

C. Policy Coordination and Freedom of Information Act

The U.S. Trade Representative has primary responsibility, with the advice of the interagency trade policy organization, for developing and coordinating the implementation of U.S. trade policy, including on commodity matters (*e.g.*, coffee and rubber) and, to the extent they are related to trade, direct investment matters. Under the Trade Expansion Act of 1962, the U.S. Congress established an interagency trade policy mechanism to assist with the implementation of these responsibilities. This organization, as it has evolved, consists of three tiers of committees that constitute the principal mechanism for developing and coordinating U.S. Government positions on international trade and trade-related investment issues.

The Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC), administered and chaired by USTR, are the subcabinet interagency trade policy coordination groups that are central to this process. The TPSC is the first-line operating group, with representation at the senior civil servant level. Supporting the TPSC are more than 100 subcommittees responsible for specialized issues. The TPSC regularly seeks advice from the public on its policy decisions and negotiations through *Federal Register* Notices and public hearings. In 2016, the TPSC held public hearings regarding China's Compliance with its WTO Commitments (October 2016) and Russia's Implementation of the WTO Commitments (September 2016).

Through the interagency process, USTR requests input and analysis from members of the appropriate TPSC subcommittee or task force. The conclusions and recommendations of this group are then presented to the full TPSC and serve as the basis for reaching interagency consensus. If agreement is not reached in the TPSC, or if particularly significant policy questions are being considered, issues are referred to the TPRG (Deputy USTR/Under Secretary level) or to the Deputies Committee of the National Security Council/National Economic Council. Issues of the greatest importance move to the Principals Committee of the NSC/NEC for resolution by the Cabinet, with or without the President in attendance.

Member agencies of the TPSC and the TPRG consist of the U.S. Departments of Commerce, Agriculture, State, Treasury, Labor, Justice, Defense, Interior, Transportation, Energy, Health and Human Services, Homeland Security, the Environmental Protection Agency, the Office of Management and Budget, the Council of Economic Advisers, the Council on Environmental Quality, the U.S. Agency for International Development, the Small Business Administration, the National Economic Council, and the National Security Council. The U.S. International Trade Commission is a non-voting member of the TPSC and an observer at TPRG meetings. Representatives of other agencies also may be invited to attend meetings depending on the specific issues discussed.

The Office of the U.S. Trade Representative is subject to The Freedom of Information Act (FOIA). Details of the program are available on the USTR website at <http://www.ustr.gov/about-us/reading-room/freedom-information-act-foia>. USTR received 118 new FOIA requests in 2016 and processed 118. USTR continues to raise the bar as to responsiveness, efficiency, and transparency in its administration of the FOIA.

ANNEX I

U.S. TRADE IN 2016

I. 2016 Overview

U.S. trade (exports and imports of goods and services) decreased by 2.0 percent in 2016,³⁹ the second consecutive year of nominal decreases in a row (figure 1). U.S. exports of goods and services declined by 2.3 percent while U.S. imports of goods and services declined by 1.8 percent. As a percent of GDP, total trade (exports plus imports) declined as well, representing 26.5 percent in 2016, down from 27.8 percent in 2015, and down from the high of 30.9 percent in 2011 (figure 2). Exports represented 11.9 percent of GDP in 2016, down from 12.5 percent in 2015 and from the high of 13.7 percent in 2013. Imports represented 14.6 percent in 2016, down from 15.3 percent in 2015, and down from the high of 17.3 percent in 2008.

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Source: U.S. Department of Commerce

Although trade was down in nominal terms for 2016, it was up 0.8 percent in real terms (adjusting for price fluctuations), though down from the 2.5 percent growth rate in 2016.⁴¹ Real exports of goods and services were up 0.4 percent (up from 0.1 percent growth in 2015), while real imports of goods and services were

³⁹ On a balance of payments (BOP) basis.

⁴⁰ The broadest measure of commercial trade is from the Current Account and includes goods and services as well as earnings/payments on foreign investment (but not transfer payments). Earnings are considered trade because they are the payment made/received to foreign/U.S. residents for the service rendered by the use of foreign/U.S. capital. Based on the Current Account, trade declined by 2.0 percent in 2016 and accounted for 36.0 percent of GDP, down from 37.7 percent in 2015 and the high of 42.1 percent in 2008. Data are annualized based on the first 3 quarters of 2016.

⁴¹ On a National Income Products Account basis.

up 1.1 percent (down from 4.6 percent growth in 2015). Exports contributed very little to economic growth in 2016 (0.04 percentage points of the 1.6 percent growth of the economy).



