III. BILATERAL AND REGIONAL NEGOTIATIONS AND AGREEMENTS

A. Free Trade Agreements

1. Australia

The United States-Australia Free Trade Agreement (FTA) entered into force on January 1, 2005. U.S. two-way trade with Australia was $26.7 billion in 2009, up 23 percent from 2004. U.S. goods exports were $18.9 billion in 2009, up 33 percent from 2004, and U.S. goods imports were $7.8 billion, up 3.5 percent from 2004.

Agricultural trade between the United States and Australia continued to grow in 2009. The FTA established working groups aimed at promoting closer cooperation between the two countries in this sector and creating fora for discussing agricultural and sanitary and phytosanitary issues. The working groups met in August 2009 to address specific bilateral animal and plant health matters with a view to facilitating agricultural trade.

In October 2009, the United States and Australia completed the fourth annual FTA review. The two sides reviewed implementation of the agreement and exchanged views on a range of issues under the FTA, including trade in agriculture products, sanitary and phytosanitary issues, government procurement, and protection of intellectual property rights.

The United States and Australia also discussed each government's implementation of the obligations contained in the environment chapter of the FTA and exchanged views on how to improve communication on trade and environment issues, including possible collaboration. Both governments agreed to hold discussions between trade and environment experts in the coming months.

The FTA review also provided an opportunity to further a discussion of labor issues and potential areas for labor cooperation. As a result, it was agreed that labor officials from the two governments would meet in the coming months to build on this dialogue.

2. Bahrain

The United States-Bahrain FTA, which entered into force on January 11, 2006, generates export opportunities for the United States, creating jobs for U.S. farmers and workers. The agreement also supports Bahrain's economic and political reforms and enhances commercial relations with an economic leader in the Arabian Gulf. On the first day the agreement took effect, 100 percent of the two-way trade in industrial and consumer products began to flow without tariffs. Because of the FTA, U.S. farmers have significantly increased their agricultural exports to Bahrain. In addition, Bahrain opened its services market wider than any previous FTA partner, creating important new opportunities for U.S. financial service providers and companies that offer telecommunications, audiovisual, express delivery, distribution, healthcare, architecture, and engineering services.

The central oversight body for the Agreement is the United States-Bahrain Joint Committee (JC), chaired jointly by the Office of the U.S. Trade Representative and Bahrain's Ministry of Industry and Commerce. The second meeting of the JC was held on October 21, 2009. During this meeting officials discussed a broad range of trade issues. In particular, they discussed the considerable efforts during 2009 by both governments to ensure effective implementation of key customs-related aspects of the FTA, including through targeted technical assistance to Bahrain's customs authorities, as well as trade initiatives by the Gulf Cooperation Council, of which Bahrain is a member. Officials also signed a Joint Committee Decision on the Government Procurement Annex and a Protocol regarding changes to Annex 3-A of the Agreement related to the Harmonized Commodity Description and Coding System. In addition, the two governments discussed initiatives to monitor implementation and compliance with the labor and environmental obligations in the FTA and additional cooperative efforts related to labor rights and environmental protection.

The discussion on labor issues during the JC meeting built upon a USTR-led mission to Bahrain earlier in the month under the auspices of the FTA labor chapter. During the visit, U.S. government officials from USTR and the Departments of Labor and State held meetings with Bahrain's Ministry of Labour and Social Affairs as well as with representatives from labor and business groups and other government officials. As part of ongoing labor cooperation and capacity building activities, the U.S. Department of Labor is funding a project implemented by the International Labor Organization to increase the effectiveness of labor inspections by Bahrain's labor ministry. During the next year, the two governments will continue to hold discussions between their respective experts on labor and environmental issues to ensure effective compliance with FTA obligations. In addition, the two governments will initiate steps to formally establish a Subcommittee on Labor under the Joint Committee of the FTA.

The U.S.-Bahrain FTA also promotes the policy of advancing economic reforms and liberalization in the Middle East. The United States-Bahrain Bilateral Investment Treaty (BIT), which took effect in May 2001, covers investment issues between the two countries.

3. Central America and the Dominican Republic

a. Overview

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

Central America and the Dominican Republic represent the third largest U.S. export market in Latin America, behind Mexico and Brazil. U.S. exports to the CAFTA-DR countries were valued at $19.5 billion in 2009. Combined total two-way trade in 2009 between the United States and Central America and the Dominican Republic was $37.9 billion.

The agreement entered into force for the United States and El Salvador, Guatemala, Honduras, and Nicaragua during 2006, for the Dominican Republic on March 1, 2007, and for Costa Rica on January 1, 2009. With the addition of Costa Rica, the CAFTA-DR is in force for all seven countries that signed the agreement.

On August 15, 2008, the CAFTA-DR Parties implemented important changes to the agreement's textiles provisions, including changing the rules of origin to ensure that pocket fabric in apparel is sourced from the United States or another CAFTA-DR Party. The Parties also implemented a reciprocal textile input sourcing rule with Mexico. Under this rule, Mexico will provide duty-free treatment on certain apparel goods produced in a Central American country or the Dominican Republic with U.S. input, and the United States will provide reciprocal duty-free treatment under the CAFTA-DR on certain apparel goods produced in a Central American country or the Dominican Republic with Mexican input. These changes will further strengthen and integrate regional textile and apparel manufacturing and create new economic opportunities in the United States and the region.

b. Elements of the CAFTA-DR

i. Operation of the Agreement

The central oversight body for the CAFTA-DR is the Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the trade ministers of the other CAFTA-DR Parties or their designees. The FTC is responsible for supervising the implementation and operation of the agreement.

ii. Labor

The CAFTA-DR Vice Ministers of Labor met in February 2009. The vice ministers reviewed progress on the implementation of the CAFTA-DR labor chapter, discussed labor cooperation and capacity building efforts to date, and identified priorities for future capacity building activities. Ongoing labor capacity building activities are supporting efforts to improve the enforcement of labor laws in the CAFTA-DR countries. In particular, U.S. Government assistance focuses on strengthening and modernizing the labor ministries and justice systems in the CAFTA-DR countries, and promoting a culture of compliance with labor laws in each CAFTA-DR country.

The AFL-CIO and several Guatemalan unions filed a submission in April 2008 under the CAFTA-DR labor procedures, alleging that the government of Guatemala is failing to effectively enforce its domestic labor laws with regard to freedom of association, the right to bargain collectively, and acceptable conditions of work in five separate cases. The U.S. Department of Labor conducted a review and issued a public report on January 16, 2009 in which it identified significant weaknesses in Guatemala's ability to enforce its labor laws and made recommendations on steps that Guatemala should take to address these concerns. Throughout 2009, an interagency team including USTR, the Department of Labor, and the State Department worked extensively with the government of Guatemala to address issues identified in the report. This engagement included several high-level meetings in Guatemala and the United States between U.S. and Guatemalan officials. The government of Guatemala has made some progress in addressing the concerns identified in the report, including the reinstatement of several workers that had been wrongfully discharged. The United States will continue to work closely in 2010 with the Guatemalan government in an effort to resolve outstanding issues and address systemic concerns with the administration and enforcement of labor law in Guatemala.

iii. Environment

In March 2009, the Parties held the fourth meeting of the CAFTA-DR Environmental Affairs Council (EAC). The EAC discussed the implementation of, and progress under, the environment chapter of the agreement. Among other things, the EAC reviewed the Working Procedures and a Public Outreach Plan for the Secretariat for Environmental Matters under the CAFTA-DR ("Secretariat"), appointed a new General Coordinator for the Secretariat, and considered presentations on various accomplishments under the CAFTA-DR Environmental Cooperation Program. The Council also met in a public session to provide civil society an opportunity to discuss matters relating to the implementation of the environment chapter, including environmental cooperation and capacity building.

A submission alleging that El Salvador is failing to effectively enforce its environmental laws was filed with the Secretariat in 2009. The Secretariat also continues work on a submission concerning the Dominican Republic that was filed in 2007. USTR and other U.S. Government agencies are working with the Secretariat to improve the timeliness of its work on these submissions.

iv. Trade Capacity Building

Trade Capacity Building (TCB) programs and planning continued in 2009 with USTR, and with USAID and other donors, such as the U.S. Department of Agriculture, meeting bilaterally with CAFTA-DR partner countries. Discussions focused on the prioritization of CAFTA-DR partners' trade capacity building objectives, including successful implementation and full utilization of the opportunities created by the CAFTA-DR. These bilateral meetings also focused on the prioritization and coordination of donor responses to countries' TCB objectives, in areas such as customs, telecommunications, and intellectual property. *(For additional information, see Chapter VI.A.5.)*

v. Other implementation matters

The political crisis in Honduras hindered the United States' ability to work with its CAFTA-DR partners on plurilateral matters in 2009. However, the United States 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 worked with the government of Costa Rica to review and support its efforts to follow through on commitments it made to enact legislation making certain corrections to its intellectual property rights laws and to ensure effective regulations on agricultural chemicals. The United States also closely followed developments in Costa Rica's telecommunications sector on opening wireless services to competition. Moreover, a joint USTR and U.S. Department of Agriculture delegation traveled to El Salvador, Guatemala, and Nicaragua to meet with trade, agriculture, and customs officials in those countries to discuss the administration of agricultural tariff-rate quotas under the CAFTA-DR, which form an important component of U.S. market access under the agreement.

4. Chile

a. Overview

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

The United States-Chile FTA eliminates tariffs and opens markets, reduces barriers for trade in services, provides protection for intellectual property, ensures regulatory transparency, guarantees non-discrimination in the trade of digital products, commits the Parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective labor and environmental enforcement. In 2009, U.S. exports to Chile decreased by 26 percent to $8.8 billion, while U.S. imports from Chile decreased by 29 percent to $5.8 billion.

b. Elements of the United States-Chile FTA

i. Operation of the Agreement

The central oversight body for the Agreement is the United States-Chile Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Chilean General Directorate for International Economic Affairs or their designees.

