

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 \$30.8 billion in 2010, up 43 percent since 2004, the year before the FTA entered into force. U.S. goods exports were \$22.1 billion in 2010, up 58 percent from 2004, and U.S. goods imports were \$8.7 billion, up 15 percent from 2004. The United States had a \$13.4 billion goods trade surplus in 2010 and a \$6.6 billion services trade surplus with Australia in 2009 (latest data available).

Agricultural trade between the United States and Australia continued to grow in 2010, with U.S. agriculture exports to Australia reaching \$911 million. 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. The next working group meeting will be held in early 2011.

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.

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. During the second meeting of the JC in October 2009, the two governments agreed to formally establish a Subcommittee on Labor. The Subcommittee held its first meeting on September 20, 2010 and discussed a broad range of labor issues, including initiatives to improve respect for labor rights. The Subcommittee

also held a public session with representatives of workers and employers to discuss implementation of the Labor Chapter of the FTA. As part of ongoing labor cooperation and capacity building activities, the U.S. Department of Labor is funding a project administered 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 discussions between their labor experts to ensure effective implementation, monitoring, and compliance with FTA obligations.

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 \$24.3 billion in 2010. Combined total two-way trade in 2010 between the United States and Central America and the Dominican Republic was \$48.3 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. During the

latter half of 2010, the CAFTA-DR Parties had several exchanges to pave the way for a CAFTA-DR Free Trade Commission meeting in early 2011. In June 2010, USTR officials hosted CAFTA-DR technical level meetings with the other six member countries to discuss administration and oversight issues and to advance institutional work and planning for the FTC meeting. In August and September 2010, USTR officials visited the five Central American partners to meet with government officials and the private sector to discuss bilateral and regional trade issues, to exchange experiences, and to prepare for the first CAFTA-DR Free Trade Commission meeting. In November 2010, CAFTA Vice-Ministers met in Washington, D.C. to advance preparations for the FTC meeting, including a proactive agenda focused on expanding and broadening the benefits of trade, with particular focus on participation of small and medium-sized enterprises (SMEs).

ii. Labor

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.

In July 2010, the USTR and the U.S. Secretary of Labor requested consultations with Guatemala under the CAFTA-DR concerning Guatemala's apparent failures to effectively enforce its labor laws related to the right of association, the right to organize and bargain collectively, and acceptable conditions of work. This is the first time that the United States has requested consultations on a labor matter under a free trade agreement.

The request followed a submission filed with the U.S. Department of Labor (DOL) in April 2008 by the AFL-CIO and several Guatemalan unions alleging that the government of Guatemala was failing to effectively enforce its labor laws. DOL also published a report in January 2009 which found systemic weaknesses in Guatemala's labor law enforcement. Despite extensive bilateral engagement, the government of Guatemala did not take effective steps to address these systemic weaknesses, leading to the United States Government's decision to request consultations. These consultations are ongoing.

In July 2010, the International Longshore and Warehouse Union and two Costa Rican worker organizations filed a submission with the DOL alleging that the government of Costa Rica is failing to effectively enforce its labor laws. Due to recent developments, including a Constitutional Court ruling in Costa Rica related to the issues raised in the submission, the DOL extended until April 2011 the time to consider whether to accept the submission for review.

iii. Environment

U.S. Government assistance for environment capacity building programs and activities in Central America and the Dominican Republic continued in 2010 with a focus on compliance with specific CAFTA-DR environment chapter obligations, strengthening of environmental laws and enforcement, biodiversity conservation including through market-based approaches, and improving private sector environmental performance. Public outreach efforts continued in 2010. The Secretariat for Environmental Matters ("Secretariat"), established in 2006 in accordance with the CAFTA-DR, received several new submissions from the public in 2010 on a range of environmental concerns. The Secretariat made progress on improving the timeliness for its review of public submissions. It also finalized the first factual record under the public submission process. In December 2010, the U.S. representative on the CAFTA-DR Environmental Affairs Council voted to make this factual record available to the public. The Secretariat posted the factual record on its website on January 6, 2011.