Source: U.S. Department of Commerce

The deficit on goods and services trade increased by \$1.9 billion (0.4 percent) in 2016 to \$502.3 billion. Although this was the third consecutive year of the deficit increasing, it was still 29.3 percent lower than its pre-recession level of \$708.7 billion in 2008 and 34.1 percent lower than the 2006 high of \$761.7 billion. As a share of GDP, the deficit decreased from 2.8 percent of GDP in 2015 to 2.7 percent of GDP in 2016, and is down from its high of 5.5 percent in 2006.

The U.S. deficit in goods trade alone decreased by \$12.5 billion (1.6 percent) from \$762.6 billion in 2015 to \$750.1 billion in 2016, while the services trade surplus decreased by \$14.4 billion (5.5 percent), from \$262.2 billion in 2015 to \$247.8 billion in 2016. As a share of GDP, the goods deficit declined from 4.2 percent to 4.0 percent, and the services surplus declined from 1.5 percent in 2015 to 1.3 percent in 2016.

II. Export Growth

U.S. exports of goods and services were down by 2.3 percent in 2016 (but up 3.9 percent since 2011), to \$2.2 trillion (table 2). Goods exports were down 3.3 percent (\$50.5 billion) to \$1.5 trillion, while services exports were down 0.2 percent (\$1.3 billion) to \$749.6 billion (table 1).

U.S. exports to related parties (either to a foreign parent or affiliate) accounted for 30 percent of goods exports in 2014 (latest year available) and 29 percent of U.S. exports of services, in 2015 (latest year available).

Table 1 - U.S. Exports					
	Value (\$Billions)			% Change	
	2011	2015	2016	11-16	15-16
Total Goods and Services	2,127.0	2,261.2	2,209.4	3.9%	-2.3%
Goods on a BOP Basis	1,499.2	1,510.3	1,459.8	-2.6%	-3.3%
Foods, Feeds, Beverages	126.2	127.7	130.7	3.5%	2.3%
Industrial Supplies	501.1	426.0	397.8	-20.6%	-6.6%
Capital Goods	494.0	539.4	519.4	5.1%	-3.7%
Automotive Vehicles	133.0	151.9	150.0	12.7%	-1.3%
Consumer Goods	175.3	197.7	193.6	10.5%	-2.1%
Other Goods	52.9	59.8	63.2	19.4%	5.6%
Petroleum (Addendum)	113.7	97.4	89.7	-21.1%	-8%
Manufacturing (Addendum)	1,277.8	1,316.3	1,265.4	-1.0%	-3.9%
Agriculture (Addendum)	140.4	137.3	139.4	-0.7%	1.5%
Services	627.8	750.9	749.6	19.4%	-0.2%
Maintenance and repair services	16.4	24.0	26.3	60.1%	9.5%
Transport	79.8	87.2	84.7	6.1%	-2.9%
Travel	150.9	204.5	207.9	37.8%	1.6%
Insurance services	15.1	17.1	17.9	18.3%	4.3%
Financial services	78.3	102.5	95.1	21.6%	-7.1%
Charges for the use of intellectual property	123.3	124.7	120.3	-2.4%	-3.5%
Telecom, computer, and information services	29.2	35.9	37.7	29.1%	4.9%
Other business services	112.6	134.6	139.9	24.2%	3.9%
Government goods and services	22.2	20.3	19.8	-10.7%	-2.3%

Source: U.S. Department of Commerce, Balance of Payments basis for total, Census basis for sectors.

A. Goods Exports

Goods exports decreased in 2016, by 3.3 percent to \$1.46 trillion (*table 1 and figure 3*). Manufacturing exports, which accounted for 87 percent of total goods exports, were down 3.9 percent in 2016. Agricultural exports, which accounted for 9.5 percent of total goods exports, were up 1.5 percent in 2016. U.S. goods exports decreased for four of the six major end-use categories in 2016, with the largest decrease in industrial supplies, down 6.6 percent (\$28.2 billion). U.S. petroleum exports, a subset of industrial supplies, were down 8 percent (\$7.7 billion), due to the decline in oil prices. The next largest decreases were in capital goods, down 3.7 percent (\$20 billion), consumer goods, down 2.1 percent (\$4.1 billion), and automotive vehicles and parts, down 1.3 percent (\$1.9 billion). Increases were led by foods, feeds, and beverages, up 2.3 percent (\$3.0 billion).

