

# III. BILATERAL AND REGIONAL NEGOTIATIONS AND AGREEMENTS

## A. Free Trade Agreements

As with Chapter II, the primary focus of this chapter is on actions taken by the U.S. Government during 2016. The Trump Administration continues to review the various negotiations and agreements discussed in this chapter, and will provide further guidance as the year continues.

### 1. Australia

The United States-Australia Free Trade Agreement (FTA) has supported bilateral trade and investment with Australia, supporting jobs and new economic opportunities in both countries. Since the FTA entered into force, two-way goods trade has increased 47.7 percent, from \$21.5 billion in 2004 to \$31.8 billion in 2016. Two-way services trade nearly tripled in the same period, from \$10.4 billion in 2004 to \$29.3 billion in 2015 (latest data available). The United States had a \$12.7 billion goods trade surplus with Australia in 2016 and a \$15.3 billion services trade surplus in 2015 (latest data available). In May 2016, officials from the United States and Australia held a meeting of the United States-Australia FTA Joint Committee to review implementation of the agreement, and discussed issues related to goods, services, investment, plant and animal health, and intellectual property. U.S. officials also engaged bilaterally with Australian officials on these issues throughout 2016. In addition, the United States and Australia have been close partners 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, continues to generate export opportunities for the United States. Since the FTA entered into force, two-way goods trade has doubled from \$782 million to \$1.7 billion. 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, creating important new opportunities for U.S. financial service providers and U.S. companies that offer telecommunication, audiovisual, express delivery, distribution, healthcare, architecture, and engineering services. The United States-Bahrain Bilateral Investment Treaty, 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, chaired jointly by USTR and Bahrain's Ministry of Industry and Commerce.

During 2016, U.S. Government officials continued to engage with officials from Bahrain's Ministries of Labor, Industry and Commerce, and Foreign Affairs, as well as labor unions and business representatives, to address labor rights concerns highlighted during consultations that began in 2013 under the United States-Bahrain FTA. Areas of ongoing discussion include: enhancing outreach and enforcement of labor laws on freedom of association and collective bargaining; considering legal amendments to improve the consistency of Bahraini labor laws with international labor standards; encouraging regular tripartite dialogue on labor matters; addressing concerns about visa denials that prevent Bahraini and international labor stakeholders from participation in labor conferences, trainings and panels in Bahrain and abroad; and improving Bahrain's capacity to respond to cases of employment discrimination. The government of Bahrain signed

an agreement during 2014 with the General Federation of Bahrain Trade Unions and the Bahrain Chamber of Commerce and Industry to address many of these concerns, including employment discrimination. That agreement led to the closing of a complaint filed with the International Labor Organization by Bahrain's unions. However, challenges remain in fulfilling the terms of the agreement.

*For a discussion of environment related activities in 2016, see Chapter IV.A.2.*

### **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. CAFTA-DR eliminates tariffs, opens markets, reduces barriers to services, and promotes transparency.

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 \$28.9 billion in 2016. Combined total two-way trade in 2016 between the United States and Central American CAFTA-DR Parties and the Dominican Republic was \$52.3 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. The CAFTA-DR Coordinators, who are technical level staff of the Parties, met in August 2016 in Managua, Nicaragua to follow up on agreements reached by the FTC at its meeting in the Dominican Republic on March 26, 2015, to advance technical and administrative implementation issues under the CAFTA-DR, and to define the agenda for a subsequent meeting of the FTC. At the 2015 FTC meeting, the CAFTA-DR Parties reviewed the implementation of the Agreement and accomplishments of the CAFTA-DR committees and institutions, and endorsed various means to further strengthen the operation of the Agreement (see other implementation matters, below).

In this eleventh year of the CAFTA-DR, U.S. export and investment opportunities with Central America and the Dominican Republic have continued to grow. All the CAFTA-DR partners have committed to strengthening trade facilitation, regional supply chains, and implementation of the Agreement. All U.S. consumer and industrial goods may enter duty free in all the other CAFTA-DR countries' markets. 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 regional integration and opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies. Under the CAFTA-DR, exports of sensitive products under tariff rate quotas constitute two-thirds of U.S. agricultural exports to the region. These quotas continue to increase annually until all tariffs are eliminated by no later than 2025.

## *Labor*

### Guatemala

Continuing a process that began in 2008, 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 that had previously been suspended while the disputing Parties worked together on a labor Enforcement Plan. Upon resumption of the dispute, Guatemala and the United States exchanged written submissions pursuant to the Rules of Procedure for dispute settlement under the CAFTA-DR. Eight nongovernmental entities also provided written submissions to the arbitral panel regarding the dispute. On June 2, 2015, a hearing was held in Guatemala City during which the arbitral panel received the oral submissions of both disputing Parties. The proceedings were suspended on November 4, 2015, when a panelist resigned from the panel, and resumed on November 27, 2015, with a new panelist. The panel considered the complex issues under this dispute and the final report is expected in 2017. For additional information, visit <https://ustr.gov/issue-areas/labor/bilateral-and-regional-trade-agreements/guatemala-submission-under-cafta-dr>.

In August 2016, the U.S. Department of Labor (DOL) posted an official in-house at the Ministry of Labor (MOL) to provide guidance on improving labor law enforcement. In November 2016, the government of Guatemala submitted to Congress proposed labor reforms that would restore administrative sanction authority to the MOL and address long-standing concerns of the International Labor Organization related to freedom of association and collective bargaining, including reducing the number of workers needed to form an industry union and reducing the number of workers needed to approve a strike.

### Dominican Republic

In December 2011, a public communication was filed with the DOL alleging that the government of the Dominican Republic failed to ensure the effective enforcement of labor laws in the Dominican sugar sector. The DOL accepted the communication for review and issued a public report in September 2013 which highlighted 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 United States engaged with the government of the Dominican Republic as well as with the sugar industry and civil society on the concerns identified in this report, including through multiple visits to the Dominican Republic. During 2016, the DOL, in consultation with USTR and the U.S. Department of State, issued its fifth periodic review on implementation of the recommendations in its 2013 report noting positive steps taken by the Dominican Republic and the sugar industry to address the concerns raised in the report.

### Honduras

In March 2012, the American Federation of Labor and Congress of Industrial Organizations and 26 Honduran worker and civil society groups filed a public submission with the DOL alleging that the government of Honduras had failed to effectively enforce its labor laws under the CAFTA-DR labor chapter. Since then, the U.S. Government has engaged with Honduran officials as well as labor unions and employer groups regarding the submission, and on February 27, 2015, the DOL issued a public report with detailed recommendations to improve respect for labor rights in Honduras and address the concerns

identified in the submission. U.S. Government officials from USTR, the DOL and the U.S. Department of State were joined by Honduran officials for the release of the report which took place in Tegucigalpa, Honduras during a joint press conference. Both governments pledged to work together to address the issues raised in the DOL report and issued a joint statement to announce their intention to develop a plan with concrete commitments and timelines to bolster labor enforcement. (For additional information on the DOL report and the joint statement, visit <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/february/statement-us-trade-representative>, and <http://www.dol.gov/opa/media/press/ilab/ILAB20150066.htm>.)

On December 8, 2015, the DOL and Honduras announced they had concluded a multi-year Monitoring and Action Plan (MAP) that includes comprehensive commitments by Honduras to address legal and regulatory frameworks for labor rights, undertake institutional improvements, intensify targeted enforcement, and improve transparency. Upon full implementation, the plan will address shortcomings noted in the DOL's review concerning labor inspections, access of inspectors to enterprises, illegal dismissals of workers, and other issues. For more information, visit <https://ustr.gov/about-us/policy-offices/press-office/blog/2015/december/honduras-monitoring-and-action-plan-shows> and <http://www.dol.gov/opa/media/press/ilab/ILAB20152378.htm>.

In March 2016, the DOL published an assessment of the progress made by Honduras. During the remainder of the year, USTR and the DOL continued to engage closely with the government of Honduras and other stakeholders on the implementation of the MAP. Throughout the year, the government of Honduras has continued to make significant progress implementing the MAP, including by passing a comprehensive new inspection law in January 2017 and convening four tripartite meetings with private sector and labor stakeholders to discuss progress under the MAP.

The U.S. Government is also funding a number of technical cooperation projects in Honduras to support employment and labor rights, including programs supported by USAID and by the U.S. Department of State to promote freedom of association, union formation, and labor-management relations, a \$7 million DOL project to reduce child labor and improve labor rights, and a \$13 million DOL project to support vocational training for vulnerable youth in El Salvador and Honduras, including youth at risk of migrating.

### Capacity Building

Ongoing labor capacity building activities are supporting efforts to promote workers' rights and improve the effective enforcement of labor laws in the CAFTA-DR countries. This includes ongoing support from USAID for efforts to protect the rights of workers in the informal economy and to lift barriers to formalization; for building the capacity of workers and their organizations to constructively advocate for workers' rights with public authorities and employers; and for ensuring that workers and employers develop skills and expertise to resolve disputes. In 2016, USAID continued to support these activities as part of its Global Labor Program, and the U.S. Department of State continued its funding of a program to strengthen the capacity of unions to organize and represent workers, and a program to combat labor violence in Honduras and Guatemala.

### *Environment*

*For a discussion of environment related activities in 2016, see chapter IV.A.2.*

### **Trade Capacity Building**

In addition to the labor and environment programs discussed above, trade capacity building programs and planning in other areas continued throughout 2016 under the Central America Strategy with the Office of

the U.S. Trade Representative and other agencies. The Central America Strategy promotes trade facilitation in the region and directs diplomatic engagement and programs toward increasing trade capacity within existing free trade agreements. USAID and other donors, including 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 2016, USAID continued implementing the Regional Trade and Market Alliances Project to build trade and institutional capacity in Central America and improve trade facilitation. Through this project, USAID supports Central American 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. Additional funds were committed to focus on key commercial border crossings between the Northern Triangle countries of El Salvador, Guatemala and Honduras. USAID also fosters enhanced public-private dialogue regarding trade facilitation, paving the way for the implementation of the WTO Trade Facilitation Agreement. During 2016, USAID, in partnership with the International Finance Corporation, continued progress on the implementation of an information technology platform for mutual recognition of sanitary registries with Central American Ministries of Health, which is now operational for food and beverage products being produced by and traded among Costa Rica, El Salvador, Guatemala, and Honduras.