The FTC held its sixth meeting on November 10, 2009, during which the two governments evaluated progress on implementing the FTA during 2009. The FTC reviewed the operation of the specialized committees established under the FTA and concluded that good progress had been made. The Committee on Sanitary and Phytosanitary (SPS) issues and the Committee on Technical Barriers to Trade met during 2009. Experts from respective Labor Departments engaged in a number of robust technical level discussions in 2009, and a meeting of the Environmental Affairs Council has been scheduled for January 2010.

The United States and Chile also discussed modifications to Annex 7.8 of Chapter 7 (Technical Barriers to Trade) of the FTA to reflect a change for Chile in the government agency responsible for implementation of the Annex. The Parties expect to complete the modification in 2010.

In early 2009, U.S. and Chilean officials concluded an agreement with an exchange of letters regarding U.S. certification of beef grade labeling. This agreement allowed for a partial resumption of American beef shipments to Chile in 2009.

ii. Labor

The FTA establishes a cooperative mechanism to promote respect for the principles embodied in the ILO Declaration on Fundamental Principles and Rights at Work, and compliance with ILO Convention 182 on the Worst Forms of Child Labor. In 2009, the U.S. and Chilean Ministries of Labor held a number of technical exchanges on workforce development, labor inspections and labor market information. U.S. Secretary of Labor Hilda Solis and Chilean Minister of Labor Claudia Serrano met in Buenos Aires in October 2009 to discuss areas of mutual interest including future cooperative activities.

iii. Environment

On January 20, 2010, the U.S. and Chilean governments convened the fifth meeting of the Environmental Affairs Council, co-led by USTR and the Department of State for the United States, and by the National Council on Environment (CONAMA) and the Foreign Ministry for Chile, to discuss implementation of the FTA's environment chapter. At this meeting, both governments agreed to improve monitoring of implementation and compliance efforts related to the FTA's environment chapter, including through an exchange of information related to any changes to environmental laws, regulations or other measures.

The Environmental Affairs Council invited the U.S. Trade and Environmental Policy Advisory Committee (TEPAC) Members and Liaisons to participate in the January 2010 meeting and to have an exchange on trade and environment issues. Participants in the meeting reviewed public outreach activities and transparency in environmental decision making during 2009. The Parties agreed to hold the next Environmental Affairs Council meeting in Chile in late 2010 or early 2011.

iv. Intellectual Property Rights

The assessment that Chile's protection and enforcement of intellectual property rights (IPR) continues to fall well below expectations of a U.S. FTA partner was reflected in USTR's 2009 decision to maintain Chile on the Special 301 Priority Watch List. There remain substantive deficiencies in Chile's IPR laws and regulations and concerns about inadequate IPR enforcement, including significant copyright piracy of movies, music, and software. The United States also remains concerned about inadequate protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products, and urges Chile to provide an effective system to prevent the issuance of marketing approvals for unauthorized copies of patented pharmaceutical products. Chile's Congress continues to deliberate on a number of bills that must be enacted in order for Chile to make further progress in bringing its IPR regime into line with its commitments under the FTA. The United States will continue working with Chile to improve IPR protection and enforcement so as to ensure full implementation of the FTA. At the sixth meeting of the FTC in November 2009, the Commission recognized the constructive exchange of information between the United States and Chile regarding Chile's implementation of its IPR commitments, while noting U.S. concerns regarding specific areas of Chile's implementation.

5. Israel

This year, 2010, marks the twenty-fifth anniversary of the United States-Israel Free Trade Agreement, which was the first FTA entered into by the United States. It 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 2009, U.S. goods exports to Israel declined by 36 percent to $9.3 billion, while U.S. imports from Israel decreased 18 percent to $18.3 billion.

The central oversight body for the FTA is the United States-Israel Joint Committee. In December 2009, the Joint Committee met to exchange views on issues and concerns related to agricultural market access and telecommunications and government procurement, among other topics. Both governments acknowledged the progress and collaborative work that has taken place since the last meeting of the Joint Committee in Washington, DC which was in October 2007. At the 2009 meeting, the United States and Israel agreed that the two sides would explore discussions of a mutual recognition agreement on telecommunications and explore concerns voiced by U.S. exporters in meeting Israeli customs requirements. They also made progress on a number of market access issues related to standards, customs classification, and technical regulations. Both sides agreed to continue the dialogue through the U.S.-Israel Working Group on Standards and Technical Regulations, which last met in March 2009.

Recognizing in the 1990s that the FTA had not served to liberalize some aspects of bilateral agriculture trade, the United States and Israel concluded an Agreement Concerning Certain Aspects of Trade in Agricultural Products (ATAP), which provided for duty-free or other preferential treatment of certain agricultural products. The 1996 agreement was extended through 2003, and a new agreement was concluded in 2004. In December 2009, the two sides agreed to extend that agreement for a second time, extending through December 31, 2010. The Working Group on Agriculture agreed to meet in early 2010 to continue negotiations of a successor to the 2004 ATAP.

Despite the impasse over agricultural free trade, during 2009, technical experts from the United States and Israel worked together to resolve some existing agricultural trade concerns. The Israelis removed a long-standing obstacle to U.S. pistachio exports to Israel, and the United States opened the U.S. market to Israeli eggplant and resolved customs questions on the transshipment of fresh herbs and flowers. However, many technical barriers still remain for U.S. agricultural products' entry into the Israeli market.

In connection with the 2009 Special 301 out-of-cycle review (OCR), the United States and Israel are continuing negotiations to resolve longstanding issues with Israel's intellectual property rights (IPR) regime for pharmaceutical products.

6. Jordan

In 2009, the United States and Jordan continued to benefit from their extensive economic partnership. A key element of this relationship is the United States-Jordan Free Trade Agreement, which was fully implemented on January 1, 2010. In addition, the Qualifying Industrial Zones (QIZs), established by Congress in 1996, allow products to enter the United States duty-free if manufactured in Israel, Jordan, Egypt, or the West Bank and Gaza. The program has succeeded in stimulating significant business cooperation between Jordan and Israel.

Together these measures have played a significant role in boosting overall United States-Jordanian economic ties. U.S. goods exports were $1.2 billion in 2009, up 27 percent from 2008. QIZ products still account for more than half of Jordanian exports to the United States, but the QIZ share is declining relative to total products shipped under the FTA. This shift toward exporting products manufactured outside of the QIZs demonstrates the important role the FTA plays in helping Jordan diversify its economy.

The United States-Jordan FTA has expanded the trade relationship by reducing barriers for services, providing cutting-edge protection for intellectual property, ensuring regulatory transparency, and requiring effective labor and environmental enforcement. The central oversight body for this Agreement is the United States-Jordan Joint Committee. The two sides met in December 2009 to exchange views on economic conditions in both countries and to discuss the development of bilateral cooperation in areas including: general economic cooperation, investment, agriculture, innovation, IPR protection and enforcement, customs issues, environmental and labor issues, and capacity building. The United States encouraged Jordan to focus on developing a strategy over the next 10 years to build on the success of the FTA, including increasing public awareness in Jordan on how to access FTA benefits and enhancing SME cooperation through the FTA.

Both governments acknowledged the progress and collaborative work that has taken place since the last meeting of the Joint Committee in Washington, DC which was held in October 2008. The Jordanian government removed barriers to U.S. meat and poultry exports while in turn the United States completed a number of food safety reviews that would allow for the importation of certain horticultural products from Jordan.

The two sides also reviewed the past year's activities under the Plan of Action developed in the October meeting of the Joint Committee in Washington, DC. As part of that discussion, officials committed to explore ways to intensify joint work on environment, labor and other issues. Jordan agreed to include the United States in consultations on its environmental law and proposed amendments and arranged for a set of outreach sessions on the margins of the meeting with key environmental stakeholders.

The discussion on labor issues during the Joint Committee meeting built upon a USTR-led mission to Jordan in September 2009. During the visit, U.S. government officials from USTR and the Departments of Labor and State joined with officials from Jordan's Ministry of Labor to hold a meeting of the Labor Subcommittee that was created by the FTA Joint Committee in 2006. In addition to extensive meetings with Jordanian government officials, the U.S. delegation met with representatives from labor unions and worker rights advocates as well as business groups. During the mission, U.S. officials visited factories located in QIZs to monitor working conditions and urge the government of Jordan to continue making improvements on labor rights issues, especially with regard to migrant workers in the apparel factories. To support this effort, the United States and Jordan are funding an International Labor Organization Better Work program, which will observe working conditions in garment factories and issue public reports. The project was launched in 2008, and began monitoring activities in QIZ factories in 2009.

7. Morocco

The United States and Morocco signed an FTA on June 15, 2004. The Agreement entered into force on January 1, 2006. The United States-Morocco FTA is a comprehensive agreement that is an important part of the effort to promote a more open and prosperous society. The FTA supports the significant economic and political reforms that are underway in Morocco and provides for improved commercial and market opportunities for U.S. exports to Morocco by reducing and eliminating trade barriers.

Since the entry into force of the FTA, the U.S. goods trade surplus with Morocco has risen to $1.2 billion in 2009, up from $79 million in 2005 (the year prior to entry into force). U.S. goods exports in 2009 were $1.6 billion, up 12 percent from the previous year. Corresponding U.S. imports from Morocco were $461 million, down 48 percent. Morocco is now the 62nd largest export market for U.S. goods.