Over the last 5 years, between 2011 and 2016, U.S. goods exports have increased by 3.9 percent (\$82.4 billion). U.S. agricultural exports decreased by 0.7 percent (\$1 billion) and manufacturing exports decreased by 1 percent (\$12.5 billion), over the same time period. Of the major end-use categories, capital goods saw the largest increase (up \$25.4 billion, or 5.1 percent), the second largest increase was in consumer goods, up \$18.3 billion (10.5 percent), and the third largest increase in automotive vehicles and parts, up \$16.9 billion (12.7 percent). Industrial Supplies and materials was the only major end-use category with a decrease, down \$103.3 billion (20.6 percent). U.S. petroleum exports, a subset of industrial supplies and materials, decreased by 21.1 percent (\$24.0 billion) from 2011 to 2016.

Table 2 - U.S. Goods Exports to Selected Countries/Regions

	Value (\$Billions)			% Change	
	2011	2015	2016	11-16	15-16
Canada	281.3	280.6	266.0	-5.5%	-5.2%
Mexico	198.3	235.7	231.0	16.5%	-2.0%
China	104.1	116.1	115.8	11.2%	-0.3%
Japan	65.8	62.4	63.3	-3.9%	1.3%
European Union (28)	269.6	272.0	270.3	0.3%	-0.6%
Latin America (excluding Mexico)	169.0	152.5	136.6	-19.2%	-10.4%
Pacific Rim (excluding Japan and China)	198.5	191.8	183.4	-7.6%	-4.4%
FTA Countries (Addendum)	679.9	710.3	676.6	-0.5%	-4.7%
Advanced Economies (Addendum)	895.8	894.0	873.1	-2.5%	-2.3%
Emerging Markets and Developing Economies (Addendum)	586.7	608.6	581.5	-0.9%	-4.4%

Source: U.S. Department of Commerce, Census basis

Advanced Economies and Emerging Markets as defined by the IMF

In 2016, U.S. goods exports decreased to the top 3 export markets, Canada (down 5.2 percent), Mexico (2.0 percent), and China (0.3 percent), while they increased to the fourth largest market Japan (up 1.3 percent) (table 2). In addition, U.S. goods exports to our 20 FTA partners decreased by 4.7 percent⁴². U.S. goods exports to advanced economies, accounting for 60.0 percent of U.S. total goods exports, decreased by 2.3 percent, while goods exports to emerging markets and developing economies decreased by 4.4 percent.

B. Services Exports

U.S. exports of services increased by 0.8 percent to a record \$716.4 billion in 2014 (table 1). U.S. services exports accounted for 32.1 percent of the level of U.S. goods and services exports in 2015.

The decline in U.S. services exports was led by financial services (down 7.1 percent, \$7.3 billion), and intellectual property (down 3.5 percent, \$4.4 billion). While the top increases were in other business services (e.g. professional and management consulting services, and research and development services) (up 3.9 percent, \$5.3 billion) and travel services (up 1.6 percent, \$3.3 billion).

U.S. services exports have increased by 19.4 percent over the past 5 years. Of the \$121.8 billion increase in U.S. services exports between 2011 and 2016, travel services accounted for 46.8 percent (\$57 billion) of the increase, while other business services and financial services accounted for 22.4 percent (\$27.3 billion) and 13.8 percent (16.9 billion), respectively.

Detailed services exports to countries/regions are available only through 2015. The United Kingdom was the largest purchaser of U.S. services exports in 2015, accounting for 8.9 percent (\$66.9 billion) of total U.S. services exports. The next 5 largest purchasers of services exports in 2015 were: Canada (\$56.4 billion), China (\$48.4 billion), Japan (\$44.3 billion), Ireland (\$41.9 billion), and Mexico (\$31.5 billion). Regionally, in 2015, the United States exported \$226.8 billion in services to the EU, \$214.5 billion to the

⁴² The 20 FTA countries currently entered into force accounted for 46.5 percent of total goods exports in 2016.

Asia/Pacific region (\$121.7 billion excluding Japan and China), \$87.9 billion to NAFTA countries, and \$69.8 billion to South and Central America (excluding Mexico).

III. Imports

U.S. imports of goods and services were down by 1.8 percent in 2016, due in large part to the decline in oil prices (but up 1.3 percent since 2011), to \$2.7 trillion. Goods imports were down 2.8 percent (\$63.0 billion) to \$2.2 trillion and services imports are up 2.7 percent (\$13.1 billion) to a record \$501.8 billion (*table 3*).