USAID has also partnered with USDA to continue supporting CAFTA-DR countries so that their private sectors can take advantage of the trade agreement. In 2016, USAID continued the Food and Agricultural Sustainability Training Program, under which USDA provides assistance in Central America, South America, and the Caribbean to inform countries and private sector exporters of ways to meet new U.S. import requirements. USAID and USDA continued coordinating closely with FDA to build awareness of the U.S. Food Safety Modernization Act, possible impacts thereof, and practical ways to operate domestic food safety processes. Through an interagency agreement signed in 2010 and focused on Central America, USAID and USDA support for trade capacity building and food security has contributed to meeting CAFTA-DR obligations. USAID and USDA provide technical assistance and capacity building on various agricultural technical issues, such as market information systems, as well as sanitary and phytosanitary measures as they relate to intraregional trade and exports to the U.S. market.

### **Other Implementation Matters**

The FTC committed to addressing inefficiencies and obstacles to cross-border trade in the region to increase the transparency and predictability of trade and doing business. The CAFTA-DR countries are poised to reap great benefits from reforming customs practices and reducing the costs and time associated with goods crossing borders because of the highly integrated manufacturing and supply chain linkages throughout the region.

The FTC further emphasized the need for greater regional integration and agreed to support supply chain systems in the region through several project initiatives. Some of these initiatives include a series of measures affecting the U.S. textile and apparel industry in order to strengthen utilization of the agreement.

During 2015, the FTC agreed on changes to the product-specific rules of origin to reflect the changes to the International Convention on the Harmonized Commodity Description and Coding System in 2012 and during 2016 countries took domestic actions necessary to implement the changes. These changes will facilitate the proper implementation of the Agreement. In December 2016, President Obama proclaimed the implementation of the 2007 and 2012 changes for the United States, effective on the date, as announced by USTR in the *Federal Register*. The FTC also agreed to eliminate Costa Rica's tariffs on certain crude vegetable oils, promoting increased trade and competitiveness.

On May 24, 2016, the U.S. International Trade Commission (USITC) issued a report finding that none of the proposed changes, contained in the package of changes to certain product-specific rules of origin, agreed upon at the technical level under CAFTA-DR (Article 4.14), would likely have significant or substantial effects on total U.S. imports, total U.S. exports, or U.S. production. USTR staff had reached agreement with CAFTA-DR partners in 2014 to modify the rules of origin for a package of products, including fishing lures, gaming machines, a type of plastic, and chemicals, in order to create additional opportunities for trade under the Agreement. U.S. exports of these products to the other CAFTA-DR countries were \$2.4 billion in 2015, and U.S. imports from the other CAFTA-DR countries were \$398 million during the same period. At the 2015 CAFTA-DR Free Trade Commission (FTC) meeting, countries agreed to undertake their respective domestic procedures required to implement these changes. As part of that process, in November 2015, USTR asked the USITC to conduct the study of the probable economic effects of these changes. The next step is for the CAFTA-DR FTC to enter into a formal agreement to implement these changes.

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. The U.S. Government worked to improve the transparency and effectiveness of tariff rate quota administration procedures, which led to improved access for U.S. exporters of several agricultural products including rice, onion, and potatoes. The U.S. Government also worked with several countries to ensure implementation of CAFTA-DR intellectual property (IP) commitments, including those related to the protection of plant varieties, the protection of certain undisclosed data, and the protection and enforcement of trademarks and geographical indications, as reflected in the CAFTA-DR. In March 2016, following engagement with USTR, Honduras committed to an IP Work Plan consisting of actions to enhance the protection and enforcement of IP in Honduras (<https://ustr.gov/sites/default/files/IP-Work-Plan-Honduras-02292016-FINAL.pdf>).

## 4. Chile

### Overview

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004, and with the 12th annual tariff reductions having taken effect on January 1, 2015, 100 percent of originating goods exports can now enter the United States and Chile duty free under the agreement.

The FTA is a comprehensive free trade agreement that resulted in significant liberalization of trade in goods and services between the United States and Chile, with a U.S. goods and services trade surplus with Chile of \$9.1 billion in 2015 (latest data available for goods and services trade).

The FTA eliminates tariffs and opens markets, reduces barriers for trade in services, provides protection for intellectual property, promotes 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 enforcement of the Parties' respective labor and environmental laws. In 2016, U.S. goods exports to Chile decreased by 16.2 percent to \$12.9 billion, while U.S. goods imports from Chile increased by 0.3 percent to \$8.8 billion. Chile is currently our 29th largest goods trading partner with \$21.7 billion in total (two-way) goods trade during 2016. The U.S. goods trade surplus with Chile was \$4.1 billion in 2016. The United States has a services trade surplus of \$2.4 billion with Chile in 2015, up 7.4 percent from 2014.

U.S. foreign direct investment in Chile (stock) was \$27.3 billion in 2015, a 1 percent increase from 2014. U.S. direct investment in Chile is led by mining, finance/insurance, and manufacturing.

## **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 Chile's Director General of International Economic Affairs or their respective designees. In December 2016, the FTC held its 11th meeting. Both Parties recognized the value of their dialogue regarding the implementation of Chapter 17 (Intellectual Property Rights) and reaffirmed the interest in continuing this discussion. The United States pressed Chile on the outstanding intellectual property rights issues and explained how the U.S. Trade Facilitation and Trade Enforcement Law Act will be implemented. Concurrently, two of the FTA's committees, the Committee on Technical Barriers to Trade and the Committee on Sanitary and Phytosanitary Matters, also met.

The FTC reviewed implementation of the FTA, including the need to update product-specific rules of origin in the FTA to reflect the 2017 changes to the Harmonized System. The FTC also reaffirmed the goal of resolving SPS concerns and continued cooperation in international fora on SPS matters. At the meeting, Chile provided information on how its pension system is functioning and reforms Chile is considering to address concerns raised by pensioners.

### *Labor*

The FTA Labor Chapter establishes a Labor Cooperation Mechanism for the United States and Chile to work together to improve labor standards and advance common commitments. In this regard, in June 2016, a delegation from the Chilean Ministry of Labor visited Washington, D.C. for a working group meeting of the Inter-American Conference of Ministers of Labor, during which it visited the Jobs Corps center of the U.S. Department of Labor (DOL) to study and learn U.S. practices. In the area of labor protections relevant to the FTA Labor Chapter, Chile has enacted several key pieces of labor legislation over the past decade, covering areas such as the rights of subcontracted workers (2006), equal pay for men and women (2009), victims of trafficking for sexual exploitation and forced labor (2011), domestic workers (2014), and the rights of workers to collective bargaining (2016). The most recent change, which is scheduled to enter into effect in April 2017, limits the ability of employers to replace striking workers, expands collective bargaining rights to some temporary workers and apprentices, and removes obstacles that previously inhibited bargaining beyond the individual enterprise level. In its 2016 annual report on Findings on the Worst Forms of Child Labor, the DOL recognized Chile as having made "significant advancement" and noted positive measures taken in the areas of law enforcement, policy, legislative efforts, and social programs.

### *Environment*

*For a discussion of environment related activities in 2016, see Chapter IV.A.2.*

## **5. Colombia**

### **Overview**

The United States-Colombia Trade Promotion Agreement (CTPA) entered into force on May 15, 2012. U.S. two-way goods trade with Colombia totaled \$26.9 billion in 2016, with U.S. goods exports to

Colombia totaling \$13.1 billion. The sixth set of annual tariff reductions was effective on January 1, 2017. 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. 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 to 19 years. In addition, with limited exceptions, U.S. services suppliers gained access to Colombia's services market, estimated at \$172 billion in 2015 (lasted data available). 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 discussed the functioning of the agreement and ways to improve its operation. In 2016, the United States and Colombia continued to work together to carry out initiatives launched at the FTC meeting, such as consideration of accelerating the elimination of tariffs for certain goods under the Agreement, establishment of certain elements related to the dispute settlement mechanism, and updates to the Agreement's rules of origin. USTR expects to hold the second FTC meeting to review implementation of the CTPA in 2017.

### *Labor*

The CTPA Labor Chapter includes commitments requiring both countries to adopt and maintain in laws and practices the fundamental labor rights as stated 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 waive or derogate from those laws in a manner affecting trade or investment. The obligations of the Labor Chapter are subject to the same dispute settlement provisions as the rest of the CTPA and are subject to the same remedies. The entry into force of the CTPA was accompanied by progress by Colombia under the Action Plan Related to Labor Rights (Action Plan), which was developed jointly by the Parties and launched in 2011, and includes specific commitments by the Colombian government to address key areas of concern.

2016 marked the five-year anniversary of the Action Plan, and the United States continued engagement with the Colombian government to support its efforts to improve the protection of workers' rights, prevent violence against trade unionists, and ensure the prosecution of the perpetrators of such violence. The Colombian government took steps to implement the Action Plan in 2016, including issuing a Presidential Decree to crack down on illegal forms of subcontracting that violate labor rights and carrying out the initial review of twenty cases of alleged illegal subcontracting under that decree. The United States will continue to work closely with Colombia on remaining challenges, including the collection of assessed fines for illegal subcontracting, inspections in priority sectors, and implementation of the new decree on illegal forms of subcontracting.

To address the issue of violence, Colombia's Prosecutor General's Office has 20 prosecutors who work on cases of violence against unionists and 83 investigators to support the work of the prosecutors. The United States has worked with Colombia to increase the number of successful prosecutions in cases of violence and threats against unionists. In cases of employers violating certain workers' rights under Article 200 of

the criminal code, the Prosecutor General's Office reported 84 case conciliations through October 2016. In addition, 628 cases under Article 200 remain under investigation; no case has yet completed the trial phase and resulted in a conviction.

Ongoing engagement with Colombian officials in 2016 included videoconferences with Colombia's Minister of Labor and other officials regarding the new subcontracting decree; a July meeting in Washington, DC with Colombia's new Minister of Labor; and a November mission to Colombia by USTR and U.S. Department of Labor (DOL) officials that included a meeting with the Labor Vice Minister, as well as meetings with Colombian labor stakeholders, business representatives, and the Prosecutor General's Office. In addition, DOL and the U.S. Agency for International Development fund four labor-related technical assistance projects in Colombia that aim to: (1) improve the government's capacity to enforce workers' rights; (2) improve workers' access to information on their rights and their ability to protect and assert them; and (3) reduce child labor in the informal and artisanal mining sector, including the promotion of safe work and mitigation of the risk of injuries for adult workers.

The DOL posted a labor attaché at the U.S. Embassy in Bogotá beginning in 2015. Colombia is one of only three countries where the DOL has posted a labor attaché, highlighting the importance of ensuring close engagement with Colombia on labor rights. In 2016, USTR, the DOL, and the U.S. Department of State continued 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. The Labor Attaché met frequently with the Vice Minister of Labor and other labor officials.

