August 2008, and April 2012. The twelfth meeting of the United States-Vietnam Labor Dialogue took place in Hanoi in December 2014. The governments discussed various labor issues, including labor law reform, occupational safety, and health and child labor.

USTR also engaged with several countries on labor issues in the context of TIFA meetings and other bilateral trade mechanisms. In March 2014, USTR hosted a meeting of the United States-Philippines TIFA at which the GSP review of worker rights in the Philippines was discussed and the parties agreed to establish a labor affairs working group under the TIFA. During the March 2014 inaugural TIFA meeting with Iraq, USTR highlighted concerns about the need for Iraq to update its labor laws and to address issues such as collective bargaining, union elections, and union assets. In April 2014, following progress by the government of the Philippines on worker rights issues, the Administration announced its intent to close the GSP review. That same month, USTR and officials from the U.S. Departments of State and Labor also travelled to Dhaka, Bangladesh for the inaugural high-level meeting under the United States-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA). The government of Bangladesh's progress in implementing the GSP Action Plan was a significant focus of the meeting. USTR also hosted a meeting of the United States-Angola TIFA in April 2014 and discussed labor rights in the context of Angola's compliance with the worker rights eligibility criteria under AGOA.

In August 2014, Ambassador Froman announced that the United States and Burma (Myanmar) had agreed to develop a new labor initiative to promote strong labor rights and responsible business practices. In October 2014, Ambassador Froman hosted a meeting of potential donor countries in Washington to raise support for the new labor initiative. Also in October, USTR, with the U.S. Department of State, the U.S. Department of Labor, and five other agencies, held a multistakeholder meeting on the initiative at the State Department that included participation by a range of non-governmental organizations, labor groups, and

industry associations and individual companies. During President Obama's visit to Burma in November 2014, the United States, Burma, Japan, Denmark, and the International Labor Organization launched the innovative *Initiative to Promote Fundamental Labor Rights and Practices in Myanmar*. In October 2014, USTR led an interagency delegation, including officials from the U.S. Departments of State and Labor to Colombo, Sri Lanka to attend a meeting of the United States-Sri Lanka TIFA, including extensive discussions in the Labor Affairs Committee established under the TIFA. Additionally, USTR engaged with other trade partners through bilateral mechanisms, including labor-focused travel to Cambodia in February 2014, Thailand in April 2014, and Laos in May 2014 to discuss labor concerns raised by stakeholders.

C. Small and Medium Sized Business Initiative

Under the Obama Administration, USTR has implemented an initiative to increase export opportunities for U.S. small and medium sized enterprises (SMEs), and has expanded efforts to ensure the specific export challenges and priorities of SMEs and their workers are reflected in our trade policy and enforcement activities. During 2014, USTR engaged on an interagency basis and with trading partners to develop and implement new and continuing initiatives that support small business exports.

This agency effort also supports the goals of the Administration's National Export Initiative (NEI)/NEXT initiative to help more American companies, especially small and medium businesses, to reach more overseas markets by improving data, providing information on specific export opportunities, working more closely with service providers, and partnering with states and communities to empower local export efforts.

U.S. small businesses are key engines for our economic growth, jobs, and innovation. SMEs that export grow faster, add jobs faster, and pay higher wages than SMEs that serve only domestic markets. According to research by the U.S. International Trade Commission (USITC), direct and indirect exports by U.S. SMEs support an estimated 4 million jobs in the United States and account for over 40 percent of the total value of U.S. exports of goods and services. Nearly 300,000 U.S. SMEs exported goods in 2012 (latest data available), accounting for 98 percent of all identified exporters and helping demonstrate the export potential of small businesses.

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

In 2014, USTR undertook significant actions in continued support of our SME objectives.