U.S. imports from related parties (either from a foreign parent or affiliate) accounted for 51% of U.S. goods imports for consumption, in 2014 (latest year available) and 29% of U.S. imports of services, in 2015 (latest data available).

Table 3 - U.S. Imports					
	Value (\$Billions)			% Change	
	2011	2015	2016	11-16	15-16
Total Goods and Services	2,675.6	2,761.5	2,711.7	1.3%	-1.8%
Goods on a BOP Basis	2,239.9	2,272.9	2,209.9	-1.3%	-2.8%
Foods, Feeds, Beverages	107.5	127.8	130.3	21.2%	1.9%
Industrial Supplies	755.8	485.8	443.8	-41.3%	-8.6%
Capital Goods	510.8	602.0	590.0	15.5%	-2.0%
Automotive Vehicles	254.6	349.2	350.3	37.6%	0.3%
Consumer Goods	514.1	594.3	583.8	13.6%	-1.8%
Other Goods	65.2	89.2	90.9	39.5%	2.0%
Petroleum (Addendum)	439.3	182.0	146.5	-66.6%	-19%
Manufacturing (Addendum)	1,717.5	1,946.3	1,913.1	11.4%	-1.7%
Agriculture (Addendum)	99.1	113.8	114.6	15.6%	0.7%
Services	435.8	488.7	501.8	15.1%	2.7%
Maintenance and repair services	8.2	9.0	8.2	0.1%	-8.3%
Transport	81.4	97.1	97.0	19.3%	0.0%
Travel	89.7	112.9	121.6	35.6%	7.8%
Insurance services	55.7	47.8	47.9	-13.9%	0.3%
Financial services	17.4	25.2	24.9	43.4%	-1.0%
Charges for the use of intellectual property	36.1	39.5	42.4	17.4%	7.3%
Telecom, computer, and information services	32.8	36.4	37.4	14.1%	2.6%
Other business services	83.3	99.4	101.5	21.9%	2.2%
Government goods and services	31.3	21.5	20.7	-33.7%	-3.6%

Source: U.S. Department of Commerce, Balance of Payments basis, Census basis for goods sectors.

A. Goods Imports

U.S. goods imports decreased by 2.8 percent in 2016 to \$2.2 trillion, accounting for 81% of total imports (*table 3 and figure 4*). U.S. manufacturing imports, which accounted for 87 percent of total goods imports, decreased by 1.7 percent in 2016. Agriculture imports, accounting for 5.2 percent of total goods imports, increased by 0.7 percent.

By end-use category, the decline in goods imports was led by industrial supplies and materials which declined (down 8.6 percent, \$42 billion). Petroleum imports, a subset of industrial goods imports, declined by 19 percent (\$35.5 billion), 100 percent of this decrease in petroleum imports was driven by price. The next largest decreases were in capital goods (down 2.0 percent, \$12.0 billion), and consumer goods (down 1.8 percent, \$10.5 billion). Increases were seen in food feeds and beverages (up 1.9 percent, \$2.5 billion) and automotive vehicles and parts (up 0.3 percent, \$1.1 billion).

U.S. goods imports have decreased by 1.3 percent since 2011. Over this same time period imports of agriculture and manufactured goods have increased by 15.6 percent and 11.4 percent, respectively. For the major end-use categories, U.S. imports of industrial supplies and materials (down 41.3 percent, \$312 billion), more than accounted for the decline in goods imports. Petroleum products, a subset of this category, decreased by 66.6 percent (\$292.8 billion). The other 5 end-use categories saw increases, led by automotive vehicles and parts (up 37.6 percent, \$95.6 billion), and capital goods (up 15.5 percent, \$79.2 billion).

	Value (\$Billions)			% Change	
	2011	2015	2016	11-16	15-16
China	399.4	483.2	462.8	15.9%	-4.2%
Mexico	262.9	296.4	294.2	11.9%	-0.8%
Canada	315.3	296.2	278.1	-11.8%	-6.1%
Japan	128.9	131.4	132.2	2.5%	0.6%
European Union (28)	368.9	427.6	416.7	12.9%	-2.5%
Latin America (excluding Mexico)	174.3	115.9	107.8	-38.1%	-7.0%
Pacific Rim (excluding Japan and China)	189.3	217.0	214.2	13.1%	-1.3%
FTA Countries (Addendum)	759.8	774.3	748.8	-1.5%	-3.3%
Advanced Economies (Addendum)	1,376.5	1,518.2	1,469.9	6.8%	-3.2%
Emerging Markets and Developing Economies (Addendum)	831.4	730.1	719.1	-13.5%	-1.5%

Source: U.S. Department of Commerce, Census basis

Advanced Economies and Emerging Markets as defined by the IMF

In 2016, U.S. goods imports decreased from 3 of our top 4 import suppliers, Mexico (down 0.8%), Canada (down 6.1%) and China (down 4.2%) (*table 4*), while they increased with Japan (up 0.6%). U.S. goods imports from our 20 FTA partners shrunk by 3.3 percent in 2016.⁴³ U.S. goods imports from advanced economies, accounting for 67.2% of U.S. total goods imports, decreased by 3.2 percent, while goods imports from emerging markets and developing economies decreased by 1.5 percent.