In May 2016, the DOL received a public submission under the Labor Chapter of the CTPA, from labor unions and NGOs in the United States and Colombia. The submission alleged that the government of Colombia has failed to effectively enforce labor laws and has not adopted and maintained laws that protect fundamental labor rights. The DOL accepted the submission for review in July and issued a report on the submission. The report recommends that the government of Colombia take steps to improve the labor law inspection system, improve the application and collection of fines for employers who violate labor laws, particularly regarding violations for abusive subcontracting arrangements, and improve the investigation and prosecution of cases of violence and threats against unionists. The report also recommends that the U.S. Government initiate consultations between the contact points of the two governments under the Labor Chapter of the trade agreement, to discuss the questions and concerns identified in the review and explore options for implementing the report's recommendations, or similar measures.

### *Environment*

*For a discussion of environment related activities in 2016, see Chapter IV.A.2.*

## **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 2016, U.S. goods exports to Israel decreased 2.5 percent to \$13.2 billion.

The United States-Israel Joint Committee (JC) is the central oversight body for the FTA and at its last meeting in February 2016, the JC explored potential new 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 agreed to continue to

support existing dialogues that address these issues. Israel continues to revise its standards regime aiming to expand significantly the recognition of standards of internationally respected standards bodies, including those of the United States. The 2014 Israeli 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.

Also at the February JC meeting, Israel proposed resuming negotiations on a permanent agreement to the U.S-Israel Agreement on Trade in Agricultural Products (ATAP). Negotiated initially in 1996, the ATAP was the result of a disagreement between the United States and Israel over the interpretation of the 1985 FTA's provisions on agriculture. The 1996 ATAP allowed for some preferential market access to Israel for U.S. products, but fell far short of the FTA's objective of free trade in agriculture. Renegotiation of the ATAP in 2004 achieved modest additional market access opportunities in Israel for U.S. agricultural products. The renegotiated ATAP was to remain in effect only until December 2008, but Israel and the United States to date have been unable to conclude a successor agreement and have since extended the 2004 ATAP on an annual basis.

In July 2016, the United States proposed revised modalities for a new permanent ATAP agreement, seeking to capitalize on progress in negotiations to date 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. In December 2016, the two sides agreed to extend the ATAP agreement through December 31, 2017, while the aforementioned negotiations continue.

## **7. Jordan**

In 2016, 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.

U.S. goods exports to Jordan were an estimated \$1.5 billion in 2016, up 10 percent from 2015. QIZ products account for about five 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.

At the Joint Committee's most recent meeting in May 2016, the United States and Jordan discussed labor, agriculture, specifically current technical barriers to agricultural trade, acceptance of the WTO Trade Facilitation Agreement and accession to the WTO Government Procurement Agreement. The parties opened a dialogue to outline concrete steps to boost trade and investment bilaterally, and between Jordan and other countries in the Middle East region. After the meetings concluded, the issue regarding import licensing of poultry from the United States was resolved to allow the importation of U.S. poultry into Jordan.

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, and gender discrimination and harassment. In 2016, the Jordanian Ministries of Health and Labor signed an agreement that will ensure labor inspections include garment dormitories, one of the pending commitments in the Implementation Plan. During 2016, the United States and Jordan continued to work towards completion of the Implementation Plan.

The Ministry of Labor is working with the DOL-funded ILO Better Work program to improve their understanding of internationally recognized labor standards and the process for conducting audits in the garment sector, including by assigning labor inspectors to the project. Ongoing engagement focuses on internalizing lessons learned from Better Work to build labor inspector capacity, conducting inspections that include dormitories in the QIZs, and continuing outreach efforts to ensure that stakeholders understand their legal rights to participate in unions and enjoy workplaces free of discrimination and harassment. Jordan also worked with Better Work Jordan to ensure that factory-level audits will be publicly available starting in 2017.

DOL also concluded a \$4.04 million capacity building project carried out by the ILO through August 2016 to strengthen enforcement efforts to identify and eliminate child labor and to refer children and families vulnerable to child labor, including Syrian refugees, to relevant social services. The project conducted a national child labor survey that included data on Syrian refugee children, developed and trained officials on a child labor monitoring system, raised awareness of child labor, and referred at-risk children and families to social services and educational and vocational opportunities.

Garments from Jordan had been included in DOL's List of Goods Produced by Child Labor or Forced Labor since 2009. During 2016, DOL removed Jordanian garments from the list on the grounds that there had been a significant reduction in the incidence of forced labor in Jordan's garment sector.

*For a discussion of environment related activities in 2016, see Chapter IV.A.2.*

## **8. Republic of Korea**

### **Overview**

The United States-Korea Free Trade Agreement (KORUS or Agreement) entered into force on March 15, 2012. As of January 1, 2017, five rounds of tariff cuts have taken place under KORUS. Imports of passenger vehicles from the United States began entering Korea duty free as of January 1, 2016. United States exports of goods to Korea fell from \$43.5 billion in 2011 to \$42.3 billion in 2016. Meanwhile, U.S. imports of goods from Korea rose from \$56.7 billion in 2011 to \$69.9 billion in 2016. Thus, the U.S. trade deficit in goods with Korea rose from \$13.2 billion in 2011 to \$27.6 billion in 2016.

### **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. Senior Officials meetings are typically held just prior to the Joint Committee meetings to coordinate and report on the activities of the committees and working groups established under the agreement.

In 2016, nine committees and working groups established under KORUS met to discuss issues related to the Agreement. USTR consults closely with stakeholders regarding the work of the FTA committees, including with respect to potential agenda items.

The United States also participated in quarterly financial services meetings with Korea. The European Union, which also has a free trade agreement with Korea, participated in the government-to-government sessions of these financial services meetings. The most recent meeting was held on September 6, 2016, which Australia joined.

In May 2016, the third meeting of the Committee on Trade in Goods was held, followed by the fifth meeting of the Medicines and Medical Devices Committee and the third meeting of the Committee on Trade Remedies in September 2016. In October 2016, the second meeting of the Committee on Textiles and Apparel and the fourth meeting of the Professional Services Working Group were held, followed by the second meetings of the Committees on Financial Services and on Technical Barriers to Trade.

The Committee on Trade in Goods focused on the Korea Customs Service's interpretation of Rules of Origin and verification procedures under KORUS. As a result of the meeting, two outstanding customs reviews of U.S. manufacturers were successfully closed. The Committee also discussed concerns with new customs clearance procedures for express delivery packages at Incheon airport, emphasizing the need for customs clearance times to remain consistent with commitments under KORUS and for U.S. express delivery companies to be afforded national treatment. On both an *ad hoc* basis and through the Trade in Goods Committee, USTR will continue to ensure KORUS commitments to provide preferential tariff treatment for originating U.S. goods are honored, and that KCS origin verification cases are handled quickly and reasonably.

The Medicines and Medical Devices Committee discussed Korea's import pricing system, each side's respective patent linkage system, and updates on draft regulations related to pharmaceutical drugs in Korea.

The Professional Services Working Group discussed mechanisms for enhancing trade in professional services, Korea's interest in Mutual Recognition Agreements in the areas of engineering, architectural, and veterinary services.

The Committee on Sanitary and Phytosanitary Matters discussed a range of topics, including Korea's process for reviewing and approving new biotechnology events, outstanding respective plant and animal market access issues, and issues related to maximum residue limits (MRLs) for pesticides, which are the maximum legally acceptable levels of pesticide residues in food and agricultural products. Regarding MRLs, the United States and Korea had a constructive exchange on ideas for facilitating the transparent and efficient establishment of tolerance levels under Korea's ongoing transition to a positive list system. Topics discussed in the Committee on Agricultural Trade included KORUS tariff-rate quota administration, an essential component in ensuring that the established tariff-rate quotas deliver their intended benefits.

In November 2016, USTR and the U.S. Department of Labor traveled to Korea for technical-level conversations concerning matters related to the KORUS labor chapter. These discussions were held with the Korean Ministry of Employment and Labor (KMOEL), unions, employers, companies, NGOs, and national labor law experts. As follow-up to a 2015 United States–Korea workshop, the U.S. delegation and KMOEL also discussed cooperative efforts to facilitate corporate compliance with the international labor standards in global supply chains.

Throughout 2016, in line with work being done under the auspices of the Autos Working Group, USTR closely followed implementation of a new fuel economy standard in Korea, new emissions testing requirements, and the implementation of new consumer protection policies covering: (1) disclosure by manufacturers to consumers of repairs made to a vehicle prior to sale; and (2) the right of repair shops to access information needed to service vehicles. In May, USTR and Ministry of Land, Infrastructure and Transportation officials met in Seoul to discuss progress being made in regard to right to repair and damage disclosure issues. The United States and Korea also emphasized the need for further harmonization of Korean regulations, continued involvement of stakeholders into the regulatory process, and the need for quality regulatory analysis.

The U.S. Government also addresses KORUS compliance and other trade issues on a continual basis through regular inter-sessional consultations, through respective embassies, and through other engagements

with the Korean government (including at senior levels) in order to resolve issues in a timely manner. In 2016, the United States focused on trade and implementation issues including regulatory transparency, competition policy, customs policies, automotive trade, intellectual property, market access for electronic mapping services, and medical devices. Through U.S. engagement with Korea, the United States succeeded in making significant progress in addressing issues in many of these areas.

*For a discussion of environment related activities in 2016, see chapter IV.A*

## **9. Morocco**

The United States-Morocco Free Trade Agreement (FTA) entered into force on January 1, 2006. The FTA 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 has grown from \$927 million in 2005 (the year prior to entry into force) to \$2.9 billion in 2016. U.S. goods exports to Morocco in 2016 were \$1.9 billion, up 14.8 percent from the previous year. Corresponding U.S. imports from Morocco in 2016 were \$1 billion, up 1.0 percent from 2015. Services trade in 2015 (the most recent year available) included \$657 million in exports and \$585 million in imports.

The United States and Morocco held the fourth meeting of the FTA Joint Committee (JC) on February 20, 2015, in Rabat. American and Moroccan officials noted the productive cooperation both sides had pursued under the Labor and Environment FTA subcommittees, which had last met in 2014. They highlighted recent improvements to Morocco's legislative regime for the protection of intellectual property rights and outlined Morocco's steps to implement the bilateral Customs and Mutual Assistance and Trade Facilitation agreements, signed in 2013, as well as the multilateral 2013 WTO Trade Facilitation Agreement.