The Joint Committee established by the FTA held its second meeting in November 2009. U.S. and Moroccan experts discussed FTA implementation issues including Morocco's implementation of the tariff-rate quotas provided for under the FTA to afford U.S. wheat producers preferential access to the Moroccan market. The United States continues to have serious concerns about Morocco's administration of these tariff-rate quotas. The Joint Committee also discussed regulatory matters relating to Moroccan exports of vegetables and Morocco's chocolate standard. The Subcommittees on Agricultural Trade and Sanitary and Phytosanitary Matters also met in 2009 and discussed concrete steps to monitor implementation of, and compliance with, the labor and environment chapters of the FTA. Both countries agreed to hold a number of discussions in the next few months between trade and environment experts and agreed to hold a Labor Subcommittee meeting in 2010. Morocco and the United States continued to work together to advance negotiations for an Anti-Counterfeiting Trade Agreement (ACTA), an agreement intended to raise the standard for intellectual property rights enforcement internationally.

8. North American Free Trade Agreement

a. Overview

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada, and Mexico (NAFTA) entered into force. All remaining duties and quantitative restrictions were eliminated, as scheduled, on January 1, 2008. NAFTA created the world's largest free trade area, which now links 449 million people producing over $16 trillion worth of goods and services.

Trade between the United States and its NAFTA partners has soared since the agreement entered into force. U.S. two-way trade with Canada and Mexico exceeds U.S. trade with the European Union and Japan combined. U.S. goods exports to NAFTA partners have more than doubled between 1993 and 2009, from $142 billion to $325 billion.

By dismantling barriers, NAFTA has led to increased trade and investment, growth in employment, and enhanced competitiveness. From 1993 to 2008, cumulative foreign direct investment (stock) in the NAFTA countries has increased by over $2.3 trillion. Increased investment has brought better-paying jobs, as well as lower costs and more choices for consumers and producers.

The NAFTA was also the first U.S. free trade agreement to link free trade with obligations to protect labor rights and the environment. In connection with the NAFTA, the United States and Mexico also agreed to fund a development bank to address environmental infrastructure needs along the U.S.-Mexico border.

b. Elements of NAFTA

i. Operation of the Agreement

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

The FTC held its most recent annual meeting in October 2009, in Dallas, Texas. At the meeting, the FTC agreed to build upon the work at the August 2009 North American Leaders Summit, where leaders agreed to "reinvigorate our trading relationship and to ensure that the benefits of our economic relationship are widely shared and sustainable." The Commission asked officials to develop a workplan to incorporate three principles: competitiveness, strengthening institutions, and communications and transparency.

The FTC also decided to strengthen both its relationship with the North American Commission for Environmental Cooperation (CEC), and its relationship with the North American Commission for Labor Cooperation (CLC). To accomplish this, the FTC established an *ad hoc* working group composed of senior trade officials to explore areas of potential collaboration between the FTC and the CEC, and designated senior trade officials to enhance collaboration between the FTC and CLC and further trilateral cooperation on trade and labor issues.

ii. Rules of Origin

In the fall of 2009, the NAFTA partners implemented two sets of changes to the NAFTA rules of origin. The first set was liberalizing changes to the NAFTA rules of origin. These changes cover approximately $100 billion in annual trilateral trade. The second set modified the NAFTA rules of origin to reflect changes agreed to under the International Convention on the Harmonized Commodity and Coding System.

At its October 2009 meeting, the FTC asked the Working Group on Rules of Origin (WGRO) to continue its work to liberalize the NAFTA rules of origin, with a view to reaching agreement at the working level early in 2010. The FTC also asked the WGRO to examine the rules of origin for environmental goods in order to determine whether liberalization of the rules of origin for such products would facilitate additional trade.

iii. 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 trinational Commission for Labor Cooperation, comprised 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, also carry out the Council's Cooperative Activities program.

No new submissions on labor matters were filed under the NAALC in 2009.

iv. NAFTA and the Environment

In 2009, the Parties continued their efforts to ensure that trade liberalization and efforts to protect the environment are mutually supportive. The FTC's *ad hoc* working group of senior trade officials initiated work on enhancing the working relationship between the FTC and the CEC across relevant North American trade and environment issues. The CEC also continued its work on these issues through the implementation of its 2009 Operating Plan. *(For additional information, see Chapter IV.*)

In November 1993, Mexico and the United States agreed on arrangements to help border communities with environmental infrastructure projects in furtherance of the goals of the NAFTA and the North American Agreement on Environmental Cooperation. The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADB) are working with 149 communities throughout the United States-Mexico border region to address their environmental infrastructure needs. As of September 30, 2009, the NADB had contracted a total of $1.03 billion in loans and/or grant resources to partially finance 130 infrastructure projects certified by the BECC with an estimated cost of $2.86 billion.

9. Oman

The United States-Oman FTA, which entered into force on January 1, 2009, builds on existing FTAs to promote economic reform and openness. Implementation of the obligations contained in the comprehensive agreement will generate export opportunities for U.S. goods and services providers, solidify Oman's trade and investment liberalization, and strengthen intellectual property rights protection and enforcement.

The first meeting of the FTA Joint Committee (JC), chaired jointly by the Office of the U.S. Trade Representative and Oman's Ministry of Commerce and Industry, took place in February 2010. Officials of the two governments discussed a broad range of trade issues, including implementation of Oman's obligations under the labor and environment chapters and cooperative efforts in those areas.

In order to advance common goals under the Labor Chapter of the FTA, USTR led a mission to Oman in October 2009 to hold discussions on labor issues. During the visit, U.S. government officials from USTR and the Departments of Labor and State held meetings with Oman's Ministry of Manpower as well as with representatives from labor and business groups and other government officials. The mission was successful in furthering a dialogue on key labor issues, and U.S. officials encouraged Oman to continue to implement labor reforms that were discussed as part of the FTA negotiation and implementation process. As part of ongoing labor cooperation and capacity building activities, the U.S. Department of Labor is funding a project implemented by the International Labor Organization to increase the effectiveness of labor inspections by Oman's Ministry of Manpower. During the next year, the two governments will schedule discussions between their respective experts on labor and environmental issues to ensure effective implementation monitoring and compliance with FTA obligations as well as cooperative efforts aimed at ensuring that trade and environmental goals are mutually supportive and sustainable.

10. Peru

a. Overview

The United States and Peru signed the United States-Peru Trade Promotion Agreement (PTPA) on April 12, 2006. The Peruvian Congress ratified the Agreement in June 2006 and a Protocol of Amendment in June 2007. On December 14, 2007, the United States-Peru Trade Promotion Agreement Implementation Act became law, and the PTPA entered into force on February 1, 2009.

The United States' two-way trade with Peru was $8.8 billion in 2009, with U.S. goods exports to Peru at $4.8 billion.

The PTPA eliminates tariffs and removes barriers to U.S. services, provides a secure, predictable legal framework for investors, and strengthens protection for intellectual property, workers, and the environment. The PTPA is the first agreement in force that incorporates groundbreaking provisions concerning the protection of the environment and labor rights that were included as part of the Bipartisan Agreement on Trade Policy developed by Congressional leaders on May 10, 2007.

b. Elements of the PTPA

i. Operation of the Agreement

The PTPA's central oversight body is the U.S.-Peru Free Trade Commission (FTC), comprised of the U.S. Trade Representative and the Peruvian Minister of Foreign Trade and Tourism or their designees. The FTC is responsible for overseeing implementation and elaboration of the PTPA. The FTC was convened on February 18, 2010. At the FTC meeting, officials discussed bilateral trade and investment and economic issues of mutual interest, as well as the administration of the PTPA. Both governments acknowledged the progress over the last year to implement the commitments under the agreement, and discussed a plan to effectively monitor implementation of, and compliance with, environmental and labor obligations. Officials also discussed commitments under the Intellectual Property Rights chapter of the agreement. In addition, the Parties formally established the Committee on Agricultural Trade to provide a forum for monitoring and promoting cooperation on the implementation of the agricultural trade provisions in the PTPA, and the Standing Committee on Sanitary and Phytosanitary Matters to promote cooperation and consultation on sanitary and phytosanitary issues.

Additionally, officials discussed the importance of the PTPA to small and medium-sized businesses (SMEs) in both Parties' economies and established a working group to develop ideas on how to further enhance the ability of SMEs to capitalize on the benefits of the PTPA.

ii. Labor

The Parties have continued to engage to ensure effective implementation of labor obligations under the PTPA labor chapter. USTR led an interagency trip to Peru in June 2009 to monitor the implementation of the labor obligations. The team met with representatives from the ministries of labor, trade and foreign affairs as well as with trade union and civil society groups. In January 2010, the Parties convened the first meeting of the Labor Affairs Council in Lima, Peru. This body is responsible for overseeing the implementation and progress of the labor chapter of the PTPA. The Council reviewed progress on the implementation of the PTPA's labor provisions, discussed labor cooperation and capacity building efforts to date, and identified priorities for future capacity building activities. With trade capacity building funds, USAID supported the development and implementation of a national program to train new labor inspectors.

iii. Environment

The Parties have continued their work to ensure the proper implementation of environmental obligations under the PTPA Environment Chapter and the Annex on Forest Sector Governance. Since ratification of the PTPA in December 2007, Peru has made changes to its legal and regulatory regimes to implement its environmental obligations. For example, with extensive participation from the United States, Peru amended its Criminal Code to increase penalties for forest, wildlife, and environmental crimes. Peru also created a Ministry of Environment and a separate, independent entity to supervise forestry resources (OSINFOR). As provided in the Annex on Forest Sector Governance, Peru has 18 months from entry into force to fully implement its obligations under the Annex.