The CAFTA-DR Environment Affairs Council contact points met three times in 2010 to discuss priorities for environmental capacity building programming and to prepare for the January 2011 Environmental Affairs Council (EAC) meeting. During the January 2011 EAC, Council Members highlighted their government's successes with respect to implementation of obligations under the environment chapter as well as accomplishments under the parallel environmental cooperation agreement.

iv. Trade Capacity Building

Trade Capacity Building (TCB) programs and planning continued throughout 2010 with USTR, along with USAID and other donors, such as the U.S. Department of Agriculture, meeting in the full Trade Capacity Building Committee established under the agreement, as well as bilaterally with each of the 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, with a special emphasis on sanitary and phytosanitary activities. These 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 and into 2010. Following the stabilization of the Honduran political situation, several technical meetings were held to review implementation matters under the agreement, including meetings of the Committee on Trade in Goods in August 2010 and the Technical Barriers to Trade (TBT) Committee in September 2010. In addition, technical experts met in September to develop terms of reference to establish the committees on Agriculture and Sanitary and Phytosanitary (SPS) as required under the agreement, and to discuss other agriculture issues such as the implementation of tariff-rate quotas and SPS issues such as the Central American Common Market SPS policy. In the textiles area, CAFTA-DR countries continued discussion of technical corrections and modifications to certain rules of origin to facilitate greater integration of textile and apparel production in the region. The United States also continued to work closely with its CAFTA-DR partners on bilateral matters related to the agreement, with a particular focus on ensuring that its partners properly implement the agreement. For example, the U.S. Government worked with the government of Costa Rica to review and support its efforts to fulfill IPR commitments made to the United States by Costa Rica in conjunction with the entry into force of the CAFTA-DR for Costa Rica. During 2010, Costa Rica issued new regulations to provide data protection for agrochemical products (March) and implemented technical corrections to its IPR legislation with respect to performance rights (April) to comply with its CAFTA-DR commitments. In June 2010, President Obama issued a proclamation granting Costa Rica's CAFTA-DR sugar quota for 2010 and beyond. The United States also closely followed developments in Costa Rica's telecommunications sector with respect to opening wireless services to competition.

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 2010, U.S. exports to Chile increased by 20 percent to \$11.2 billion, while U.S. imports from Chile increased by 17 percent to \$7 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 Director General of 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 seventh meeting of the FTC will take place in Chile in early 2011.

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 2010, the U.S. and Chilean labor agencies held technical exchanges on occupational safety and health, employment, and social protections, including participation by the U.S. Department of Labor and Chile's Presidential Advisory Commission on Occupational Safety and Health. The latter was established by Chilean President Piñera in August 2010 in the wake of the San José Mine accident.

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. In 2010, the United States continued work to set up a system whereby the United States and Chile can exchange information in a structured and timely manner to help monitor implementation and compliance with the environment chapter's obligations.

The Environmental Affairs Council invited the U.S. Trade and Environment 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. Chile highlighted how its newly established Ministry for the Environment will bolster its continued implementation of the FTA's environment chapter. The Parties agreed to hold the next Environmental Affairs Council meeting in Chile in early 2011.

iv. Intellectual Property Rights

Chile remained on the Priority Watch List in 2010. The United States continues to engage in discussions with Chile concerning the implementation of Chile's IPR commitments under the FTA. The United States noted that Chile took positive steps in 2009 and 2010, including creating the National Institute for Industrial Property to oversee industrial property registration and protection, undertaking law enforcement actions targeting sale of counterfeit and pirated products, and engaging in cooperation between rights holders and enforcement officials. The United States is also encouraged by the steps the new

administration in Chile has taken towards the ratification and implementation of the International Convention for the Protection of New Varieties of Plants (UPOV Convention, 1991), the Trademark Law Treaty, and the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite. In early 2010, Chile enacted amendments to its intellectual property law, including measures designed to implement a number of commitments under the FTA. However, it appears that the legislation fell short of addressing the full range of Chile's multilateral and bilateral commitments. For example, the legislation did not include protections against the circumvention of technological protection measures. The United States remains concerned that the relatively low rate of prosecutions and the tendency to apply minimum sentences for counterfeiting and piracy in Chile may not effectively deter future infringement. The United States also remains concerned about inadequate protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approvals for pharmaceutical products.