1. USTR SME-Related Trade Policy Activities

Under the SME initiative, USTR's small business office and geographic and functional offices are developing initiatives and advancing efforts to enhance activities that could benefit SMEs. Several key aspects of USTR's trade policy agenda have particular potential to help SMEs boost exports. These include enhancing trade facilitation work – notably through the landmark WTO Trade Facilitation Agreement. As President Obama has noted, “this new deal... will eliminate red tape and bureaucratic delay for goods shipped around the globe. Small businesses will be among the biggest winners, since they encounter the greatest difficulties in navigating the current system.” USTR is leading efforts to strengthen and enforce intellectual property rights, develop IPR tools to assist SMEs, target services barriers that are especially

difficult for SMEs, and also explore ways to simplify government procurement rules. For example, the revised WTO Government Procurement Agreement expands business opportunities for U.S. firms including small businesses to supply goods and services to foreign governments, estimated to be worth between \$80 billion and \$100 billion annually. This adds to the \$1 trillion already covered under the GPA, and establishes work programs that facilitate participation by small and medium sized businesses. Tariff barriers, burdensome customs procedures, discriminatory or arbitrary standards, and lack of transparency relating to relevant regulations in foreign markets present particular challenges for our SMEs in selling abroad.

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

- As the United States moves forward with negotiations to expand U.S. trade in the Asia-Pacific region through the Trans-Pacific Partnership (TPP), the United States is working with our TPP partners to support the growth and development of small businesses by enhancing their ability to participate in, and benefit from, the export opportunities created under the Agreement. The TPP will create the first-ever dedicated SME chapter in an agreement focused on ensuring that TPP's provisions support SMEs. This includes commitments by all TPP Parties to develop and promote web based information and resources about the TPP Agreement for small businesses, and coordination to ensure that small businesses are able to take advantage of the Agreement after it is implemented. SMEs will benefit from increased transparency, predictability, and ambitious and comprehensive market access in TPP partners.
- The United States continued negotiations under the Transatlantic Trade and Investment Partnership (T-TIP) with the European Union aimed, in part, on strengthening U.S.-EU cooperation to enhance the participation of SMEs in trade between the United States and the EU, as well as addressing in the agreement trade barriers that may disproportionately impact SMEs. Pursuant to a request by USTR, the United States International Trade Commission (USITC) issued a report in 2014 entitled "*Trade Barriers That U.S. Small and Medium-Sized Enterprises Perceive as Affecting Exports to the European Union.*" USTR requested that USITC undertake this study as part of USTR's effort to gather input from small businesses on the ongoing T-TIP negotiations. The Office of the U.S. Trade Representative, along with the U.S. International Trade Commission (USITC), the U.S. Small Business Administration (SBA), and the U.S. Department of Commerce worked together to convene 28 small business roundtables in cities around the United States, to hear from small businesses around the country about concerns and barriers they face in exporting to the European Union. This report, available online at <http://www.ustr.gov>, will help ensure that the United States takes into full account the priorities of small businesses in the T-TIP negotiations. USTR also participated in T-TIP SME programs at U.S. and EU Embassies to hear directly from U.S. and EU small businesses on ways to strengthen transatlantic small business cooperation, and will convene the next U.S.-EU SME Best Practices Workshop in the U.S. in 2015 in partnership with the U.S. Department of Commerce and U.S. Small Business Administration.
- In the Asia-Pacific Economic Cooperation (APEC) forum, APEC launched the Supply Chain Connectivity Fund to carry forward targeted, focused capacity building in APEC economies to improve supply chain performance and move goods through the region faster, easier, and more cheaply. These capacity building activities, which are closely linked to the WTO's Trade Facilitation Agreement, include assistance for economies to further simplify customs procedures and document requirements, which will be of assistance to small and medium sized businesses that often lack the resources necessary to navigate overly complex requirements to deliver their goods to overseas markets in the region. During its host year in 2015, the Philippines plans to highlight

the participation of SMEs in global value chains, and the United States will support this focus through work related to improving SME inclusion throughout regional/global value chains.