In June 2009, a technical working group made up of representatives from both Parties met in Washington, DC to finalize provisions of the Environmental Cooperation Agreement work plan. Areas that were identified for possible capacity building initiatives included: strengthening the legal, policy, and institutional framework for effective implementation and enforcement of environmental laws; improving biodiversity conservation and management of forests, protected areas, and other ecologically important ecosystems; and increasing transparency and public participation in environmental decision-making and enforcement.

On July 15, 2009, the Parties held the first meeting of the Forest Sector Sub-Committee, a forum for the Parties to exchange views and share information on any matter arising under the Annex on Forest Sector Governance. During this meeting, Peru formally established a mechanism for consultation with stakeholders in Peru on implementation of the Environment Chapter and Annex. The Committee held an open session with civil society focusing on the concerns of stakeholders related to the new forestry and wildlife law and Peru's compliance with its obligations under the PTPA. Stakeholders expressed appreciation for the efforts of the United States in having an open, transparent, and inclusive implementation process. The second meeting of the Forest Sector Sub-Committee is planned to take place in the spring of 2010.

iv. Trade Capacity Building

The Committee on Trade Capacity Building held its first meeting in March 2009 in Lima, Peru. This Committee is charged with seeking the prioritization and coordination of assistance to support effective implementation of the PTPA and to adjust to more liberalized trade. To this end, Peru presented a preliminary national trade capacity building strategy to address these objectives, highlighting areas such as telecommunications, intellectual property and agricultural standards. The Committee is in the process of working with donors to address these priorities.

11. Singapore

The United States-Singapore Free Trade Agreement has been in force since January 1, 2004. U.S. two-way goods trade totaled $37 billion in 209, up 17 percent from 2003 (the year before the FTA's entry into force). U.S. goods exports were $21.6 billion, up 31 percent from 2003, and U.S. goods imports were $15.4 billion, up 2 percent from 2003.

The United States and Singapore held the fifth annual FTA review in December 2009 to assess implementation of the agreement. The two governments agreed that implementation remains on track and discussed ways to deepen the bilateral relationship. During the review, the two sides discussed a range of issues covered by the FTA, including trade in textiles and apparel, telecommunications, and protection of intellectual property rights.

The two sides also discussed the implementation of the environment chapter and environmental cooperation efforts. The United States and Singapore agreed to continue exchanging information on each country's implementation efforts and how to improve monitoring of compliance with the obligations of the environment chapter.

The FTA review also provided an opportunity for labor officials from both governments to discuss labor issues and potential areas for labor cooperation. As a result, Singapore's Ministry of Labor has expressed an interest in studying the United States' system for mediating collective bargaining disputes and improving labor-management relations.

B. Other Bilateral and Regional Initiatives

1. The Americas

The United States continues to implement, enforce, and benefit from four free trade agreements (FTAs) with the following countries in the Americas: Canada and Mexico under the North American Free Trade Agreement (NAFTA); Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR); Chile; and Peru. Highlights of USTR's FTA-focused activity in this region during 2009 included: entry into force of the United States-Peru FTA, entry into force of the CAFTA-DR with respect to Costa Rica, successful Free Trade Commission meetings under the NAFTA and the United States-Chile FTA, and ongoing efforts to manage implementation issues with our FTA partners. During 2009, USTR placed additional emphasis on implementation of the labor and environment commitments under these FTAs. Further details on USTR's implementation and enforcement activities associated with these FTAs can be found in Chapter III. A.

During 2009, the U.S. Government worked to address concerns relating to our FTAs with Colombia and Panama. These agreements have been signed, but have not yet been considered by Congress. In the case of Colombia, the Administration worked to identify what further steps Colombia's government needs to take to ensure that workers' fundamental labor rights are protected in law and practice. USTR published a notice in the *Federal Register* soliciting public comment on the Colombia FTA, led an interagency team on a fact-finding trip to Colombia, and discussed these matters with stakeholders, the Colombian government, and the U.S. Congress. In the case of Panama, the Administration worked with Panama's government to address concerns relating to certain aspects of Panama's labor regime and its tax transparency rules.

a. Trade and Investment Framework Agreements and other Bilateral Trade Mechanisms

USTR's meetings under our Trade and Investment Framework Agreements (TIFAs), Joint Committees on Trade and Investment (JCTIs), and Bilateral Consultative Mechanisms (BCMs) with non-FTA partners in the Americas continue to provide effective means of discussing market opening opportunities, including improved access for small and medium-sized businesses, and resolving trade issues with those governments. USTR met with five trading partners in the region in TIFA/JCTI/BCM meetings during 2009, achieving progress toward solving outstanding trade problems and creating more comprehensive trade policy dialogues. Highlights included:

- At a December 9, 2009 meeting of the BCM in Brasilia, the United States discussed with the government of Brazil a number of bilateral and multilateral issues of mutual interest, including trade facilitation, technical barriers to trade, intellectual property protection, and investment issues. Building upon an initiative discussed by Ambassador Ron Kirk and Brazilian Minister of Foreign Relations Celso Amorim during a September 2009 visit to Brazil, both sides agreed to pursue discussions to deepen the bilateral trade and investment relationship framework.
- At a June 5, 2009 Uruguay-United States Trade and Investment Committee meeting, the United States exchanged ideas with the government of Uruguay on a variety of bilateral economic topics under our TIFA, including intellectual property protection, investment, labor, and the implementation of two protocols to the TIFA. These protocols, covering substantive commitments in the areas of trade facilitation and public participation in trade and environment, were signed on October 2, 2008 and entered into force on June 5, 2009.

- The United States exchanged ideas with the government of Paraguay on a number of bilateral issues of mutual interest at a November 20, 2009 United States-Paraguay JCTI meeting. The United States and Paraguay renewed a Memorandum of Understanding (MOU) on intellectual property rights issues, which enumerates Paraguayan commitments to implement institutional and legal reforms and to strengthen intellectual property rights enforcement and prosecution. The MOU will remain in effect through the end of 2011. We agreed to create a working group to exchange information on the experience of small and medium-sized enterprises in the United States and Paraguay, and to identify opportunities for the JCTI work agenda to address the needs of such businesses and their workers.

- On November 9, 2009, the United States and Ecuador held the first meeting in over ten years of the United States-Ecuador Trade and Investment Council (TIC). At the TIC meeting the two sides discussed a broad range of trade and investment related issues, including the U.S.-Ecuador Bilateral Investment Treaty, workers rights, intellectual property, the Andean Trade Preference Act, technical barriers to trade (TBT), and sanitary and phytosanitary (SPS) measures. The forum provided an opportunity to exchange views on our respective concerns and to discuss possible areas of cooperation, such as with respect to TBT and SPS matters.

b. 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 2009. Highlights of USTR's other priority activities in the region include:

- As a party to the WTO Agreement on Government Procurement (GPA) and to NAFTA, Canada allows U.S. suppliers to compete on a nondiscriminatory basis for its federal government procurement covered by the two agreements. Canada does not have commitments to provide market access for procurement at the sub-federal level. As a result, the United States does not provide access to sub-federal procurement markets in the United States. Canadian concerns about "Buy American" provisions in the American Recovery and Reinvestment Act of 2009 prompted initiation of bilateral discussions in late 2009 on reciprocal sub-federal market access. An agreement was signed in February 2010 which provides for permanent U.S. access to Canadian provincial and territorial procurement contracts in accordance with the World Trade Organization (WTO) Government Procurement Agreement (GPA). In addition, the agreement enables American companies to compete for Canadian provincial and municipal construction contracts not covered by the GPA through September 2011. The United States will provide reciprocal access for Canadian companies to 37 states already covered by the GPA and a limited number of Recovery Act programs.

- USTR prepared Reports to the U.S. Congress on the implementation of the Hemispheric Opportunity through Partnership Encouragement Act of 2008 (the HOPE II Act) and the operation of the Andean Trade Preference Act and the Caribbean Basin Economic Recovery Act. In the wake of Haiti's January 12, 2010 earthquake, USTR launched new efforts with the U.S. textiles and apparel industry to help Haiti recover, and is working with the U.S. Congress as it crafts legislation. *(For additional information, see Chapter V.B.8.)*

- Faced with an impending review under a U.S. preference program and the possibility of being placed on the Special 301 Watch List, The Bahamas implemented amendments to its Copyright Act and Regulations. These amendments narrowed the scope of its compulsory licensing regime for the reception and transmission of copyrighted works to permit only the compulsory licensing of copyrighted works broadcast free over-the-air. The amendments, which went into effect on October 1, 2009, were designed to fulfill a commitment made by The Bahamas in a November 2000 Letter of Understanding with the United States.

- Mexico remains one of the most important markets for U.S. agricultural products. Although U.S. agricultural exports to Mexico decreased by 21 percent in 2009 to roughly $12 billion, it still ranked as the U.S.'s second largest agricultural export market. In 2009, the United States worked to remove Mexican barriers to U.S. rice exports. In addition, the United States continues to monitor Mexico's use of sanitary and phytosanitary measures to ensure that they are not applied in a way that would improperly impede U.S. exports.

- As a result of the 1998 Canada Record of Understanding on Agricultural Matters, the United States-Canada Consultative Committee on Agriculture (CCA) and the Province/State Advisory Group were formed to strengthen bilateral agricultural trade relations and to facilitate discussion and cooperation on matters related to agriculture. The CCA met in May 2009 and December 2009 to discuss issues concerning trade in livestock, fruits, vegetables, seed, plant, and biotechnology as well as to reinforce the close working relationship between the two governments and their respective agricultural sectors.