During the JC meeting, the U.S. delegation raised questions regarding recent Moroccan trade legislation; certain local content requirements in government tenders, which had the potential to hinder the competitiveness of U.S. firms in bidding processes; Morocco's July 2014 implementation of an export and harvest quota for Gigartina seaweed, a key input for a U.S. processor; and a pending Moroccan-EU agreement on the protection of geographical indications for EU products in the Moroccan market. In an effort to better understand U.S. market access procedures and to streamline Morocco's export model, the Moroccan delegation requested information on how U.S. ports efficiently manage security and container processing, in addition to asking for assistance in liaising with U.S. investment-promotion entities.

U.S. and Moroccan officials held an Agriculture and SPS FTA Sub-Committee meeting in October 2016 in Washington, DC. The two-day meeting covered a full range of agricultural and SPS issues between the countries and provided opportunities for technical consultations. The delegations completed the process to allow export of bovine genetics and pet food from the United States to Morocco; the Moroccan delegation announced that the country would allow imports of poultry and poultry products from U.S. regions not currently affected by highly pathogenic avian influenza.

With regard to labor, the U.S. Department of Labor continued to fund two projects under the FTA labor cooperation mechanism: one to reduce child labor and help build the capacity of relevant government agencies to combat child labor, and another to support the development and implementation of gender parity in employment policies, including by supporting civil society groups that are working to expand women's access to work. The government of Morocco also passed a domestic worker law in 2016 that addresses an area of concern raised by the United States during the 2014 FTA Labor Sub-Committee meeting. The law, which takes effect in August 2017, extends protections and benefits to domestic workers by setting a

minimum wage, establishing a minimum age for employment, limiting weekly hours of work, and providing such workers with a day of rest.

*For a discussion of environment-related activities in 2016, see Chapter IV.A.2.*

## **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. Tariffs were eliminated progressively, with all final duties and quantitative restrictions eliminated, as scheduled, by January 1, 2008. In 2016, the United States exported \$266.8 billion worth of goods to Canada, and imported \$278.1 billion worth of goods from Canada, for a bilateral trade deficit in goods of more than \$11.2 billion. During the same year, the United States exported almost \$231 billion worth of goods to Mexico, and imported \$294.2 billion worth of goods from Mexico, for a bilateral trade deficit of \$63.2 billion. The United States has had a trade deficit in goods with both Mexico and Canada in every year since 1994.

### **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 government-to-government 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 from the United States, Canada, and Mexico have met regularly to expand and deepen trade and investment opportunities in North America, and will continue to do so.

#### *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 2016, the U.S. Department of Labor (DOL) and the Mexican Secretariat of Labor and Social Welfare (STPS) published a joint report that summarized the educational and outreach activities completed in 2015 on the rights of workers in the United States under H-2A and H-2B visas. In the United States, the DOL held 29 outreach events in 15 states, reaching more than 2,300 workers and 1,000 employers. In Mexico, STPS held 11 events, reaching approximately 1,600 people. Additionally, the Mexican NAO received a submission in July 2016 from two former H-2 workers, the Centro de los Derechos del Migrante, and 27 other organizations, alleging gender discrimination in the H-2 system visa system in the United States. The Mexican NAO accepted the submission for review in August 2016, and it remains pending. Also in 2016,

the U.S. NAO published its report of review on U.S. Submission 2015-04 (Mexico) concerning Mexico's obligations under the NAALC regarding workers' rights. DOL received Submission 2015-04 in November 2015 from the United Food & Commercial Workers Local 770, the Frente Auténtico del Trabajo, the Los Angeles Alliance for a New Economy, and the Project on Organizing, Development, Education, and Research. DOL accepted the submission for review on January 11, 2016. The U.S. NAO found that there was insufficient evidence at that time to support specific conclusions related to the Mexican government's application of labor laws at the chain of stores referenced in the submission. Nevertheless, the report discusses in detail DOL's longstanding concerns related to protection contracts and the primary factors that facilitate them, such as structural bias in the Conciliation and Arbitration Boards (CABs) that administer labor justice in Mexico. The report notes that constitutional and legislative reforms proposed by President Enrique Peña Nieto would address the underlying factors related to these concerns. The constitutional reforms abolishing the CABs and creating a system of labor courts were introduced in April 2016 and were approved by Mexico's Congress in November 2016. As of January 2017, a majority of Mexico's state legislatures had approved the constitutional reforms, as required by law for ratification, and the reforms are expected to be implemented by early 2018. Additional legislative reforms to address protection contracts and union representation challenges are pending in Mexico's Congress. The report urged expeditious passage and implementation of the reforms, and the U.S. NAO will continue to monitor and engage with the Mexican government on these and other issues in the submission.

#### *NAFTA and the Environment*

The North American Agreement on Environmental Cooperation (NAAEC) established the Commission for Environmental Cooperation (CEC), comprised of a Council, a Secretariat, and a Joint Public Advisory Committee. The Council, comprised of the environmental ministers from the United States, Canada and Mexico, met for its annual Council session on September 8 and 9, 2016 in Merida, Mexico. The Council reiterated its commitment to clean and sustainable growth, committed to deliver results in support of the NALS agreements, identified marine litter and food waste as future areas of work within the organization, and recognized the work on a key priority, sustainable communities and ecosystems, including projects on the relationship between ecosystems, job creation, gender impacts and income generation. The Secretariat also reported on another key priority, promoting green growth across North America, which included work to foster harmonized private sector approaches to energy management, strategies for sustainable trade in select CITIES Appendix II species, and aligning mercury trade statistics in North America.

Articles 14 and 15 of the NAAEC establish a process for nongovernmental individuals or entities residing or established in the United States, Canada, or Mexico to file a public submission asserting that a Party is failing to effectively enforce its environmental law. In 2016, the CEC Parties continued the practice of reporting on actions taken on public submissions on enforcement matters concluded over the previous year. This is part of the CEC's commitment to transparency and good governance.

Additionally, since 1993, Mexico and the United States have helped 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.

## **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. In 2016, the United States exported \$1.78 billion worth of goods to Oman, and imported \$1.1 billion worth of goods from Oman.

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.

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 entry into force of the FTA, which allowed independent unions in Oman for the first time. Oman has since seen a rapid increase in unionization with over 200 enterprise-level unions and a sub-federation for trade unions established in the oil and gas sectors. The program continued to work with the Omani government in 2016, in collaboration with unions and businesses, to promote social dialogue and resolve labor disputes, improve labor inspections, and strengthen technical and vocational training programs.

*For a discussion of environment related activities in 2016, see Chapter IV.A.2.*

## **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 \$6.6 billion in 2016, with U.S. goods exports to Panama totaling \$6.1 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 of the most sensitive agricultural products will be phased out in 18 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 sixth round of tariff reductions took place on January 1, 2017. The TPA also provides new access to Panama's estimated over \$36 billion services market (2015 data; most recent available) 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. As of 2015, U.S. services trade with Panama included \$1.6 billion in exports and \$1.3 billion in imports.

### **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 continued to work cooperatively during 2016 to continue to implement the provisions of the TPA and address the few issues of concern that arose during the year. The United States and Panama held an FTC meeting on November 22, 2016, to review progress on implementation of the TPA, including the establishment of the Environment Secretariat in December 2015 and efforts to hire an Executive Director

for the Secretariat in 2016. The FTC also discussed Panama's next steps on outstanding intellectual property commitments such as Internet Service Provider Liability (Article 15.11.27) and pre-established damages (Article 15.11.8), and bilateral concerns related to trade in agricultural products. Both sides agreed that implementation was proceeding and providing new opportunities for traders and investors, and agreed on next steps on ongoing issues.

Recognizing the importance of an effective dispute settlement procedure to ensuring both countries' rights and benefits under the Agreement, in 2016, both sides continued to work 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 finalization of the rosters will complete the establishment of the dispute settlement infrastructure for the Agreement, building on the 2014 FTC 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. In December 2016, the United States and Panama agreed to update the TPA's rules of origin to correspond to the 2007 and 2012 changes in the Harmonized System (HS) nomenclature.

### *Labor*

The TPA includes a Labor Chapter with commitments requiring both countries to adopt and maintain in laws and practices the fundamental labor rights as stated in the 1998 Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), and not to fail to effectively enforce their labor laws or to waive or derogate from those laws in a manner affecting trade or investment. The obligations under the Labor Chapter are subject to dispute settlement provisions, just as other obligations in the TPA are, and therefore are subject to the same remedies.

Panama undertook a series of major legislative and administrative actions beginning in 2009 to 2016 to further strengthen its labor laws and labor enforcement, including new laws to protect the right to strike, eliminate restrictions on collective bargaining, update the list of hazardous occupations prohibited for children, and protect the rights of temporary workers. Panama has also taken 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. U.S. Government officials met with government officials from the Panamanian Ministry of Labor in February of 2016 in Washington D.C., and discussed labor law enforcement issues and best practices in the areas of child labor, wage-and-hour protections and occupational safety and health.

In addition, the Department of Labor (DOL) is currently funding three projects in Panama to further combat exploitative child labor, including a \$6.5 million, four-year project implemented by Partners of the Americas to address the worst forms of child labor among the most vulnerable populations in Panama, including Afro-descendants and migrant and indigenous children and their families, by providing them with educational and livelihood services. DOL is also funding a \$3.5 million, four-year project implemented by the ILO to strengthen the enforcement of child labor and occupational safety laws in Panama that runs through 2017.

*For a discussion of environment related activities in 2016, see Chapter IV.A.2.*

## **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 \$14.3 billion in 2016, with U.S. goods exports to Peru totaling \$8.0 billion, and U.S. goods imports from Peru totaling \$6.2 billion. U.S. exports of agricultural products to Peru totaled \$1.1 billion in 2016. Leading categories include: corn (\$452 million), soybean meal (\$108 million), and wheat (\$89 million). U.S. foreign direct investment (FDI) in Peru (stock), primarily in the mining sector, was \$6.9 billion in 2015 (latest data available), a 6.4 percent increase from 2014.

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, workers' 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 the PTPA. The last meeting of the FTC was held in November 2015 in Washington D.C. The government of Peru will host the next FTC meeting in early 2017. SPS and TBT work continued throughout 2016 (*see below*). This year, much of the work with Peru centered on logging issues under the Annex on Forest Sector Governance (Forest Annex) (*see environment below*). The Forest Annex includes concrete steps to be taken to strengthen forest sector governance and combat illegal logging and illegal trade in timber and wildlife products. The Forest Annex also includes monitoring tools such as a requirement that Peru conduct audits and verifications of particular producers and exporters upon request from the United States.