5. Israel

Signed in 1985, the United States-Israel Free Trade Agreement is 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 2010, U.S. goods exports to Israel rose by 18 percent, to \$11.3 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, telecommunications, and government procurement, among other topics. As a follow-up to that meeting, in October 2010, the United States and Israel agreed to develop a work plan that would address the remaining barriers to bilateral trade, including in the areas of agriculture and services. As initial steps under the work plan, the two sides agreed to pursue negotiations towards implementation of a Mutual Recognition Agreement (MRA) for assessing conformity in telecommunications equipment and to facilitate trade by reviewing existing customs procedures and regulations. The two sides 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 July 2010.

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 2010, the two sides agreed to extend that agreement through December 31, 2011. The Working Group on Agriculture agreed to meet in early 2011 to continue negotiations of a successor to the 2004 ATAP.

Despite the impasse over agricultural free trade, during 2010, technical experts from the United States and Israel worked together to resolve some existing agricultural trade concerns. Israel removed long-standing obstacles to U.S. pet food exports to Israel and, in turn, the United States continued to work to resolve customs questions on the transshipment of fresh food products. 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 reached an understanding on February 18, 2010 that resolved several longstanding issues with respect to Israel's IPR regime for pharmaceutical products, including improving data protection and strengthening patent term extension. Israel is now working with the Knesset to codify those commitments.

6. Jordan

In 2010, the United States and Jordan continued to benefit from their economic partnership. A key element of this relationship is the United States-Jordan Free Trade Agreement, which was entered into force on December 17, 2001 and 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 Jordan, Egypt, or the West Bank and Gaza with Israeli content. The program has succeeded in stimulating significant business cooperation between Jordan and Israel.

Together these measures have played a significant role in boosting overall United States-Jordanian economic ties. U.S. goods exports were \$1.2 billion in 2010, down 2 percent from 2009. 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 between the two countries by reducing barriers for services, providing cutting-edge protection for intellectual property, ensuring regulatory transparency, and requiring effective labor and environmental enforcement. In June 2010, the two sides crafted a plan of action pursuant to the 2009 meeting of the Joint Committee charged with administering the FTA. Under this strategy, officials committed to explore ways to intensify cooperation in the areas of customs, agriculture, intellectual property rights, labor, the environment and technical assistance.

As one example, USTR led a mission to Jordan in October 2010 to address labor issues. During the visit, U.S. Government officials from USTR and the Department of State held extensive meetings with Jordanian government officials, and also 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 apparel factories. To support this effort, the United States and Jordan are funding an International Labor Organization Better Work program, which is observing working conditions in garment factories and issuing public reports. The project was launched in 2008 and began monitoring activities in QIZ factories in 2009.

7. Morocco

The United States-Morocco FTA 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 \$1.4 billion in 2010, up from \$79 million in 2005 (the year prior to entry into force). U.S. goods exports in 2010 were \$2 billion, up 25 percent from the previous year. Corresponding U.S. imports from Morocco were \$662 million, up 41 percent from 2009.

The Joint Committee (JC) established by the FTA met 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.

In May 2010, the United States and Morocco convened the first meeting of the Subcommittee on Labor Affairs under the FTA. The Subcommittee agreed on several cooperative labor activities to improve enforcement of Morocco's labor laws, which included a visit to Morocco in July 2010 by the U.S. Federal Mediation and Conciliation Service to develop a training program for labor mediators.