- On June 17, 2009, the United States Department of Agriculture (USDA)'s National Organic Program (NOP) and the Canadian Food Inspection Agency completed an exchange of letters setting out a determination of equivalence of regulations on organics. This determination, negotiated by a USTR-led interagency delegation on behalf of the United States, is the first international organics equivalence agreement. Under a determination of equivalence, producers and processors that are certified to the NOP standards by a USDA-accredited certifying agent do not have to become certified to the Canada Organic Product Regulation (COPR) standards in order for their products to be represented as organic in Canada. Likewise, Canadian organic products certified to COPR standards may be sold or labeled in the United States as organically produced. The determination is expected to lead to greater market opportunities for organic producers in both countries.

2. Europe and the Middle East

USTR's Office of Europe and the Middle East coordinates policy towards, and manages bilateral trade relations with, the European Union (EU) and its 27 Member States, non-EU European countries, Russia and its neighbors, the Middle East, and North Africa. Ongoing priorities include: managing U.S.-EU trade relations to promote shared interests while addressing chronic and emerging EU barriers to U.S. exports; developing stronger trade and investment relations in the Middle East and North Africa to advance U.S. trade and commercial policy objectives, including through the implementation of free trade agreements (FTAs); and working with Russia and surrounding countries to resolve trade concerns, expand trade and investment opportunities, foster a commercial and trade policy grounded in the rule of law, and integrate Russia into the global trade community through membership in the World Trade Organization.

a. Ensuring Free Trade Agreements Work for American Workers, Farmers and Businesses

The United States continued efforts to implement and enforce the provisions of U.S. FTAs with Bahrain, Israel, Jordan, Morocco, and Oman, to ensure that U.S. businesses, farmers, and workers reap the benefits of these agreements. Highlights of FTA-focused activity in the Middle East and North Africa during 2009 included the entry into force of the United States-Oman FTA, and successful FTA Joint Committee meetings with Israel, Jordan, Morocco, and Bahrain to address U.S. concerns and improve the functioning of each agreement. Joint Committee meetings were supplemented by ongoing contact with partner governments to manage implementation issues. During 2009, USTR focused additional attention on the implementation of the obligations in the labor and environment chapters of its FTAs with regional partners. *(For additional information, see Chapter III.A.)*

b. Managing and Deepening U.S.-EU Trade Relations

The U.S. economic relationship with the EU is the largest and most complex economic relationship in the world, with transatlantic trade and investment flows (goods and services trade plus earnings/payments on investment) averaging approximately $3.2 billion in value each day. This enormous volume of trade and investment promotes economic prosperity both in the United States and Europe.

In 2009, the United States interacted extensively with counterparts in the major EU governing institutions (the European Commission, the European Parliament, and the European Council) and EU Member State governments on key issues for U.S. workers, farmers, and businesses, such as EU restrictions on U.S. agricultural exports, the protection of intellectual property rights (IPR), and the WTO Doha Round.

Principal areas of U.S.-EU trade policy engagement during 2009 included:

- *Beef:* The United States concluded a Memorandum of Understanding (MOU) that opened the EU market to substantial quantities of high-quality U.S. beef produced without growth-producing hormones. The MOU followed a decade of WTO-authorized U.S. trade sanctions imposed on the EU as a result of a successful U.S. challenge in the WTO of the EU scientifically unjustified ban on beef produced with growth-promoting hormones.

- *Environmental Regulations:* The United States continued monitoring the implementation of EU environmental regulations that affect U.S. firms, including the EU's regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the EU directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS), and the EU regulation on Classification, Labeling and Packaging.

- *Intellectual Property:* The U.S.-EU IPR Working Group met twice in 2009. The United States engaged the EU on key IPR issues, including common goals in key third country markets, the Anti-Counterfeiting Trade Agreement negotiations, customs cooperation, and other areas of IPR cooperation. The United States also increased bilateral engagement with a number of EU Member States, including Poland, Hungary, and Italy.

- *Science-Based Regulation:* USTR led continued engagement with the EU regarding U.S. concerns over EU regulations restricting imports of several major U.S. food and agricultural products. Several of the problematic regulations, which resulted in restrictions on the importation and marketing of U.S. poultry and agricultural biotechnology products, also were the focus of enforcement efforts under WTO dispute settlement procedures that will continue into 2010. USTR also sought to engage EU and Member State officials in discussions aimed at avoiding divergent approaches to the regulation of food products derived from livestock cloning. *(For additional information, see Chapter V.A.)*

- *Transatlantic Economic Council (TEC):* Under the TEC umbrella, collaboration with the EU continued throughout 2009 on several initiatives and on a broad range of issues, including efforts to encourage regulatory best practices and information sharing on scientific, technical and related challenges, and to promote investment, IPR, innovation, and emerging technologies. The TEC met in October 2009 to review progress on these issues.

- *Bananas:* In December 2009, the United States finalized negotiations with the EU on an agreement designed to lead to the settlement of a longstanding WTO dispute over the EU's discriminatory bananas trading regime. Final settlement of the banana disputes will require the completion of certain ratification steps by the parties to this agreement – as well as by the parties to the complementary agreement signed by the EU and several Latin American banana-supplying countries – and WTO certification of the EU's new tariffs on bananas. *(For additional information, see Chapter V.A.)*

c. Promoting a More Mature United States-Russia Trade Relationship

U.S. bilateral trade relations with Russia during 2009 focused on continuing engagement aimed at developing a stronger trading relationship. The United States engaged with the government of Russia to secure implementation of several bilateral agreements dating from 2006, which covered the inspection of meat processing facilities, trade in agricultural equipment, IPR protection, and import licensing for products with cryptographic capabilities. Additionally, USTR raised concerns over Russia's increasing protectionism, which has manifested itself through measures such as unjustified sanitary and phytosanitary restrictions, more restrictive tariff-rate quotas, and higher tariffs.

The United States revitalized a bilateral working group with Russia to address IPR concerns as a means to address issues regarding the 2006 agreement between the Government of the United States of America and the Government of the Russian Federation on Protection and Enforcement of Intellectual Property Rights. Additionally, USTR officials will participate in several working groups under the newly-established Bilateral Presidential Commission.

In 2009, the United States continued to aggressively pursue work with Russia related to the latter's efforts to join the WTO. Russia's WTO accession talks progressed steadily until June 2009 when Prime Minister Putin announced a shift in policy focus, suspending efforts on WTO accession, and intensified Russia's efforts to complete a customs union between Russia, Kazakhstan, and Belarus. The United States continues to support Russia's accession to the WTO as a separate entity, and, like other WTO Members, awaits further explanation from Russia on the implications of the customs union initiative for Russia's trade regime and how the customs union will affect its bid for WTO accession. *(For additional information, see Chapter II.K.6.)*

d. Enhancing the Trade and Investment Dialogue with Turkey

U.S. bilateral economic ties with Turkey have grown steadily over the last 15 years. However, there is additional room for growth in trade given Turkey's continuing development as a market, as well as its emerging role as a regional business hub. Recognizing Turkey's importance as a trading partner, USTR, along with the U.S. Department of Commerce, will co-chair U.S. Government participation in a new forum for engagement on economic and trade issues: the Framework for Strategic Economic and Commercial Cooperation (Framework). The Framework aims to reduce barriers to bilateral trade and investment, create opportunities for U.S. workers, farmers and firms, and otherwise enhance bilateral economic cooperation. The Framework will ensure regular coordination and review at a senior political level of our already strong economic partnership.

e. Furthering U.S. Trade Policy Goals through Trade and Investment Agreements

Trade and Investment Framework Agreements (TIFAs), Trade and Investment Cooperation Agreements (TICAs), and Trade and Investment Cooperation Forums provide an effective structure for addressing and resolving bilateral trade problems in countries throughout Europe, the Middle East and North Africa. Currently, 13 such agreements are in force throughout the region. In 2009, USTR organized bilateral meetings with Iceland, Saudi Arabia, Switzerland and Ukraine under these various frameworks, achieving notable progress towards solving outstanding trade issues and fostering an effective trade dialogue with partner countries. Key achievements in 2009 included:

- *Saudi Arabia:* Significant efforts by Saudi Arabia to strengthen its IPR enforcement regime.

- *Ukraine:* The United States secured a roll-back of increased Ukrainian import tariffs on automobiles and refrigeration equipment.

- *Libya:* Following the normalization of U.S. diplomatic relations, the United States conducted negotiations with the Libyan government on a bilateral TIFA.

f. Other Priority Trade Activities

FTAs, along with various trade and investment agreements, provide the context for U.S. trade and investment policy in Europe, the Middle East and North Africa. However, the United States also engages with key countries and regions outside of these established frameworks to promote enhanced trade and investment ties, increased U.S. exports, the development of intraregional economic ties, and WTO accession for economies in the region seeking to join the Organization. (*For additional information, see Chapter II.K.6.)*

- *Egypt:* In 2009, the United States successfully launched a new Strategic Partnership for trade-related and investment issues with Egypt. The new Partnership will pave the way for substantive discussions throughout 2010 and beyond on a range of issues of mutual interest, such as customs, standards, IPR, labor, investment, and the environment.

- *Gulf Cooperation Council (GCC) Countries:* The United States has maintained its engagement with the Gulf Cooperation Council (GCC) and its six Member States as the GCC continues to develop and harmonize rules, standards, import regulations, and conformity assessment systems affecting U.S. trade with the GCC states. The United States has outlined its specific concerns and established an ongoing dialogue with the GCC.

- *Georgia:* The United States sought to strengthen U.S. trade relations with Georgia in 2009 through the TIFA, Strategic Dialogue and other mechanisms. Notably, the United States and Georgia held preliminary discussions on enhancing the existing United States-Georgia Bilateral Investment Treaty.