B. Services Imports

U.S. services imports increased by 2.7 percent (\$13.1 billion) to \$501.8 billion in 2016 (*table 3*). Increases in services imports were led by travel services, up 7.8 percent (\$8.8 billion), intellectual property, up by 7.3 percent (\$2.9 billion) and other business services (e.g. professional and management consulting services, and research and development services), up 2.2 percent (\$2.1 billion). The largest decreases in broad services categories were in government goods and services (down 3.6 percent, \$781 million) and

⁴³ The 20 FTA countries currently entered into force accounted for 34.2 percent of total goods imports in 2016.

maintenance and repair services (down 8.3 percent, \$751 million). U.S. services imports accounted for roughly 19 percent of the level of U.S. goods and services imports in 2016.

U.S. services imports have increased by 15.1% (\$66.0 billion) since 2011. Travel services for all purposes (including education) accounted for 48 percent of the total increase in services imports over the last 5 years, while other business services, and transport accounted for 27.6 and 23.6 percent, respectively.

As with exports, services imports from countries/regions are available only through 2015. The United Kingdom remained our largest supplier of services, accounting for 10.8 percent of total U.S. services imports in 2015. The next 5 largest suppliers of U.S. services imports in 2015 were: Germany (\$31.7 billion), Japan (\$29.4 billion), Canada (\$29.0 billion), Bermuda (\$25.1 billion), and India (\$24.7 billion). Regionally, the United States imported \$172.8 billion of services from the European Union in 2015, \$129.3 billion from the Asia/Pacific region (\$84.8 billion, excluding Japan and China), \$50.9 billion from NAFTA, and \$28.2 billion from South and Central America (excluding Mexico).

IV. The U.S. Trade Balance

The total deficit in goods and services trade⁴⁴ increased by \$1.9 billion in 2016 to \$502.3 billion. The deficit was 29.3 percent lower than its pre-recession level of \$708.7 billion in 2008 and 34.1 percent lower than the 2006 high of \$761.7 billion. While as a share of GDP the deficit decreased, from 2.8 percent of GDP in 2015 to 2.7 percent of GDP in 2016, substantially lower than its high of 5.5% in 2006.

The U.S. deficit in goods trade alone decreased by \$12.5 billion from \$762.6 billion in 2015 (4.2 percent of GDP) to \$750.1 billion in 2016 (4.0 percent of GDP), while the services trade surplus decreased by \$14.4 billion, from \$262.2 billion in 2015 (1.5 percent of GDP) to \$247.8 billion in 2016 (1.3 percent of GDP).

Table 5 - U.S. Trade Balances						
	2011	2012	2013	2014	2015	2016
U.S. Trade Balances as a share of GDP						
Goods and Services	-3.5%	-3.3%	-2.8%	-2.8%	-2.8%	-2.7%
Goods	-4.8%	-4.6%	-4.2%	-4.3%	-4.2%	-4.0%
Services	1.2%	1.3%	1.4%	1.5%	1.5%	1.3%
U.S. Trade Balances with the World (\$Billions)						
Goods and Services	-548.6	-536.8	-461.9	-490.2	-500.4	-502.3
Goods	-740.6	-741.2	-702.2	-752.2	-762.6	-750.1
Services	192.0	204.4	240.4	262.0	262.2	247.8

Source: U.S. Department of Commerce

In 2016, the increase in the overall deficit was more than accounted for by an increase in the nonpetroleum goods deficit (up \$15.2 billion, 2.2 percent) and the decrease in the services surplus, (down \$14.4 billion, 5.5 percent), offset somewhat by the petroleum deficit which continued to decline in 2016, by \$27.7 billion (32.8 percent). The U.S. deficit in petroleum accounted for 11.3 percent of the overall goods and services trade deficit in 2016, down from 16.9 percent, in 2015.

⁴⁴ On a balance of payments basis.