The Environmental Subcommittee under the FTA met in spring 2010 to discuss ways to facilitate the exchange of information and technical expertise among relevant agencies, ministries, international partners, and NGOs, with the end goal of improving environmental protection. The Subcommittee identified a number of projects during this meeting to help Morocco strengthen and enforce its environmental laws, promote the adoption of cleaner production practices and technologies, implement mechanisms to counter overgrazing and fuel wood collection, promote conservation and sustainable use of wildlife and natural resources, and strengthen public participation in environmental decision-making.

In October 2010, the United States and Morocco agreed to develop an action plan before the JC meeting scheduled for spring 2011. As part of the action plan, the two countries will discuss a Customs Mutual Assistance Agreement, review transshipment issues, discuss Morocco's failure to implement the WIPO Internet Treaties as agreed in the FTA, and resume discussions on the wheat tariff-rate quotas and explore ways to expand investment.

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 nearly tripled between 1993 and 2010, from \$142 billion to \$415 billion.

By dismantling barriers, NAFTA has led to increased trade and investment, growth in employment, and enhanced competitiveness. From 1993 to 2009, cumulative foreign direct investment (stock) in the NAFTA countries has increased by over \$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 January 2011 in Mexico City. At the meeting, the FTC agreed to ask the relevant NAFTA committees to continue their work to identify areas where unnecessary regulatory differences can be eliminated. The FTC initialed the basic terms of two bilateral mutual recognition agreements that will establish procedures for accepting test results from laboratories or testing facilities in the territory of another NAFTA country for use in the conformity assessment of telecommunications equipment. As part of its efforts to identify measures to boost exports by small- and medium-sized enterprises, the FTC released "Opportunities for Small- and Medium-Sized Enterprises in North America," a publication designed to answer fundamental questions about exporting.

The FTC also agreed to continue its cooperation with the North American Commission for Environmental Cooperation (CEC) and asked the *ad hoc* working group of senior trade officials to identify areas of collaboration, such as trade flows of used electronics in North America, green buildings and greening North America's transportation corridors. The FTC asked the senior officials responsible for labor to continue to cooperate with their counterparts in the North American Commission for Labor Cooperation (CLC) to discuss specific strategies to improve the labor side agreement and its functioning, including the CLC's Secretariat.

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 January 2011 meeting, the FTC agreed on a fourth set of changes to the rules of origin. This set of changes covers products whose annual trilateral trade exceeds \$90 billion. This set also includes changes to a group of environmental goods whose annual trilateral trade is approximately \$6 billion. The Commission agreed to proceed with domestic procedures for consultation, with a view towards implementing these changes in 2011. The NAFTA partners agreed to begin work on technical rectifications to align the NAFTA rules of origin with the updated tariff schedules that will result from the 2012 amendments to the nomenclature of the Harmonized System. The Commission also directed officials to explore the possibility of implementing a fifth set of changes to the NAFTA rules of origin.

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.

On January 29, 2010, the Department of Labor received a submission from the Mexican Union of Electrical Workers alleging that the government of Mexico (GOM) has failed to adequately enforce its labor laws and uphold its commitment to uphold the NAALC's labor principles. A decision as to whether to accept the submission for review has been deferred due to ongoing legal proceedings in Mexico related to key issues included in the submission.

iv. NAFTA and the Environment

In 2010, 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 2010 Operating Plan. (*For additional information, see Chapter IV.A.*)

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, complements existing FTAs to promote economic reform and openness in this region. 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 central oversight body for the FTA is the United States-Oman Joint Committee (JC), chaired jointly by the Office of the U.S. Trade Representative and Oman's Ministry of Commerce and Industry. The first meeting of the JC was held on February 7, 2010. During this meeting, officials discussed a broad range of trade issues. In particular, they discussed efforts to ensure effective implementation of the customs, investment and services chapters of the FTA, trade initiatives by the Gulf Cooperation Council (of which Oman is a member), and increased cooperation on initiatives in the World Trade Organization. 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.