- With respect to FTA partners in the Western Hemisphere, USTR is working with the U.S. Small Business Administration (SBA), the U.S. Department of State, and other agencies to support the Obama Administration's Small Business Network of the Americas (SBNA), which helps small businesses participate in international trade by linking U.S. small business development centers (SBDCs) with international counterparts via web based platforms as well as direct contacts between centers and small business clients seeking foreign customers and partner. USTR supported the implementation of the SBNA and welcomed the signing of the first Sister Center Partnership between George Mason University (GMU) in Fairfax, Virginia and the Autonomous University of Nuevo León (UANL) in Monterrey, Mexico. When U.S. small businesses begin to export, they often first look to neighboring countries, and this new initiative will help many Virginian small businesses find export opportunities in Mexico.
- USTR also convened SME Working Groups in conjunction with the Free Trade Commission meetings with partners Chile and Peru to discuss cooperation through the Administration's SBNA. USTR welcomed the decision of the Chilean Administration to establish 50 SBDCs based on the U.S. model throughout Chile, and supported the visit of a Chilean delegation to U.S. SBDCs at Howard University in Washington, D.C. and University of Texas at San Antonio, in San Antonio, Texas. USTR also welcomed Peru's recent completion of training in the U.S. SBDC model and the Ministry of Production's decision to establish pilot SBDCs in Peru in 2015. Chile and Peru intend to partner with U.S. SBDCs and their SME clients to expand opportunities under the trade agreement. USTR also discussed expanded regional opportunities for SMEs with Chile and Peru through the Trans-Pacific Partnership agreement.
- USTR also continued to engage with Tunisia through the bilateral Council on Trade and Investment to discuss possibilities for facilitating the participation of female entrepreneurs and SMEs in U.S.-Tunisian trade.

2. USTR Interagency SME Activities

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

USTR serves as Co-Chair of the TPCC SME Task Force on connecting SMEs to international trade opportunities. As a result of work by the Task Force, USTR, the U.S. Department of Commerce and the SBA created the FTA Tariff Tool. This free, online tool (<http://export.gov/FTA/ftatarifftool/index.asp>) can help small businesses take better advantage of the reduction and elimination of tariffs under U.S. FTAs. The FTA Tariff Tool was expanded to include tariff information on textiles and apparel products as well as rules of origin under U.S. FTAs, and will be expanded to include new regional free trade agreements such as TPP and T-TIP. USTR and other agencies also created an SME Exporter's Toolkit guide to U.S. Government exporting resources.

3. USTR's SME Outreach and Consultations

Throughout 2014, Ambassador Froman and senior USTR staff participated in numerous events around the country to hear directly from local small businesses, workers, and other stakeholders about the trade opportunities and challenges they face. The Small Business section of USTR's website also includes helpful links, fact sheets, and resources for SMEs, and blogs which highlight small business export success stories around the country and USTR trade policy efforts supporting small business. On an interagency basis, USTR is working with the TPCC to improve trade information relevant for SMEs and highlight interagency programs to assist SMEs with their individual export needs.

USTR staff regularly consults with the Industry Trade Advisory Committee for Small and Minority Business to seek its advice and input on U.S. trade policy negotiations and initiatives, and meets frequently with individual SMEs and associations representing SME members on specific issues. USTR also spoke at several SME events around the country and abroad in 2014, including at the American Association of Small Business Development Centers annual conference in Grapevine, Texas; a Dallas Ft. Worth-China Small Business Conference in Dallas, Texas; a T-TIP Opportunities for Midwestern Small Businesses conference in Kansas City, Missouri; the Small Technology Business Summit in Washington, D.C.; the North Alabama International Trade Association international trade program in Washington, D.C.; the annual meeting of the Small Business Administration Regional Advocates; the annual meeting of the Council of State Government-State International Development Organizations; the Atlantic Council's report release on *T-TIP: Big Opportunities for Small Business*; meetings with small businesses and women-owned small businesses participating on online platforms such as eBay and Etsy interested in expanding electronic commerce opportunities; and other events aimed at apprising small businesses of international trade opportunities and encouraging them to begin or expand their exports.

D. Organization for Economic Cooperation and Development

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

The United States has a longstanding interest in trade issues studied by the OECD. On trade and trade policy the OECD engages in meaningful research, provides a forum in which OECD Members can discuss complex and sometimes difficult issues, and communicates to the wider public the benefits that trade and open economies generate. Through its multi-disciplinary approach, the OECD offers a distinct advantage in analyzing the complex economic effects of trade liberalization. In recent years, *inter alia* using economic modeling, OECD research and analysis has shown that trade liberalization is an engine for job creation in all countries, especially as the world moves toward economic recovery. The Trade Committee's work

developing trade facilitation indicators provided powerful analytical evidence supporting the conclusion of the WTO negotiations on trade facilitation, demonstrating that the potential trade cost savings from full implementation of the agreement is 14.1 percent of total costs for low income countries, 15.1 percent for lower middle income countries and 12.9 percent for upper middle income countries. The OECD is also active in warning against the dangers of protectionist measures and how imports help firms to cut costs and improve efficiency.