- *Southeastern Europe:* In 2009, the United States continued to engage the countries of this region on a variety of trade issues including WTO accession, the U.S. GSP program, IPR, and other bilateral trade issues

3. Japan, Korea, and the Asia-Pacific Economic Cooperation forum

a. Japan

United States-Japan Trade Relations

The United States pursued a broad agenda with Japan through a variety of fora to help expand new opportunities for small and large U.S. exporters, as well as for U.S. companies with a direct presence in the Japanese market. The bulk of this work took place through the U.S.-Japan Regulatory Reform and Competition Policy Initiative (Regulatory Reform Initiative), both in the Initiative's High-Level Officials Group as well as in its various sectoral and cross-sectoral working groups. The United States sought actions by Japan to further open its market, improve its business environment, and level the playing field by enacting reforms in areas such as insurance, intellectual property, regulatory transparency, telecommunications, and distribution. Following several months of work, the Initiative's annual Report to the Leaders was released on July 6, 2009, which listed accomplishments across a broad array of issues. Examples include:

- Strengthening Japan's Copyright Law to make illegal unauthorized Internet downloads of music and motion pictures;

- Approving new food additives already in wide use around the world and in the United States, creating new opportunities for exports of U.S. food products;

- Strengthening Japan's competition law regime, such as by enacting tougher penalties for cartel leaders;

- Cutting the lag time in Japan's regulatory process for the introduction of new medicines and medical devices, including by increasing the number of approval reviewers and reducing waiting times for pharmaceutical clinical trial consultations; and

- Enacting a new law allowing non-bank providers of electronic fund transfer services to operate in Japan.

For more on the Regulatory Reform Initiative, including the full Report to the Leaders as well as a summary list of progress highlights, see: http://www.ustr.gov/countries-regions/japan-korea-apec/japan/regulatory-reform-and-competition-policy-initiative.

Senior-level engagement with Japan also took place through the U.S.-Japan Trade Forum, which convened in October 2009 to address bilateral trade issues including serious concerns relating to the automotive trade, as well as to Japan's failure to bring its measures on beef and beef product imports from the United States into line with science and international standards. The Trade Forum also served as a high level forum for discussing broader trade policy issues including coordination vis-a-vis third country concerns. USTR also continued to engage the Japanese government throughout the year in other ways by increasing coordination and, where possible, jointly addressing third-country trade and other matters of common concern.

b. Republic of Korea

FTA

The United States and the Republic of Korea successfully concluded the negotiation of a free trade agreement on April 1, 2007, and signed the United States-Korea Free Trade Agreement (KORUS FTA), on June 30, 2007. The Administration believes this FTA has the potential to bring significant economic and strategic benefits for the United States and is committed to working together with Korea to move the KORUS FTA forward. This will involve working through a number of outstanding issues, particularly related to automobiles and beef. Concerns have also been raised regarding non-tariff measures more generally. In 2009, the United States Government initiated a thorough review of the FTA and is consulting closely with Congress and U.S. stakeholders to identify the most effective approaches for dealing with these concerns. *(For additional information, see Chapter III.A.12.)*

United States–Korea Trade Relations

In addition to USTR's regular contact with counterparts in the Korean government, formally scheduled bilateral trade consultation meetings are held between the two governments to address potential bilateral trade issues as they emerge. These bilateral trade consultation meetings, led by USTR with participation from the full range of U.S. international economic agencies, serve as the primary forum for discussing and resolving trade-related issues and are augmented by a broad range of senior level policy discussions. In 2009, bilateral trade consultations were held on three occasions, in March, July, and December. Among the bilateral issues that were addressed in 2009 are:

- In September 2009, Korea published final rules that will allow non-Korean labs to test lithium-ion batteries for conformity with Korea's safety regulations. The decision benefits U.S. consumer electronics producers, who need approved batteries to power their final products (laptops, cell phones, etc.). These producers were concerned that requiring battery testing at four Korean labs, as originally planned, would have led to bottlenecks. In December 2009, the Korean government also amended the applicable regulation so that manufacturers can use non-Korean labs to document conformity with Korea's energy efficiency regulations for refrigerators;

- The U.S. Government worked closely with Korea to ensure continued market access for U.S. voice over internet protocol (VOIP) equipment as the Korean government transitions to a VOIP-based network;

- Following the expiration of the mandate to install the Korea-unique WIPI software platform on cell phones in April 2009 and the Korea Communications Commission's decision to provide Apple with a license to provide location-based services in October 2009, the Apple iPhone was launched in the Korean market in late November 2009. Apple iPhones accounted for 10 percent of cell phones sold in Korea in December 2009;

- In August 2009, Korea lifted the ban on U.S. live swine exports which had been imposed following the first occurrence of H1N1 virus in the United States; and

- Korea eliminated its home country approval requirement for medical devices in August 2009. Previously, manufacturers of medical devices undergoing a regulatory review in Korea were required to show that the products had been already approved for sale in the "home country."

In addition, since Korea reopened its market to imports of U.S. beef in June 2008, it has provided reliable market access for U.S. beef and beef products. From January through November 2009, U.S. exports of beef and beef products to Korea have reached $186 million, making Korea the fourth largest U.S. beef export market.

The United States and Korea also cooperated extensively in a wide range of multilateral fora to advance open markets. Korea was a strong partner of the United States in the WTO Non-Agricultural Market Access (NAMA) negotiations, supporting the push for ambitious liberalization. Korea has been an active participant in efforts to strengthen international IPR enforcement by joining the United States and others in negotiating the Anti-Counterfeiting Trade Agreement (ACTA). Korea hosted the most recent ACTA negotiations in November 2009. In APEC, the two countries worked closely together on efforts to strengthen regional economic integration in the Asia-Pacific, including on initiatives to promote trade in cross-border services and to simplify rules of origin documentation and procedures.

c. 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. It has provided a forum for APEC Leaders to meet annually since 1993, beginning at Blake Island in the United States. The United States will host APEC again in 2011.

In 2008, the 21 APEC member economies collectively accounted for 44 percent of world trade and 54 percent of global GDP. In 2009, U.S.-APEC total trade in goods was $1.6 trillion. The significant growth in U.S. trade in the Asia-Pacific region underscores the importance of the region as a market for U.S. exports and the significant role APEC continues to play in promoting trade and investment liberalization and facilitation in the region.

The United States worked closely with other APEC economies, in particular with Singapore and Japan, the APEC host economies in 2009 and 2010 respectively, in pursuing an ambitious agenda to strengthen economic integration and facilitate trade in goods and services in the Asia-Pacific region.

2009 Activities

Supporting the Multilateral Trading System and Resisting Protectionism: APEC Leaders and Ministers in 2009 provided strong statements of support for an ambitious and balanced conclusion to the WTO Doha Round negotiations. They also stressed the importance of greater substantive engagement at all levels utilizing all possible avenues, including direct engagement between WTO Members to evaluate and close the remaining gaps. Ministers also reaffirmed their commitment to keep markets open and avoid all forms of protectionism, as well as their commitment to refrain from raising new barriers to trade and investment to the end of 2010 and beyond if necessary.

Regional Economic Integration: Strengthening economic integration in the Asia-Pacific region remains the top U.S. trade priority in APEC. The U.S. approach to the regional economic integration (REI) agenda in APEC has been to emphasize addressing pressing and cutting-edge barriers to trade and investment in the region. To that end, in 2009, the United States, in partnership with Australia, gained endorsement of the APEC Principles on Cross-Border Trade in Services and a future action plan on services, which taken together will provide a strong basis for our efforts to facilitate and promote services trade in the Asia-Pacific region. In addition, APEC agreed to an ambitious work program to promote trade and investment in environmental goods and services, with an emphasis on addressing non-tariff barriers and enhancing market drivers of environmental goods, and improving understanding and market access for environmental services. APEC also launched the U.S.-initiated Environmental Goods and Services Information Exchange website to promote collaboration on trade and investment in cutting-edge environmental technologies in the Asia-Pacific region. APEC Leaders also agreed to accelerate work to strengthen REI in 2010, including by intensifying efforts to narrow gaps in APEC economic policies in key areas of APEC's trade and investment agenda, including services, the digital economy, investment, trade facilitation, rules of origin, and standards/technical barriers to trade.

Making It Cheaper, Easier, and Faster to Trade in the Region: The United States, working with Singapore as host and other APEC economies, undertook a number of initiatives in 2009 to make it cheaper, easier, and faster to trade in the Asia-Pacific region. Like-minded APEC economies, including Australia, Canada, Japan, Korea, New Zealand, Singapore, and the United States, agreed to adopt a self-certification of origin model for free trade agreements based on common and general operating guidelines. This will make it easier for companies to take advantage of preferential trade deals in the region. APEC Leaders also endorsed the multi-year Supply-Chain Connectivity Framework to reduce the time, cost, and uncertainty of moving goods and supplying services throughout the region by improving logistics and transportation networks. Additionally, APEC Leaders committed to take concrete steps to reduce trademark counterfeiting and copyright piracy, including on the Internet, improve patent cooperation, and increase information sharing between intellectual property authorities and stakeholders. In addition, the United States, in conjunction with Japan, gained agreement among APEC economies to make customs information, including on tariffs and rules of origin, more transparent and accessible to stakeholders in the region. The United States continued to promote in APEC the use of international standards, transparency in the development of standards and regulations, and the avoidance of protectionist technical barriers that can impede trade and investment in the region. These initiatives will in particular benefit small and medium-sized enterprises (SMEs) by reducing the time and costs associated with trading in the region.