### *Agriculture (SPS)*

Following extensive technical-level exchanges, and numerous engagements by USTR and USDA officials in a variety of fora, including the PTPA Standing Committee on Sanitary and Phytosanitary Matters, an official letter exchange was finalized with Peru in March 2016 resulting in the removal of remaining bovine spongiform encephalopathy-related trade restrictions. Since the PTPA entered into force, Peru has become one of the fastest growing markets for U.S. beef in Latin America and it is expected to further increase as result of the exchange of letters resulting in the removal of the BSE-related trade restrictions. U.S. exports of beef and beef products to Peru were valued at \$25.4 million in 2015, a nearly fourfold increase from the \$6.4 million posted in pre-PTPA 2008.

### *Labor*

In July 2015, the International Labor Rights Forum and several Peruvian labor groups filed a public communication with the U.S. Department of Labor (DOL) alleging that the government of Peru had failed to meet its obligations under the PTPA Labor Chapter. The communication raised issues related to Peru's adoption and maintenance of laws and practices that protect fundamental labor rights and the effective enforcement of labor laws, particularly with regard to Peru's laws on non-traditional exports and the use of temporary contracts in the textiles sector and agricultural industry. Review of the submission included a fact-finding mission to Peru by USTR and DOL in December 2015 to gather additional information on the issues raised by the submission, including through meetings with the Peruvian government, the submitters, workers' organizations, employers, and other relevant stakeholders. In March 2016, DOL issued a report on the matter, raising significant concerns regarding freedom of association in Peru's non-traditional export sectors, which includes exports such as textiles, apparel, and certain agricultural products. In addition, while recognizing a number of positive steps taken by the Peruvian government to improve its labor law enforcement since signing the PTPA in 2007, the report raised questions about the effectiveness of the country's labor law enforcement. To help guide subsequent engagement between the U.S. Government and

the government of Peru, the report provided six recommendations aimed at addressing the questions and concerns, and notes the U.S. Government's commitment to assess any progress by Peru within nine months and thereafter, as appropriate. The U.S. Government held several videoconference meetings with Peruvian trade and labor officials after the report was published, and discussed ways to address the recommendations in the DOL report, including by improving labor inspections and through technical cooperation. DOL published its nine month review statement in December 2016, which noted progress by Peru in the area of labor inspections, but concerns remain regarding the right to freedom of association in Peru's non-traditional export sectors USTR, DOL, and the State Department continue to engage with the government of Peru to review progress on addressing the issues identified in the report. Further information on the Peru labor communication is available at: <http://www.dol.gov/ilab/trade/agreements/fta-subst.htm>.

In December 2014, DOL awarded \$2 million to a Peruvian NGO (Capital Humano y Social Alternativo) to implement a project to help build the labor law enforcement capacity of the Peruvian Ministry of Labor and Employment Promotion's (MTPE) recently-formed National Superintendency of Labor Inspection (SUNAFIL). The project, which runs through 2018, focuses particularly on improving the MTPE's enforcement of laws, regulations, and other legal instruments governing subcontracting, outsourcing, and the use of short-term employment contracts, especially in the textile and apparel and agricultural export sectors. In November 2015, DOL awarded to the Solidarity Center a \$1 million project to complement the SUNAFIL project by building the capacities of workers' organizations to effectively assist their constituents to identify abusive short-term employment contracting and unlawful subcontracting and to productively engage with employers and the government to address identified problems. This project also runs through 2018. In addition, DOL funds five projects, either focused exclusively on Peru or as part of global projects that work to reduce child labor and forced labor in Peru.

#### *Environment*

*For a discussion of environment related activities in 2016, see Chapter IV.A.2.*

## **14. Singapore**

The United States-Singapore Free Trade Agreement has been in force since January 1, 2004. Two-way goods trade has increased 40.9 percent from \$32 billion in 2003 to \$44.7 billion in 2016. The United States had a \$9.1 billion goods trade surplus with Singapore in 2016. Two-way services trade has more than doubled, increasing from \$8.1 billion in 2003 to \$21.1 billion in 2015 (latest data available). The United States had a \$7.6 billion services trade surplus with Singapore in 2015. The United States engaged regularly with Singapore in 2016 to further build and expand the bilateral relationship and address bilateral issues. The United States and Singapore have been close partners in the WTO, APEC, ASEAN, and other regional initiatives.

## **B. Other Bilateral and Regional Initiatives**

### **1. The Americas**

#### **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. The United States has Trade and Investment Framework Agreements (TIFAs) with Argentina, signed in March 2016; with Uruguay, signed in January 2007; and with the Caribbean Community, signed in May 2013 (to update and enhance a prior TIFA signed in 1991). The

United States and Paraguay established a Bilateral Council on Trade and Investment in 2004, which last met in November 2015 (see below). The United States and Brazil signed the Agreement on Trade and Economic Cooperation in 2011, which last met in March 2016 (see below).

### **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 2016. Highlights of USTR’s other priority activities in the region include:

#### *Argentina*

In March 2016, the United States and Argentina signed a TIFA, which established the United States–Argentina Council on Trade and Investment. The Council serves as a forum for engagement on a broad range of bilateral trade issues, such as market access, intellectual property rights protection, and cooperation on shared objectives in the World Trade Organization and other multilateral fora. The first meeting of the Council was held in Buenos Aires in November 2016. One action of the Council was to establish an “Innovation and Creativity Forum” to discuss issues of mutual interest, including geographical indications, industrial designs, and the importance of intellectual property protections for small- and medium-sized enterprises. The Forum held its first meeting on December 6, 2016 in Buenos Aires.

#### *Brazil*

Bilateral dialogue with Brazil is conducted through the United States–Brazil Commission on Economic and Trade Relations (the Commission) established by the Agreement on Trade and Economic Cooperation (ATEC), which was signed in 2011. 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. The most recent Commission meeting under the ATEC was held in March 2016 at the ministerial level. The next Commission meeting will be held in 2017 in Brazil.

#### *Canada*

Trade tensions over softwood lumber are longstanding and deeply-rooted. In the United States, most of the fiber used to make softwood lumber is privately owned and sold; in Canada, provincial governments own and control most of the fiber supply and most set the price for harvesting timber rather than allowing the market to determine such prices.

In early 2016, the United States responded to Canada’s interest in a new long-term agreement, for trade in softwood lumber, which would impose restrictions on Canadian softwood lumber imports. The most recent agreement expired in 2015.

On June 29, 2016, the two countries released a statement that a new softwood lumber agreement would be designed to maintain Canadian exports at or below an agreed market share. On November 25, 2016, the U.S. Lumber Coalition initiated actions under U.S. trade remedy laws challenging the harmful effects of Canadian lumber in the U.S. market that are unfairly subsidized or “dumped”. This marks the fifth time in approximately 30 years that U.S. industry has availed itself of U.S. trade remedy laws to address this

imbalance, often resulting in bilateral softwood lumber dispute settlement agreements. The governments remain engaged in exploring a possible solution to the ongoing softwood lumber issue.

As a result of the 1998 United States-Canada Record of Understanding on Agricultural Matters, the United States-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 September 2016 to address bilateral trade issues, and strengthen collaboration on issues of mutual interest, including trade barriers in third countries.

### *Mexico*

In May 2013, the United States and Mexico established the High Level Economic Dialogue (HLED) to further elevate and strengthen the bilateral commercial and economic relationship. On February 25, 2016, the third meeting of the HLED was held, where officials of both countries noted success in meeting 2015 strategic goals. USTR also participated in a mid-year DVC on December 8, 2016, which took stock of the year's activities.

In 2007, the United States and Mexico signed a Memorandum of Understanding on agricultural trade, which established the current bilateral Consultative Committee on Agriculture (CCA). The CCA serves as a high-level forum for dialogue on issues related to agricultural trade. The CCA met in Mexico City in May 2016 to discuss a wide range of bilateral trade issues, and to strengthen cooperation on issues of mutual interest.

### *Paraguay*

In June 2015, the United States and Paraguay signed a Memorandum of Understanding on Intellectual Property Rights, under which Paraguay committed to take specific steps to improve its IPR protection and enforcement environment, and USTR removed Paraguay from the Special 301 Watch List. In November 2015, Paraguay hosted the twelfth meeting of the Bilateral Council on Trade and Investment. The United States and Paraguay discussed a broad range of bilateral trade and investment issues, including increased collaboration to expand economic opportunities for businesses and investors, implementation of the MOU on IPR, and market access issues. The next meeting of the Joint Council on Trade and Investment will be held in 2017.

### *Uruguay*

In May 2016, Uruguay hosted the seventh meeting of the United States–Uruguay Trade and Investment Council under the TIFA which was signed in 2007. The United States and Uruguay discussed a range of bilateral trade and investment issues, including trade facilitation, improving opportunities for SMEs, and market access matters. The next meeting of the Trade and Investment Council will be held in Washington in 2017.

### *Cuba*

In addition to the United States-Cuba Regulatory Dialogue established in 2015, the U.S. Department of State held a meeting of the United States-Cuba Economic Dialogue in September 2016, during which the United States and Cuba agreed to create the Trade and Investment Working Group, which would be chaired by USTR on the U.S. side and Ministry of Foreign Trade and Investment on the Cuban side.

## 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. The United States works with these countries through FTA, BITs, TIFAs, and other mechanisms to promote enhanced trade and investment ties, increase U.S. exports, encourage the development of intraregional economic engagement, foster partner country policies grounded in the rule of law, and, where relevant, advance countries' accessions to the WTO (*see Chapter II.J.6. for more information on WTO accessions*).

During 2016, the Office of Europe and the Middle East focused on negotiations for a comprehensive trade and investment agreement with the EU, the Transatlantic Trade and Investment Partnership (T-TIP); monitored Russia's implementation of its WTO commitments; promoted policies in Eurasia that foster economic diversity and independence; and supported initiatives in the Middle East/North Africa (MENA) region centered on ongoing political and economic reforms, as well as trade and investment integration.

### 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 \$4.8 billion *each day* of 2016.<sup>35</sup> The total stock of transatlantic investment was \$4.5 trillion in 2015 (latest data available). These enormous trade and investment flows constitute a key source of economic prosperity for the United States and Europe.

Early in 2013, the United States announced its intention to pursue the T-TIP agreement with the EU. The negotiations were formally launched during a June 2013 meeting, and the first negotiating round was held in July 2013. By the end of 2016, U.S. and EU negotiators had met in fifteen formal rounds, including four in 2016, and had engaged in a wide range of discussions and negotiating sessions between rounds. However, as 2016 concluded, important differences remained on critical negotiating areas of the agreement. The Trump Administration is currently evaluating the status of these negotiations.