1. Trade Committee Work Program

In 2014, the OECD Trade Committee, its subsidiary Working Party, and its joint working parties on environment and agriculture, continued to address a number of issues of significance to the multilateral trading system. The Trade Committee met in May and November 2014, and its Working Party met in March, June, October, and December. The Trade Committee and its subsidiary groups paid significant attention to trade facilitation, global value chains, services trade, export restrictions, state-owned enterprises, regional trade agreements, and export credits. The trade page on the OECD website (<http://www.oecd.org/trade>) contains up-to-date information on published analytical work and other trade-related activities.

Several major analytical pieces were developed or completed under the Trade Committee during 2014, including:

- *Services Trade Restrictiveness Index (STRI): Transport and Courier Services*, Massimo Geloso Grosso, Hildegunn Kyvik Nordås, Asako Ueno, Frederic Gonzales, Iza Lejárraga, Sébastien Miroudot, Dorothée Rouzet;
- *Services Trade Restrictiveness Index (STRI): Financial Services*, Dorothée Rouzet, Hildegunn Kyvik Nordås, Frederic Gonzales, Massimo Geloso Grosso, Iza Lejárraga, Sébastien Miroudot, Asako Ueno;
- *Services Trade Restrictiveness Index (STRI): Audio-visual Services*, Hildegunn Kyvik Nordås, Iza Lejárraga, Sébastien Miroudot, Frederic Gonzales, Massimo Geloso Grosso, Dorothée Rouzet, Asako Ueno;
- *Services Trade Restrictiveness Index (STRI): Distribution Services*, Asako Ueno, Massimo Geloso Grosso, Iza Lejárraga, Hildegunn Kyvik Nordås, Sébastien Miroudot, Frederic Gonzales, Dorothée Rouzet;
- *Services Trade Restrictiveness Index (STRI): Telecommunication Services*, Hildegunn Kyvik Nordås, Massimo Geloso Grosso, Frédéric Gonzales, Iza Lejárraga, Molly Leshner, Sébastien Miroudot, Asako Ueno, Dorothée Rouzet;
- *Services Trade Restrictiveness Index (STRI): Legal and Accounting Services*, Massimo Geloso Grosso, Hildegunn Kyvik Nordås, Frédéric Gonzales, Iza Lejárraga, Sébastien Miroudot, Asako Ueno, Dorothée Rouzet;
- *Services Trade Restrictiveness Index (STRI): Construction, Architecture and Engineering Services*, Massimo Geloso Grosso, Iza Lejárraga, Hildegunn Kyvik Nordås, Frédéric Gonzales, Sébastien Miroudot, Asako Ueno, Dorothée Rouzet;
- *Services Trade Restrictiveness Index (STRI): Computer and Related Services*, Hildegunn Kyvik Nordås, Massimo Geloso Grosso, Frédéric Gonzales, Iza Lejárraga, Sébastien Miroudot, Asako Ueno, Dorothée Rouzet;
- *Deep Provisions in Regional Trade Agreements: How Multilateral-friendly?*, Iza Lejárraga;
- *Uncovering Trade Secrets - An Empirical Assessment of Economic Implications of Protection for Undisclosed Data*, Douglas C. Lippoldt, Mark F. Schultz;
- *Exports and Employment in China, Indonesia, Japan and Korea*, Kozo Kiyota;

- *Small and Medium-Sized Enterprises in Global Markets: A Differential Approach for Services?*, Iza Lejárraga, Humberto López Rizzo, Harald Oberhofer, Susan Stone, Ben Shepherd;
- *Transparency of Export Restrictions*, Barbara Fliess;
- *Export Restrictions on Raw Materials*, Jane Korinek; and
- *Approaches to Protection of Undisclosed Information (Trade Secrets)*, Mark F. Schultz, Douglas C. Lippoldt.

The Trade Committee continued its work on the Services Trade Restrictiveness Index (STRI), a tool to measure the restrictiveness of barriers affecting trade in services. Members welcomed the launch of the STRI database and indicators on the margins of the Ministerial Council Meeting in May 2014. Looking ahead, Members are considering how to use the STRI for further analytical work, whether to include additional non-Members in the STRI, and whether further sectors should be included in the STRI.