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. On February 15, 2010, the General Federation of Oman Trade Unions held its founding congress with over 50 participating unions. Establishment of the federation and the unions is a result of statutory and administrative changes made by Oman, including those surrounding implementation of the FTA, and longstanding cooperative efforts between Oman and

the International Labor Organization. During 2011, the U.S. and Omani governments will continue discussions between their labor experts to ensure effective implementation, monitoring, and compliance with FTA obligations. In addition, the two governments will continue taking steps to formally establish a Subcommittee on Labor under the Joint Committee of the FTA. On environment, the two governments will continue discussions on transparency and public participation during 2011, building on past successful cooperation in the areas of wildlife and natural resource management.

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 \$11.9 billion in 2010, with U.S. goods exports to Peru totaling \$6.8 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. Additionally, officials discussed the importance of the PTPA to small and medium-sized enterprises (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. The Commission agreed to hold the second meeting of the FTC in Peru in 2011.

ii. Labor

The Parties have continued to engage to ensure effective implementation of labor obligations under the PTPA labor chapter. In January 2010, the Parties convened the first meeting of the Labor Affairs Council (LAC) in Lima, Peru, which included a session with representatives from worker and employer organizations and the general public. This body is responsible for overseeing the implementation and progress of the labor chapter of the PTPA. In follow-up to the LAC, the Parties continued to review progress throughout the year on the implementation of the PTPA's labor provisions and discussed the

development and implementation of capacity building activities. To address concerns about court delays of labor cases, Peru passed the Labor Procedure Law, which went into effect in June 2010. The Law requires oral proceedings and sets procedural deadlines intended to conclude proceedings with respect to labor cases within six months. With trade capacity building funds, USAID is implementing programs to improve the enforcement capacity of the Peruvian Ministry of Labor and to strengthen worker organizations and educate workers on their labor rights.

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. Under the PTPA, Peru had an additional 18 months from entry into force of the agreement to implement some of the obligations under the Forest Sector Annex. 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).

On February 11, 2010, the United States and Peru convened the first meeting of the Environmental Affairs Council (EAC). At the EAC meeting, officials discussed implementation of the PTPA's Environment Chapter and Annex on Forest Sector Governance, and how to ensure proper monitoring of implementation of, and compliance with, the Chapter and Annex obligations. Both governments acknowledged the progress and collaborative work that has taken place since entry into force of the PTPA. Representatives of the U.S. Trade and Environment Policy Advisory Committee participated in the meeting to discuss the role and functioning of the committee and to exchange views on improving transparency, public participation, and public knowledge of trade and environmental policy issues.

On September 8, 2010, the two governments convened the second meeting of the U.S.-Peru Forest Sector Sub-Committee in Lima, Peru. The Sub-Committee was established under the PTPA's Annex on Forest Sector Governance as a specific forum for the Parties to exchange views and share information on any matter arising under the Annex. The Parties agreed to continue working together to ensure that Peru completes the necessary steps to fully implement its obligations under the Annex. Additionally, the Sub-Committee held a public session for civil society and other stakeholders. This session provided stakeholders with an opportunity to raise concerns, suggest items to be addressed in future meetings, and provide advice on issues related to implementation of the Annex.

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. USAID is working closely with Peruvian counterparts to design activities that respond directly to these objectives. To that end, USAID launched a trade capacity building project (TCBP) in July 2010 that will work with several Peruvian ministries and agencies to assist with the implementation of the PTPA and facilitate trade across a wide range of sectors.

11. Singapore

The United States-Singapore Free Trade Agreement has been in force since January 1, 2004. Two-way goods trade with Singapore totaled \$46.8 billion in 2010, up 48 percent from 2003 (the year before the FTA's entry into force). U.S. goods exports were \$29.2 billion, up 76 percent from 2003, and U.S. goods imports were \$17.6 billion, up 16 percent from 2003. The United States had a \$11.7 billion trade surplus in goods in 2010 and \$5.5 billion trade surplus in services in 2009 (latest data available) with Singapore.