Industry Dialogues: APEC interacts directly with the business community in its three industry dialogues: the Automotive Dialogue, the Chemical Dialogue and the Life Sciences Innovation Forum. The APEC Automotive Dialogue this year focused on challenges to the auto industry in the midst of a global downturn that significantly affected the region's autos and auto parts producers. The Chemical Dialogue, co-chaired by the United States and Malaysia, continued its discussions on regulatory and trade-related developments, and expanded its work into new areas, including sustainable development and climate change, outreach to SMEs, the strategic role of chemicals, and capacity building to implement best practices for chemical regulation. The Life Sciences Innovation Forum, for which the United States chairs the Planning Group, focused on improving returns to trade and investment for innovative life sciences products, optimizing the use of emerging technologies, promoting regulatory harmonization and capacity building to combat the counterfeiting of medical products.

4. China, Hong Kong and Taiwan

a. China

See 2009 USTR Report to Congress on China's WTO Compliance.

b. U.S.-Hong Kong Trade Relations

The United States continued efforts to expand trade with Hong Kong, a Special Administrative Region of the People's Republic of China, in particular by working to open its market to U.S. beef and beef products, which have been restricted since December 2003. Hong Kong's market is currently open to deboned beef from animals less than thirty months of age. Hong Kong authorities conducted a verification visit to beef processing facilities in the United States in October 2009. Pending Hong Kong's submission of its findings, the United States will engage Hong Kong to establish science-based access for U.S. beef and beef products in 2010. In 2009, Hong Kong became the fourth largest market for exports of U.S. food and beverage products, exceeding $1.5 billion.

c. U.S.-Taiwan Trade Relations

During 2009, the United States worked to expand opportunities for U.S. exports to Taiwan. Working-level officials engaged Taiwan throughout the year on the range of issues impacting bilateral trade and investment ties under the U.S.-Taiwan Bilateral Trade and Investment Framework Agreement (TIFA) process.

The United States continued to press Taiwan to provide market access for the full range of U.S. beef and beef products in a manner consistent with World Organization for Animal Health (OIE) guidelines for Bovine Spongiform Encephalopathy (BSE), as well as with Taiwan's own risk assessment which found that U.S. beef is safe. As a result of these efforts, the United States and Taiwan concluded a new science-based and OIE-consistent bilateral protocol providing for expanded market access for U.S. beef and beef products on October 22, 2009. After the protocol entered into force on November 2, however, Taiwan's Legislative Yuan (LY) approved an amendment to Taiwan's Food Sanitation Act that had the effect of banning the import of ground beef and certain offals from the United States. Such a ban is inconsistent with Taiwan's obligations under the protocol. Furthermore, Taiwan authorities have taken a range of administrative measures that have disrupted trade and created uncertainty in the market. The United States will continue to press Taiwan to act consistently with its obligations under the bilateral protocol and to refrain from taking measures that overly burden trade in beef and beef products.

In the area of sanitary and phytosanitary matters, other issues that the United States continued to discuss in detail with Taiwan included the establishment of permanent pesticide maximum residue levels for U.S horticultural products and grains, avian influenza restrictions on imports of poultry meat and related products that do not comply with international guidelines, and Taiwan's ban on the use of ractopamine, a lean muscle promotant, in pork and pork products.

The United States continued to engage Taiwan on issues relating to fulfilling its WTO Country Specific Quota (CSQ) for importation of U.S. rice, while expressing concerns that the ceiling price mechanism was non-transparent and causing unnecessary trade disruptions. In 2007 and 2008 public sector rice tenders for U.S. rice repeatedly failed due to Taiwan's ceiling price mechanism. Since 2008, Taiwan has implemented destination testing requirements for shipments of U.S. long grain rice, thereby causing an additional tender to fail. Throughout 2009, the United States worked with Taiwan to seek improvements to the rice import system and to address the shortfalls in Taiwan's procurement of U.S. rice in 2007 and 2008. As a result, it appears that Taiwan will fulfill its obligations to contract for the procurement of U.S. rice in 2009.

IPR protection and enforcement also continues to be an important issue in the United States-Taiwan trade relationship. The United States recognizes Taiwan's continuing efforts to improve enforcement of IPR, and on January 16, 2009, the Office of the U.S. Trade Representative announced that Taiwan had been removed from the Special 301 Watch List. In April 2009, the LY amended the Taiwan Copyright Law to require Internet service providers (ISPs) to undertake specific and effective notice-and-takedown actions against online infringers to avoid ISP liability for the infringing activities of users on their networks.

Taiwan acceded to the WTO Agreement on Government Procurement (GPA) in July 2009. Taiwan estimates that procurement covered by the GPA has a total value of approximately $6 billion. The United States will work closely with Taiwan as Taiwan implements its obligations under the GPA.

The United States has also continued to engage Taiwan on concerns raised by the pharmaceutical and medical device industries that Taiwan's procedures for medical product pricing and reimbursement fail to adequately recognize the value of innovative medical products for patients in Taiwan. The United States encourages Taiwan to continue to engage in collaborative consultations with relevant stakeholders to consider improving such policies in order to better facilitate the development of innovative products and improve patients' access to such products.

5. Southeast Asia and the Pacific

a. Free Trade Agreements

The United States continued to implement, monitor and enforce its free trade agreements with Singapore and Australia, both of which have led to significant increases in U.S. exports to these countries. *(For additional information, see Chapter III.A.)*

b. Trans-Pacific Partnership

In December 2009, the United States announced its intention to enter into negotiations on a regional Asia-Pacific trade agreement called the Trans-Pacific Partnership (TPP), with the objective of shaping a high-standard, broad-based regional agreement. The decision to proceed followed detailed consultations with Congress and stakeholders. This agreement will create a potential platform for economic integration across the Asia-Pacific region, a means to advance U.S. economic interests with the fastest-growing economies in the world, and a tool to expand U.S. exports, which are critical to U.S. economic recovery and the creation and retention of high-paying, high-quality jobs in the United States.

Successful conclusion of the TPP negotiations will require a high-standard, 21st century agreement with a membership and coverage that provides economically significant new market access opportunities for U.S. workers, manufacturers, farmers, ranchers, service providers, and small businesses. Through this regional agreement, the United States will seek to promote new technologies and emerging economic sectors, create new opportunities for U.S. small and medium-sized businesses to increase exports to the region, and help U.S. firms participate in production and supply chains in order to encourage investment and production in the United States. The United States will also seek to enhance the focus of the agreement on environmental protection and conservation, transparency, workers rights and protections and development.

Currently, the TPP negotiating partners are Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore, and Vietnam. These countries form an initial group of "like-minded" countries that share a commitment to concluding a high-standard regional trade agreement. U.S. participation in the TPP agreement is predicated on the shared objective of expanding this initial group to include additional countries throughout the Asia-Pacific region. Several additional countries already have expressed initial interest in participating in the agreement.

In developing U.S. negotiating objectives for the TPP, the Obama Administration is committed to establishing a new partnership with Congress. It intends to hold regular and rigorous consultations on all elements of the agreement in order to develop negotiating positions consistent with both Administration and Congressional priorities and objectives. At the same time, the Administration is committed to broad-based, detailed, and open discussions with stakeholders throughout the process.

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

During 2009, the United States worked to further enhance its already strong trade and investment relations with countries in Southeast Asia and the Pacific. The U.S. Government actively engaged bilaterally and regionally, including under Trade and Investment Framework Agreements (TIFAs) and other bilateral dialogues, ASEAN-U.S. Trade and Investment Framework Arrangement, TPP, APEC, WTO and other trade and investment fora.

During 2009, the United States held numerous TIFA meetings and other trade dialogues with Brunei Darussalam, Cambodia, Indonesia, Malaysia, Philippines, Thailand, and Vietnam. These discussions were aimed at resolving long-standing trade issues in such areas as customs, intellectual property protection, market access for industrial and agricultural products, regulatory and other non-tariff barriers facing U.S. manufacturers and service suppliers, and other trade-related issues, including worker rights and protections. The United States also used these consultations to work with our trading partners in the region to monitor implementation of their WTO and bilateral commitments and to coordinate economic assistance projects to support their implementation and reform efforts.

At the same time, the United States worked with its trading partners in the region to develop or advance new initiatives of common interest. The United States and Vietnam continued discussions throughout 2009 aimed at negotiating a Bilateral Investment Treaty (BIT), which will further improve upon the protections for U.S. investors in Vietnam. The U.S. Government also continued to explore BIT negotiations with Indonesia, as well as the prospects for a Comprehensive Partnership between the United States and Indonesia to deepen bilateral economic relations. In addition, the United States worked closely with the Lao government to monitor progress and support the implementation of the U.S.-Lao Bilateral Trade Agreement and to support Lao's ongoing negotiations to join the WTO.

d. The U.S.-ASEAN Trade and Investment Framework Arrangement

The ten member countries of the Association of South East Asian Nations (ASEAN) collectively rank as the United States' fifth largest trading partner and fourth largest export market. Although trade declined by 20 percent in 2009 to $142 billion, it had grown steadily in previous years. With robust economies and a total population of about 550 million people, the ASEAN market provides significant potential opportunities for U.S. companies.

The United States and ASEAN members concluded a TIFA in August 2006 and since then have been working to build upon already strong trade and investment ties to further enhance their economic relationship as well as promote ASEAN regional economic integration. In 2009, the United States intensified its work under the TIFA, developing new proposals for joint work. The United States and ASEAN agreed to proceed with work on bilateral agreements on trade facilitation, dialogues on trade and environment and trade finance, and a government-business dialogue. Work in these areas is already underway. These new initiatives join the existing set of TIFA work plan items that include cooperation on standards and support for the ASEAN Single Window customs project.

e. Other Priority Activities

The United States and Indonesia convened the first Asia-Pacific Regional Dialogue to Promote Trade in Legally Harvested Forest Products in September 2009. The Regional Dialogue brought together trade and forestry officials from nine countries – Australia, Brunei, Indonesia, Malaysia, Papua New Guinea, Singapore, the Solomon Islands, the United States, and Vietnam – to discuss best practices and new ways to promote trade in legally harvested forest products and government-to-government cooperation in combating illegal logging. To advance this work, participants agreed to hold a second meeting of the Regional Dialogue in the first half of 2010.