Over the course of the negotiations, the goal has been to achieve an ambitious and comprehensive agreement that would promote economic growth and jobs, strengthen the strategic partnership, and reflect our shared values. In establishing U.S. negotiating objectives for the T-TIP agreement, USTR consulted with Congress and a wide range of private sector stakeholders. These consultations shaped U.S. negotiating goals, which are, *inter alia*, to:

- Further open EU markets to increase the \$499 billion in goods and services the United States exported in 2015 (latest data available) to the European Union, our largest goods and services export market;
- Strengthen rules-based investment to grow the world's largest investment relationship;
- Eliminate all tariffs on trade in goods;
- Obtain improved market access for trade in services;
- Address and prevent unnecessary nontariff barriers and significantly reduce costs associated with unnecessary differences in standards and regulations 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

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<sup>35</sup> Based on the first three quarters of 2016.

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 Turkey and the Middle East/North Africa**

The revolutions and other changes that swept through the MENA region beginning in 2011 have provided new opportunities and posed new challenges with respect to U.S. trade and investment relations with MENA countries (especially countries in transition such as Tunisia, Morocco, Jordan, Egypt, and Libya). USTR has coordinated with other Federal agencies, outside experts, and stakeholders in both the United States and MENA partner countries to explore 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 2016, the United States continued to monitor, implement, and enforce existing U.S. FTAs in the region (Bahrain, Israel, Jordan, Morocco, and Oman); pursued TIFA consultations with Egypt, Tunisia, Qatar, and Algeria (including attempts to revive engagement with the Algerian government in its WTO accession efforts); and sought new opportunities to cooperate more closely with Saudi Arabia.

The United States also continued to pursue engagement with the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) as a group through the U.S.-GCC Framework Agreement for Trade, Economic, Investment and Technical Cooperation. Enhanced U.S. dialogue with the GCC is aimed at ensuring that U.S. interests are fully represented as the GCC continues to develop as a regional organization dedicated to harmonizing standards, import regulations, and conformity assessment systems among its member states.

Recognizing Turkey’s growing importance as a trade and investment partner, the U.S. Trade Representative and the Secretary of Commerce co-chair U.S. participation in a ministerial level forum designed to enhance bilateral engagement on economic issues, known as the Framework for Strategic Economic and Commercial Cooperation (FSECC). U.S. and Turkish officials have conducted three formal FSECC meetings: October 2010 (Washington); June 2012 (Ankara); and May 2014 (Washington). 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 European Union, the United States and Turkey agreed in May 2013 to form a High Level Committee (HLC), associated with the FSECC and chaired by the USTR and Minister of Economy, to assess such potential impacts and seek new ways to promote bilateral trade and investment. Expert level contacts under the HLC have been conducted on several occasions since its creation.

### **Promoting Transparent and Rules-Based Economies in Eurasia**

U.S. support for economic policies that are transparent, predictable and based on the rule of law has long gone hand in hand with promoting democracy and self-determination. Throughout 2016, the United States worked with countries on Europe’s eastern periphery and in the Caucasus to reinforce the open trade policies of the WTO and promote economic growth.

For example, the United States has continued to provide significant technical and financial support to the government of Ukraine to support its continuing efforts to reform the Ukrainian economy, and to promote the strong enforcement and promotion of intellectual property rights. In October, the United States hosted the sixth meeting of the United States-Ukraine Trade and Investment Council in Washington, D.C., at which the delegations exchanged ideas and identified practical steps to deepen their bilateral trade and investment relationship. The United States has also continued discussions with Georgia and Armenia on efforts to

further strengthen trade and investment ties through the United States-Georgia High-Level Dialogue on Trade and Investment and the United States-Armenia Trade and Investment Framework Agreement.

Russia, unfortunately, continues to discriminate against imports, using unjustified and retaliatory trade measures against many of its neighbors, as well as against the United States. Although the United States continues to restrict its bilateral engagement with Russia as a result of Russia's failure to implement the terms of the Minsk Agreement, it has not hesitated, where appropriate, to highlight the potential WTO inconsistency of its protectionist trade policies. The United States has closely monitored Russia's implementation of its WTO obligations, and employed various WTO mechanisms to pursue full compliance where Russia appeared to fall short. 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. The United States will also continue to follow and evaluate the actions of the Eurasian Economic Commission (EEC), the administrative arm of the Eurasian Economic Union (EAEU; comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia), and, where appropriate, work with the EEC, Russia, and the individual EAEU member states to ensure compliance with the WTO rules and to open the EAEU's markets to exports of U.S. goods.

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

#### **Japan**

In 2016, the United States continued to engage Japan on a broad array of trade and trade-related issues to eliminate barriers to trade and expanding access to Japan's market.

The United States worked closely with Japan in multilateral fora in 2016 to address trade issues of common interest, including those in third-country markets. This work included closely coordinating on World Trade Organization (WTO) dispute settlement matters and working toward full implementation of the expanded WTO Information Technology Agreement. The United States and Japan also worked together with other economies to advance negotiations on the Trade in Services Agreement and Environmental Goods Agreement. The United States and Japan are working closely together in the Asia-Pacific Economic Cooperation (APEC) forum on advancing next generation issues like digital trade; creating an enabling environment for innovation by promoting the *Best Practices in Trade Secret Protection and Enforcement Against Misappropriation*; and ensuring that APEC member economies continue to implement their groundbreaking commitment to reduce tariffs on environmental goods.

#### **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 committee meetings and working groups established under the United States-Korea Free Trade Agreement (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. agencies participate, are augmented by senior-level engagement. In 2016, the United States and Korea held a number of bilateral trade consultations, in which

the United States addressed issues including the importance of good regulatory practice to the maintenance of an open and welcoming business environment, proper enforcement of intellectual property and competition policy, market access for electronic mapping services, and agricultural market access.

Korea has continued to import 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 2016, U.S. exports of beef and beef products to Korea were valued at \$1.1 billion, making Korea the second 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 countries worked together closely to strengthen regional economic integration in the Asia-Pacific by improving supply chain performance in the region, advancing issues related to digital trade, and ensuring that APEC member economies continue to implement their 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 agreements. Finally, Korea and the United States continued working together to advance the Trade in Services Agreement (TISA) negotiations during 2016.

## **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. APEC provides a unique opportunity to reduce barriers to U.S. exports and to more closely link our economy with the dynamic Asia-Pacific region.

In 2016, Peru hosted APEC under the theme: "Quality Growth and Human Development." This theme has four priority areas: 1) advancing regional economic integration and quality growth; 2) enhancing the regional food market; 3) modernizing micro-, small-, and medium-sized enterprises in the Asia-Pacific; and 4) developing human capital. Peru proposed that this theme, implemented in the framework of free market policies and openness to trade, will provide sustainability and legitimacy to the development processes. The United States worked with Peru to advance important policy objectives, particularly in the area of enhancing regional economic integration.

APEC Leaders and Ministers in their meetings in Lima on November 19-20 agreed to a number of outcomes for 2016 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 U.S. 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 57 percent of world GDP and about 45 percent of world trade (if intra-EU trade is included in world trade, or 59 percent if intra-EU trade is excluded). In 2016, United States-APEC total trade in goods was \$2.4 trillion. Total trade in services was \$475 billion in 2015 (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.

### *2016 Activities*

**Services and Digital Trade:** APEC economies adopted the APEC Services Competitiveness Roadmap that will focus APEC work in the field of services. The APEC Services Competitiveness Roadmap sets APEC-wide and individual targets to be achieved by 2025. In the area of digital trade, APEC continued pursuing a U.S.-led initiative to facilitate the development of policies that promote digital trade as a next generation trade and investment issue. In 2017, APEC will continue its thorough review of the issue with the objective

of identifying barriers to digital trade (including blocking of data flows and forced localization requirements), and policy responses to these barriers in a way that facilitates digital trade. The United States also advanced a Pathfinder initiative with 11 other APEC economies to support a permanent customs duty moratorium on electronic transmissions, including electronically transmitted content.

**Supply Chain Connectivity and Performance:** In 2016, APEC economies continued to make progress toward meeting the APEC-wide target of achieving a 10 percent improvement in supply chain performance in connection with the Supply Chain Connectivity Framework Action Plan (SCFAP). APEC approved the second phase of the SCFAP, and work in 2017 will continue to focus on areas relevant to the implementation of the WTO Trade Facilitation Agreement. In addition, APEC continued its work in this area by:

- (1) engaging in targeted capacity building in individual economies to improve supply chain performance and implement the WTO Trade Facilitation Agreement; and
- (2) renewing the U.S.-led initiative known as the APEC Alliance for Supply Chain Connectivity, a public-private group that focuses on helping with this capacity building.

APEC's supply chain work will make it significantly cheaper, easier, and faster for businesses to trade in the region. In 2016, progress was made on a number of projects in the Capacity Building Plan to Improve Supply Chain Performance (pre-arrival processing, advance rulings, expedited shipments, release of goods and electronic payments).

**Trade Secrets:** APEC economies endorsed the *Best Practices in Trade Secret Protection and Enforcement Against Misappropriation*, thereby recognizing the importance of trade secrets protection and enforcement to innovation, foreign direct investment, and the commercialization of research and development.

**Regulatory Transparency:** In 2016, APEC economies continued to build on earlier work related to good regulatory practices (GRP), including regulatory transparency. In August 2016, the Economic Committee organized the 9th Conference on Good Regulatory Practices, which included panels on simplification strategies, promoting high level support for reform, capacity building and stakeholder engagement, promoting inclusive growth, international regulatory cooperation, and cooperation that delivers results for business. At the GRP conference, the United States presented the preliminary results of the third update to the 2011 survey of GRP in the APEC region. The Food Safety Cooperation Forum Partnership Training Institute Network, which strengthens capacity in food safety, held a workshop on enhancing food safety regulation through increased transparency and public consultation. The Wine Regulatory Forum developed a model wine export certificate, which ministers adopted in May 2016. This certificate will reduce administrative burdens on wine producers and traders through the creation of a single model document that all APEC economies can use.

**Free Trade Area of the Asia-Pacific (FTAAP):** In 2016, APEC completed the Collective Strategic Study on issues related to the eventual realization of the FTAAP, and adopted a set of Recommendations to advance work in areas to enhance regional economic integration.

**Supporting the Multilateral Trading System and the World Trade Organization:** APEC Leaders in November 2016 reaffirmed the value, centrality, and primacy of the multilateral trade system under the auspices of the WTO. APEC economies reiterated their commitment to strengthening the rules-based, transparent, non-discriminatory, open, and inclusive multilateral trading system. APEC Leaders also reaffirmed their commitment to roll back protectionist and trade distorting measures and extended their standstill commitment to refrain from protectionist measures.