The OECD Ministerial Council Meeting took place in May 2014 in Paris. U.S. Trade Representative Ambassador Michael Froman participated in the Trade Session, which focused on strengthening the multilateral trade system and the role of global value chains. OECD Members, Key Partners, accession candidate Latvia, and Trade Committee observers Argentina and Hong Kong participated in the session. Participants underscored the importance of trade as a key driver for growth and job creation. Participants further reaffirmed their commitment to strengthening the multilateral trade system and recognized the important role of global value chains. Members welcomed the STRI and encouraged the OECD to utilize the database to promote greater participation of all economies in international trade.

2. Trade Committee Dialogue with Non-OECD Members

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

The OECD Trade Committee continued its contacts with non-Member countries in 2014. The Trade Committee invited Key Partners and G-20 countries to participate in special sessions of the May and November 2014 committee meeting discussions related to the contribution of trade related structural reforms to growth, fossil fuel subsidies, the STRI database, and planned G20 activities. With regard to the accession of the Russian Federation, in March 2014, the OECD Council “postponed activities related to the OECD accession process for the Russian Federation for the time being.” Following the Trade Committee’s approval of accession roadmaps for Colombia and Latvia in 2013, the Committee undertook discussions on the draft Market Openness Reviews of both countries in 2014, which will continue into 2015.

The OECD held a Global Forum on Trade in the spring and fall of 2014. The Forum in February 2014 focused on “Reconciling Regionalism and Multilateralism in a Post-Bali World.” The forum took as its point of departure the achievements at Bali of the Ninth Ministerial Conference of the World Trade Organization (WTO), but was principally focused on the challenges that lie ahead for multilateral negotiations and for the trading system, including the problem of coherence in a system where the negotiation of regional trade arrangements is outpacing the negotiation of multilateral agreements in the WTO. The Global Forum on Trade in November 2014 focused on “Trade in Services: Realizing their

Potential for Growth and Jobs.” The discussion centered on the role of services for job creation and competitiveness, policy challenges faced by those considering further services reform, and the role of the OECD in supporting services trade reforms.

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

3. Other OECD Work Related to Trade

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

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

E. Localization Barriers to Trade

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

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

Disadvantaging or excluding foreign goods, services, or IP in a market compared to domestic goods, services, or IP can distort trade, discourage foreign direct investment, and push other trading partners to impose similarly detrimental measures. Consequently, often over the long term, these measures can actually stand in the way of the economic growth and competitiveness objectives that they were intended to achieve.

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

In 2014, USTR continued its leadership of the Trade Policy Staff Committee Task Force on Localization Barriers to Trade's work to develop and execute a more strategic and coordinated approach to address localization barriers. Building off the USTR initiatives already underway in this area, the Task Force worked closely with U.S. industry and other stakeholders, along with trading partners around the world, to carry out its mission and reduce market access challenges posed to U.S. goods, services, and IP by localization barriers. Specifically, USTR was successful in advancing work in APEC on promoting trade-enhancing models for creating jobs, increasing competitiveness, and promoting economic growth, as an alternative to localization barriers. USTR also worked closely with OECD staff on its continued research on the impact of localization barriers on trade and investment and economic growth. Finally, the United States continue to work in the specific group in the T-TIP negotiations to develop concrete ways that the United States and the European Union can cooperate to address localization barriers bilaterally and multilaterally. In 2015, the United States will seek to build on the APEC and OECD initiatives, continue work on T-TIP, and take additional steps to continue to address localization barriers around the world.

F. Trade in Services Agreement

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

Twenty-three economies participated in TiSA negotiations in 2014: Australia, Canada, Chile, Colombia, Costa Rica, the European Union, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, the Republic of Korea, Switzerland, Taiwan, Turkey, and the United States. Negotiations are being held in Geneva, Switzerland, but there is no relationship between TiSA and the World Trade Organization.

TiSA participants represent 75 percent of the world's \$44 trillion services market. For the United States, services account for three-quarters of U.S. GDP and four out of five jobs. Thanks to a vibrant and open domestic market, the United States is highly competitive in services trade, routinely recording an annual surplus on the order of \$200 billion. Expanding services trade globally will unlock new opportunities for Americans.

Five rounds of negotiations were held in 2014. Initial market access offers have been exchanged, and extensive work is underway to develop the text of several “annexes” that contain additional disciplines in areas like telecommunications, financial services, and domestic regulations. The negotiating participants hope to achieve substantial progress toward reaching an agreement during 2015.