6. Sub-Saharan Africa

a. Trade and Investment Relations

In 2009, the Administration and USTR continued to work closely with a wide variety of government, private sector and civil society stakeholders to strengthen U.S.-African trade and investment relations. The Administration seeks both to expand markets for U.S. goods and services in sub-Saharan Africa and to facilitate African efforts to bolster African economic development through increased global, regional, and bilateral trade. For the last several years, the African Growth and Opportunity Act (AGOA), enacted in 2000, has been at the center of U.S.-African engagement on trade and investment. By providing duty-free entry into the United States for almost all African products, AGOA has helped expand and diversify African exports to the United States, while at the same time fostering an improved business environment in many African countries. Forty sub-Saharan African countries were eligible for AGOA in 2009. *(For additional information, see Chapter V.B.8.c.)*

The United States-Sub-Saharan Africa Trade and Economic Cooperation Forum, informally known as "the AGOA Forum," is an annual ministerial-level forum with AGOA-eligible countries. The eighth meeting of the AGOA Forum was held in August 2009 in Nairobi, Kenya. Ambassador Ron Kirk and Deputy U.S. Trade Representative Demetrios Marantis participated in the 2009 Forum, along with senior officials from more than a dozen U.S. Government agencies. They met with numerous African trade ministers, leaders of African regional economic organizations, and representatives of the African and American private sectors and civil society to discuss issues and strategies for advancing trade, investment, and economic development in Africa as well as ways to increase two-way U.S.-African trade.

Ambassador Ron Kirk also advanced the U.S.-African dialogue on trade and investment issues during visits in 2009 to South Africa, Ethiopia, and Senegal.

b. Trade and Investment Framework Agreements

In May 2009, the U.S. Government and the government of Angola signed a Trade and Investment Framework Agreement (TIFA), marking the eleventh such agreement between the United States and sub-Saharan African partners. The United States also has TIFAs with Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, the Common Market for Eastern and Southern Africa (COMESA)[26], the East African Community (EAC)[27], and the West African Economic and Monetary Union (also known by its French acronym, UEMOA)[28]. Each TIFA has a detailed work plan. USTR leads interagency engagement with TIFA partners on a wide range of issues. In addition to high-level

[26] COMESA members are Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Mad agascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.
[27] EAC members are Burundi, Kenya, Rwanda, Tanzania, and Uganda.
[28] UEMOA members are Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

TIFA Council meetings, which are held every one to two years, there is an ongoing dialogue with most TIFA partners that may include periodic working-level meetings and digital video conferences.

In 2009, USTR led U.S. participation in six TIFA Council meetings – with the COMESA, Liberia, Mozambique, Mauritius, Nigeria, and Rwanda. The agenda at these meetings typically included bilateral trade and investment disputes, implementation of AGOA, cooperation in the WTO, trade capacity building assistance, export diversification, trade and investment promotion, and the business environment. At the March 2009 TIFA Council meeting with Nigeria, U.S. and Nigerian officials reached agreement on an IPR Action Plan that establishes a framework for bilateral cooperation on improving IPR protection and enforcement efforts in Nigeria.

In addition to the TIFAs, the United States has a Trade, Investment and Development Cooperative Agreement (TIDCA) with the five countries of the Southern African Customs Union (SACU), Botswana, Lesotho, Namibia, South Africa, and Swaziland. In 2009, USTR led U.S. participation in working-level discussions with SACU countries on key issues covered under the 2008 TIDCA, including customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary measures, and trade and investment promotion.

c. Other Activities

- In August 2009, the United States and Mauritius launched negotiations toward a bilateral investment treaty that would strengthen investor protections and encourage the continuation of market-oriented economic reforms in Mauritius.

- Ambassador Ron Kirk held two meetings in 2009 with the Trade Advisory Committee on Africa, comprised of representatives from the U.S. private sector and civil society, to discuss trade policy priorities for Africa and issues critical to enhancing the U.S.-African trade and investment relationship. *(For additional information, see Chapter VI.B.)*

7. South and Central Asia

a. Reinvigorating the United States-India Trade Relationship

The United States and India reaffirmed the importance of the bilateral relationship by announcing the creation of a Strategic Dialogue in July 2009. The United States–India Trade Policy Forum (TPF), created in 2005, serves as a core element of the Economics, Trade and Agriculture pillar of the Strategic Dialogue and remains the principal bilateral forum for discussing trade and investment. U.S. and Indian chairs of the TPF's five Focus Groups – Agriculture, Innovation and Creativity, Investment, Services, and Tariff and Non-Tariff Barriers – met regularly throughout 2009 to discuss the range of issues on the bilateral agenda, including intellectual property rights, market access in the services sector, tariff and non-tariff measures, agricultural and industrial standards issues, and investment policy concerns. The two governments also agreed to reconstitute the Private Sector Advisory Group (PSAG) which will continue to provide strategic recommendations to the government-to-government deliberations under the TPF. The two governments agreed to convene a PSAG meeting in early 2010.

Key features of the United States-India trade policy engagement during 2009 included:

- The two countries agreed to conclude a Framework for Cooperation on Trade and Investment in early 2010 that will outline a number of shared objectives for increasing two-way trade and investment and a work plan to guide the TPF in the pursuit of those objectives.

- The United States and India agreed to explore collaborative initiatives in the Information Communications Technology (ICT) and energy and environmental services sectors. USTR and the Indian Commerce Ministry also agreed to promote greater involvement by U.S. and Indian small and medium enterprises (SMEs) in bilateral trade and in the world economy.

- Ambassador Ron Kirk and Indian Minister of Commerce and Industry Anand Sharma met a number of times throughout 2009. They discussed ideas for pursuing an enhanced bilateral relationship. They also met in the context of the Doha Round negotiations to find common ground towards concluding a balanced and ambitious outcome.

b. Contributing to Regional Stability

In support of top national security objectives in Afghanistan, Pakistan, and Iraq, in 2009 USTR strengthened engagement with all three countries as part of a broader effort to boost trade, employment, and sustainable development. Ambassador Ron Kirk met with the Afghan and Pakistani Commerce and Finance Ministers, and USTR hosted Trade and Investment Framework Agreement (TIFA) meetings with Pakistan in April and with Afghanistan in October. Working with the U.S. Departments of State, Commerce, and Agriculture, USTR participated in trilateral and other high-level meetings in Washington, DC, Islamabad, Kabul, and Baghdad. Key highlights from 2009 included:

- USTR and the Department of State continued to seek passage of Reconstruction Opportunity Zone (ROZ) legislation to provide duty-free benefits for certain products exported to the United States from Afghanistan and critical border areas of Pakistan. USTR also led discussions on how Afghanistan, Pakistan, and Iraq could increase use of existing trade benefits under the U.S. Generalized System of Preferences (GSP).

- USTR supported negotiations between Afghanistan and Pakistan on a modern transit trade agreement that would boost regional trade and help create economic opportunities in both countries.

- Pakistan and the United States agreed to intensify engagement on trade and investment issues by launching the U.S.-Pakistan Joint Trade Study Group. USTR-led engagement with the government of Pakistan also helped resolve a major long-standing bilateral investment dispute in 2009.

- The United States agreed to continue its technical and advisory support for accession of Afghanistan and Iraq into the WTO.

c. Promoting National Reconciliation and Lasting Peace in Sri Lanka

The United States and the government of Sri Lanka (GOSL) held the 7th TIFA Council Meeting in Colombo, Sri Lanka, in October 2009. It was their first meeting since Sri Lanka's civil war ended in May 2009. The United States and Sri Lanka discussed market access and investment climate concerns and initiated capacity building initiatives on intellectual property rights and the U.S. GSP program. On the margins of the TIFA, the GOSL organized a private-public conference, "Fostering National Reconciliation through Economic Development and Jobs." Forty U.S. companies participated in the conference. U.S. companies also visited Sri Lanka's Eastern Province and had individual meetings with Sri Lankan government officials and local companies to identify investment opportunities in Sri Lanka.

d. Advancing U.S. Engagement with Central Asia

In 2009, USTR supported the Administration's strategy towards Central Asia by hosting the U.S.-Central Asia TIFA Council meeting in Washington, DC in October in order to bolster cooperation with the Central Asian countries Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan in support of U.S. operations in Afghanistan (TIFA observer) and to strengthen and diversify U.S.-Central Asia trade relations more broadly. The United States launched bilateral dialogues with each Central Asia TIFA partner to focus on country-specific issues, and the TIFA members agreed to establish a new mid-year meeting of a TIFA working group.

For Kazakhstan, the United States convened a bilateral meeting with Kazakhstani authorities to discuss Kazakhstan's impending Customs Union with Russia and Belarus and prospects for Kazakhstan's WTO accession. USTR discussed U.S. concerns about higher duties under the common external tariff, which entered into force on January 1, 2010, and the future of Kazakhstan's WTO market access commitments.

e. Other Regional Priorities

In October 2009, USTR and the government of Maldives signed a TIFA to provide a forum for the two governments to examine ways to enhance bilateral trade and investment. In 2009, Maldives rejoined the International Labor Organization (ILO) and updated its labor laws to be in line with ILO conventions. As a result, USTR reviewed Maldives' application for reentry into the GSP program, and in December 2009, the President signed a proclamation reestablishing Maldives' GSP beneficiary status.

USTR continued to pursue TIFAs with the governments of Bangladesh, Iraq, and Nepal.