## **4. China, Hong Kong, Taiwan, and Mongolia**

### **China**

See 2016 USTR Report to Congress on China's WTO Compliance: <https://ustr.gov/sites/default/files/2016-China-Report-to-Congress.pdf>

### **United States-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 and the World Organization for Animal Health's upgrade of the U.S. risk classification for bovine spongiform encephalopathy to negligible risk, Hong Kong opened its market fully to all U.S. beef and beef products in 2014.

### **United States-Taiwan Trade Relations**

The United States-Taiwan Trade and Investment Framework Agreement (TIFA) Council, held under the auspices of the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States, is the key 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 2016 TIFA Council meeting was held on October 4, 2016 in Washington, D.C. Prior to the October TIFA Council meeting, authorities from both sides convened meetings at the working group level and held expert level discussions on issues including intellectual property rights, agriculture, medical devices, and pharmaceuticals.

In 2016, the TIFA process yielded important concrete results for U.S. stakeholders. The United States welcomed efforts by Taiwan authorities to follow through on the 2015 TIFA commitments related to intellectual property rights (IPR), pharmaceuticals, medical devices, and registration of chemical substances. With respect to intellectual property, the TIFA talks took stock of progress on pharmaceutical IP protection and committed to strengthen engagement on Taiwan's intellectual property rights legislation, promote the use of legitimate educational materials, and enhance enforcement cooperation. The 2016 TIFA also provided a platform for both sides to deepen exchanges and cooperation in the area of transparency. Both sides also agreed to continue the exchange of views on pending revisions to Taiwan's Copyright Act.

Furthermore, at the 2016 TIFA Council meeting, the United States and Taiwan held in-depth discussions on a range of agricultural issues and agreed that more needed to be done to secure meaningful progress. In addition, both the United States and Taiwan recognized the need for further engagement on improving the time-to-market of medical devices, including streamlining regulatory approvals.

The United States continues to express serious concerns about Taiwan's agricultural policies that are not based upon science. Removing Taiwan's bans on U.S. pork and certain beef products produced using ractopamine, as well as continued barriers to U.S. beef offal products, are priorities. Other key areas of focus include Taiwan's rice procurement systems and barriers to U.S. agricultural biotechnology products and certified organic products in Taiwan.

The United States will continue to work to address and resolve the broad range of trade and investment issues important to U.S. stakeholders through engagement under the TIFA framework as well as through multilateral fora such as the WTO. In addition to agricultural issues, the United States will continue to engage on IPR issues as Taiwan revises its Copyright Act and works to ensure transparency and predictability in pharmaceutical and medical device pricing and reimbursement. The United States will

continue to utilize the Investment Working Group for dialogue with Taiwan authorities to address a robust set of priority investment issues to improve Taiwan's investment climate, and also continue to conduct exchanges under the TBT Working Group to ensure that technical regulations do not create excessive burdens for the industries that they affect, such as chemicals, cosmetics, and consumer products.

### **U.S.-Mongolia Trade Relations**

The United States and Mongolia renewed their engagement under the United States.-Mongolia Trade and Investment Framework Agreement (TIFA) in 2015, holding a meeting in Ulaanbaatar on May 18. This 5th TIFA meeting was the first one since the two sides launched negotiations over a bilateral agreement on transparency in matters relating to trade and investment in 2009. The two sides reviewed Mongolia's ongoing efforts to make the legal changes necessary for their bilateral transparency agreement, signed by the two sides in 2013 and ratified by the Mongolian Parliament in 2014, to enter into force. The TIFA meeting also provided the opportunity to discuss recent changes to Mongolia's investment and mining laws aimed at encouraging more foreign investment into Mongolia as well as a range of investor concerns about Mongolia's investment climate.

In January 2017, the United States and Mongolia exchanged letters enabling their bilateral transparency agreement to enter into force, effective 60 days later. This agreement applies to matters relating to international trade and investment and includes joint commitments to provide opportunities for public comment on proposed laws and regulations and to publish final laws and regulations. This publication commitment includes the obligation to publish final laws and regulations in English, which should make it easier for U.S. and other foreign enterprises to do business in, and invest in, Mongolia. The transparency agreement also commits the two parties to ensure that administrative agencies apply fair, impartial and reasonable procedures and that persons affected by the decisions of administrative agencies have a right to appeal those decisions. Additional commitments address the application of disciplines on bribery and corruption.

## **5. Southeast Asia and the Pacific**

### **Free Trade Agreements**

The United States continued to monitor and enforce its FTAs with Singapore and Australia (*See Chapter III.A for additional information*).

### **Trans-Pacific Partnership**

The United States and the 11 other countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam) signed the TPP Agreement on February 4, 2016, following the conclusion of TPP negotiations in October 2015 and finalization of the legal text of the agreement.

Throughout 2016, the Obama Administration negotiated with the U.S. Congress and consulted with stakeholders to prepare for Congressional consideration of the TPP Agreement. Following the February signing of the TPP agreement, on April 1 the Obama Administration transmitted to Congress the expected list of changes to existing law required to bring the United States into compliance with obligations under TPP. On August 12, the Administration transmitted to Congress the draft Statement of Administrative Action and draft implementing legislation for TPP. President Obama never submitted the implementing legislation to Congress.

Meanwhile, some TPP countries are working to conclude other regional free trade agreements, including the Regional Comprehensive Economic Partnership, an agreement that includes the ten ASEAN countries, China, Japan, Korea, India, Australia, and New Zealand, and that other TPP countries are exploring joining. TPP countries are also negotiating other regional agreements, including the Pacific Alliance, an agreement being negotiated by Mexico, Chile, Peru, and Colombia, to which many other countries have joined as observers, and a number of TPP countries also are negotiating trade agreements with the European Union.

On January 24, 2017, President Trump instructed USTR to issue formal notice to the TPP countries that the United States intended to formally withdraw from the discussions. USTR issued formal notice on January 30, 2017. However, USTR intends to continue strong bilateral engagement with our Asia-Pacific partners to maintain American influence in the region. The Trump Administration formally began this process on February 2, 2017, when the President invited leaders of the Senate Finance and House Ways and Means Committees to the White House in order to begin consultations related to bilateral discussions with our trading partners in the region. These bilateral discussions will present unique opportunities to engage our Asia-Pacific partners in areas in which the TPP failed to provide adequate market access of American-made goods and agriculture products.

### **Managing United States-Southeast Asia and Pacific Trade Relations**

In 2016, the United States continued to deepen economic relations with ASEAN countries, both bilaterally and as a group, under a network of Trade and Investment Framework Agreements (TIFAs). The United States has TIFAs with Burma, Cambodia, Indonesia, Philippines, Thailand, and Vietnam, and signed a TIFA with Laos in February 2016.

The United States used these dialogues to implement initiatives designed to strengthen trade and investment ties and address bilateral trade issues, and monitor TIFA partners' implementation of their WTO commitments. For example, under our bilateral TIFA with Thailand, the United States and Thailand agreed to a work plan to address concerns with Thailand's intellectual property rights regime. The U.S. Government worked with Laos to support its implementation of its WTO accession commitments and commitments under the United States-Laos Bilateral Trade Agreement. U.S. TIFA and other bilateral meetings also provided opportunities to coordinate on capacity building and economic assistance projects in ASEAN countries, including on customs and trade facilitation, environment, and labor rights and protections.

The United States also intends to use these meetings to coordinate and advance ASEAN, APEC, and WTO initiatives.

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

In addition to bilateral dialogues, the United States engaged with ASEAN under the United States-ASEAN TIFA and the ASEAN-United States Expanded Economic Engagement (E3) initiative, initiatives developed in order to deepen trade ties with ASEAN countries, which collectively represent the fourth largest U.S. trading partner. The United States held several high-level meetings with ASEAN in 2016 to advance initiatives under E3 and the U.S.-ASEAN TIFA, including in the areas of environment, transparency, 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 follow up to the U.S.-ASEAN Special Leader Summit in February 2016, the United States hosted the ASEAN Ministers for meetings in San Francisco and Silicon Valley to showcase economic and trade policies that support innovation and entrepreneurship. In 2016, the United States also launched the U.S.-ASEAN Trade Workshops aimed at

providing ASEAN information on elements of high-standard trade agreements and in cooperation with Singapore delivered workshops on electronic commerce and intellectual property rights. The United States and ASEAN also finalized joint principles with ASEAN on investment and on transparency and good regulatory practices.

## **6. Sub-Saharan Africa**

### **Overview**

Throughout 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 by hosting the AGOA Forum, participating in the United States-East African Community (EAC) Trade and Investment Partnership, and holding meetings under Trade and Investment Framework Agreements (TIFAs) with certain African countries and regional economic communities.

### **AGOA Forum**

On September 26, 2016, USTR chaired the annual AGOA Ministerial Forum in Washington, D.C. (*for more information on AGOA, see Chapter V.B.8c*). The theme of this Forum was “Maximizing United States-Africa Trade and Investment: AGOA and Beyond.” The discussion served both to encourage AGOA beneficiary countries to take full advantage of the decade-long extension of the program and to begin a conversation of how to move the trade and investment relationship to the next level, beyond AGOA. The discussion was informed by a USTR report released the week prior at the United States-Africa Business Forum in New York entitled, “Beyond AGOA: Looking to the Future of United States Africa Trade and Investment.”

### **World Economic Forum on Africa**

During May 12-14, 2016, USTR participated in the World Economic Forum on Africa, held in Kigali, Rwanda. It met with African heads of state and other government and private-sector leaders to advance U.S. trade and investment-related issues in Africa, and, in particular, to consult on the future of United States-Africa trade and investment. While in Rwanda, the delegation toured a women’s cooperative that produces high-end bags and accessories for export under AGOA.

### **Trade Africa/U.S.-EAC Trade and Investment Partnership**

The United States announced in 2013 the Trade Africa initiative, which is a partnership between the United States and the countries in 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 Partner States of the East African Community (EAC) – Burundi, Kenya, Rwanda, Tanzania, and Uganda.

On September 26, 2016, USTR hosted a ministerial meeting with Trade Ministers and senior officials from the EAC Partner States. The United States and the EAC concurred on the need to develop a strategic way forward on deepening the U.S.-EAC Trade and Investment Partnership beyond AGOA. The United States and the EAC also continued discussions on the possibility of negotiating a U.S.-EAC investment treaty to contribute to a more attractive investment environment in East Africa.

On September 27, 2016, senior officials from the United States and EAC held a U.S.-EAC TIFA meeting where they discussed implementation of the EAC-U.S. “Cooperation Agreement on Trade Facilitation, Sanitary and Phytosanitary Measures, and Technical Barriers to Trade,” signed on February 26, 2015;

efforts to increase two-way trade through the development of regional and national AGOA strategies; and a strategic way forward on deepening the U.S.-EAC Trade and Investment Partnership.

Total two-way goods trade between the United States and the EAC was \$1.5 billion in 2016, with \$706 million in U.S. goods exports, and U.S. goods imports totaling \$785 million. Kenya was by far the United States' top trading partner within the EAC, with two-way goods trade totaling \$945 million, followed by Tanzania with \$309 million, Uganda with \$121 million, Rwanda with \$100 million, and Burundi with \$15 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.

### **U.S.-COMESA Trade and Investment Framework Agreement**

On February 8, 2016, senior officials from the United States and the Common Market for Eastern and Southern Africa (COMESA) held the eighth meeting of the United States-COMESA TIFA in Lusaka, Zambia. Among the topics discussed were the U.S.-COMESA trade and investment relationship under AGOA, deepening U.S.-COMESA trade, enhancing agricultural productivity and trade, and the business climate and investment policies in COMESA.

### **U.S.-ECOWAS Trade and Investment Framework Agreement**

On September 27, 2016, USTR hosted officials of the Economic Community of West African States (ECOWAS) for the second meeting of the United States-ECOWAS TIFA Council. Among the topics discussed were a review of current activities in support of shared trade and investment objectives, a vision for the ECOWAS – U.S. trade relationship in the medium- to long-term and broadening ECOWAS – U.S. trade and investment cooperation to new areas.

### **United States-Mozambique Trade and Investment Framework Agreement**

On November 8, 2016, senior officials from the United States and Mozambique held the fifth meeting of the United States-Mozambique TIFA in Maputo, Mozambique. Among the topics discussed was the United States-Mozambique Trade Africa partnership, which seeks to help Mozambique meet its WTO obligations and address capacity issues that constrain trade, improve Mozambique's business and investment climate, and expand and diversify bilateral trade and investment, including under AGOA.

## **7. South and Central Asia**

### **India**

Two-way U.S.-India trade in goods and services in 1980 was only \$4.8 billion; it grew to an estimated \$109 billion in 2015 (latest data available for goods and services trade) – an annual growth rate over this period of better than 9 percent. Although existing Indian trade and regulatory policies have inhibited an even more robust trade and investment relationship, India's economic growth and development could support significantly more U.S. exports in the future. India's reform of its goods and services tax could help create a common internal market that significantly lowers transaction costs. Additionally, India's new National Intellectual Property Rights policy could protect U.S. innovations. While these reforms are encouraging, there has also been a general trend of tariff increases in India, which reflects an active pursuit of import substitution policies.

In 2017, the United States will press India to make meaningful progress in relation to these ambitious goals. Among other actions, USTR will follow through with work plans agreed to during the October 2016 U.S.-

India Trade Policy Forum (TPF), which will include convening digital video conferences and in-person meetings on intellectual property rights, promoting investment in manufacturing, agriculture, and trade in goods and services. This regularized engagement will provide an opportunity to achieve meaningful results on a wide range of trade and investment issues, and allow the United States and India to partner on issues of mutual interest in advance of the 2017 TPF.

### **Contributing to Regional Stability**

In 2016, in support of U.S. national security objectives in Afghanistan, Pakistan, Iraq, and around the region, USTR strengthened engagement with South and Central Asia as part of a broader effort to boost trade, trade-fostering investment, employment, poverty reduction, 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 2016 include the following:

- USTR continued its work 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 focused on efforts on improving trade and investment flows, as well as continuing to assist Afghanistan in the implementation of the accession to the World Trade Organization (WTO), a milestone that was achieved in 2015. We look forward to convening a TIFA Council meeting with Afghanistan in the spring of 2017 to promote greater trade and address the country's critically high levels of unemployment and poverty.
- USTR worked with Iraq to identify ways to address the critical revenue shortfall caused by low oil prices and the fight against ISIS. Working with U.S. Customs and Border Protection, USTR advised Iraqi officials on revamping Iraq's customs procedures, an undertaking that is expected to increase revenues by \$2 billion annually. Other discussions focused on boosting USTR's cooperation with Iraqi sub-central governments such as Kurdistan and Basra, WTO accession, establishment of dispute resolution procedures, and the use of international standards in agriculture and government procurement. USTR continues to review Iraq's eligibility for the GSP in response to a petition from the American Federation of Labor and Congress of Industrial Organizations that alleges violations of internationally recognized worker rights. During 2016, Iraq implemented labor reforms supported by stakeholders that directly address a number of the chief complaints in the GSP workers' rights petition.
- USTR and Minister of Commerce of Pakistan convened the Eighth U.S. Pakistan Trade and Investment Framework Agreement (TIFA) Council meeting in October 2016. During the TIFA meeting, the U.S. delegation advocated for market access for U.S. beef products, electronic filing of customs documents, and tax predictability for U.S. companies. USTR also engaged directly with the Prime Minister, Minister Finance and other key government officials on these and other issues.
- During Pakistan Prime Minister Nawaz Sharif's October 2015 visit to the United States, USTR unveiled an Augmented Joint Action Plan to Increase Trade and Investment that is to be implemented over the next five years. We actively engaged on this plan in 2016. Among other initiatives, in 2017, Pakistan and the United States will intensify engagement on trade and investment issues by bringing together U.S. and Pakistani companies, addressing investment climate issues, and conducting outreach to the private sector in Pakistan to promote a better understanding of the U.S. GSP program.

- With USTR, the USAID Missions in Afghanistan and Pakistan, and Central Asia have developed and supported implementation of cross-border trade agreements throughout the region, including the Afghanistan-Pakistan Transit Trade Agreement and the South Asian Free Trade Area Agreement. Border crossing procedures have been streamlined with joint training and collaboration. Afghanistan's recent accession to the WTO will provide an impetus to efforts to foster improved transit trade and regional connectivity. Such efforts will be important to our work for 2017.

### **Supporting Workers' Rights in Bangladesh**

Following the 2013 suspension of Bangladesh's GSP benefits based on shortcomings related to workers' rights, USTR dedicated significant time in 2014 and 2015 to work with the government of Bangladesh and other stakeholders to monitor Bangladesh's progress in addressing U.S. concerns. In September 2015, USTR led a senior delegation to Bangladesh to assess the status of efforts to address workers' rights and workers' safety issues. Although Bangladesh has made some progress on these issues, especially with respect to workplace safety, more progress is necessary before GSP benefits can be restored, particularly with respect to rights of association, union registration, and the protection of labor leaders from violent reprisals. USTR will continue to work with all stakeholders in 2017 to encourage additional progress on workers' rights and workers' safety issues. USTR continues to watch this issue carefully as there has been labor unrest as recently as January 2017.

In November 2015, 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 an additional means for the U.S. Government to exchange views on Bangladeshi efforts to improve workers' safety and workers' rights.

For 2017, USTR plans to continue its efforts to promote stronger respect for workers' rights in Bangladesh. The U.S. Department of State, the U.S. Department of Labor, and USAID continue to implement technical assistance projects aimed at addressing the concerns that led to the withdrawal of GSP. USTR continues to coordinate its efforts with the government of Bangladesh, the European Union, the International Labour Organization (ILO), and multi-stakeholder initiatives, such as the Alliance for Bangladesh Worker Safety and the Bangladesh Accord on Fire and Building Safety. A planned meeting of the Bangladesh Sustainability Compact, which includes the European Union, the Bangladesh government, the U.S. Government, and the ILO, will be one focus of bilateral efforts, along with an envisioned meeting of the U.S.-Bangladesh TICFA Council the spring of 2017 in Bangladesh.

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

In 2016, the United States continued to work with partner governments in the region, the private sector, think tanks, the media, and U.S. Embassies to effectively explain the economic importance of empowering women entrepreneurs and business owners to better take advantage of trade and investment opportunities. USTR worked to fully implement the 2014 Memoranda of Understanding (MOU) with the governments of Pakistan and Kazakhstan on Women's Economic Empowerment, and initiated discussions with a number of other South Asian countries on negotiating similar MOUs.

### **Advancing U.S. Engagement with Central Asia**

USTR's historic support for WTO membership for the Central Asian countries helped facilitate Kazakhstan attaining WTO membership in 2015. Support for WTO accession of Uzbekistan and Turkmenistan

continued. For 2017, USTR plans to review accession issues for these two countries, especially considering that there is a new Uzbek government in place. Also, the United States-Central Asia TIFA Council meeting convened in Bishkek, Kyrgyzstan, with the five Central Asian countries – Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan – as Members, plus Afghanistan as an Observer. We hope to convene the next TIFA Council meeting in the fall of 2017 and will focus on actions to boost regional economic cooperation and connectivity; customs issues; women’s economic empowerment; energy trade; and, country-specific trade/investment issues, via Bilateral Working Group consultations with each of the TIFA Parties.

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

In late 2014, Sri Lankan voters elected a reform-minded government focused on human rights and accountability for actions during Sri Lanka’s long war against Tamil insurgents. This development has enhanced U.S.-Sri Lankan relations. The new Sri Lankan government has committed to wide ranging political and economic reforms; in the latter area, Sri Lanka plans to implement a world class trade and investment regime within five years – a first for South Asia. In support, USTR has developed a new mechanism for promoting bilateral trade and investment—a Joint Action Plan to Boost Bilateral Trade and Investment (JAPTI). The JAPTI sets out a roadmap that could double U.S.-Sri Lanka trade and FDI flows over the next five years by targeting the laws, regulations, and practices that have hindered Sri Lankan external trade and investment. In 2016, USTR finalized and launched the JAPTI. We will have a TIFA intersessional meeting in spring of 2017 to coordinate the implementation of the several key actions of the JAPTI.

As a follow-up to the first ever TIFA meeting with the Maldives in 2014, USTR continued to monitor efforts to improve workers’ rights in the Maldives, including through U.S. Department of Labor technical assistance. USTR also continued discussions aimed at implementing best strategies to increase bilateral trade and investment in the country’s fishing and tourism industries.

Nepal is still recovering from a devastating earthquake that struck the country in 2015. In 2016, the United States implemented the Nepal preference program, which provides duty-free treatment for 66 types of items from Nepal, including certain carpets, headgear, shawls, scarves, and travel goods. This program is authorized for ten years and is designed to improve export competitiveness and help Nepal’s economic recovery following the earthquakes. In 2017, the United States will continue to work with Nepal and provide technical assistance, aid its recovery, and deepen bilateral trade engagement.