The United States and Singapore held the sixth annual FTA review in October 2010 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, restrictions on imports of U.S. beef, registration criteria for private education services providers, protection of intellectual property rights and new requirements for pay television companies to cross-carry content from competing providers.

The two sides also discussed the implementation of the environment chapter and environmental cooperation efforts. This year was particularly productive, with the May Biennial review involving discussions of bilateral activities on water resources management and reuse, air pollution abatement, maritime pollution, nuclear energy, regional conservation of endangered species and the promotion of trade in legally harvested timber products. This forum allowed environmental experts to hold more in-depth discussions of environmental issues, which were later summarized during the annual FTA review. The United States and Singapore agreed to continue exchanging information on each country's implementation efforts and improved methods of monitoring its own compliance with the obligations of the environment chapter.

The FTA review also provided an opportunity to discuss labor issues and areas of ongoing labor cooperation. During the year, labor officials from both governments met to develop cooperative efforts in areas where Singapore's Ministry of Labor has expressed an interest. These include studying the U.S. system for mediating collective bargaining disputes and improving labor-management relations, as well as promoting work-life balance and flexible work arrangements. The two sides agreed to arrange meetings to pursue labor cooperation in these areas as well as a possible study tour in the United States for Singapore labor officials in 2011.

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 2010 included: a successful Free Trade Commission meeting under the United States-Peru Trade Promotion Agreement; a successful CAFTA-DR Vice Ministerial meeting in preparation for the first Free Trade Commission meeting planned for early 2011; and other ongoing efforts to manage implementation issues with our FTA partners. During 2010, 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 2010, the U.S. Government worked to address concerns relating to our pending FTAs with Colombia and Panama. These agreements have been signed, but the U.S. Congress has not yet considered legislation approving and implementing these agreements. 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 has been analyzing information it has received from public comments on the Colombia FTA, a fact-finding trip to Colombia, and discussions 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. Panama implemented several labor reforms in 2010, and the Administration is working with the Panamanian government to implement additional labor reforms. With respect to tax transparency, on November 30, 2010, Panama entered into a Tax Information Exchange Agreement, which, once ratified by Panama's legislature, will provide the United States with access to information from Panama needed to enforce U.S. tax laws.

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

USTR-chaired meetings under 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 four trading partners in the region in TIFA/JCTI/BCM meetings during 2010, and made progress toward solving outstanding trade problems and creating more comprehensive trade policy dialogues. Highlights included:

- At a November 19, 2010 meeting of the Bilateral Consultative Mechanism in Washington D.C., 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. In addition, both sides advanced technical discussions of a proposal to deepen the bilateral trade and investment relationship framework, building upon an initiative discussed by Ambassador Ron Kirk and Brazilian Minister of Foreign Relations Celso Amorim in September 2009.
- At an October 19, 2010 Uruguay-United States Trade and Investment Committee meeting in Montevideo, the United States exchanged ideas with the government of Uruguay on a variety of bilateral economic topics, including intellectual property protection, competitiveness, small and medium-sized enterprises, labor, and continued implementation of two TIFA protocols on trade facilitation and public participation in trade and environment.
- The United States exchanged ideas with the government of Paraguay on a number of bilateral issues of mutual interest at an October 21, 2010 United States-Paraguay Joint Commission on Trade and Investment meeting in Asuncion. The United States and Paraguay discussed ongoing work under a bilateral 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 current MOU will remain in effect through the end of 2011. Both sides also discussed joint work in creating opportunities for small and medium-sized enterprises in the United States and Paraguay.

- In April 2010, the United States and Argentina met in Washington, D.C. under the auspices of the United States-Argentina Bilateral Council on Trade and Investment to discuss ways to advance reciprocal trade and investment interests.
- On May 7, 2010, Ambassador Miriam Sapiro represented the United States at a meeting of the NAFTA deputies. Hosted by Canada's Department of Foreign Affairs and International Trade Deputy Minister Louis Levesque in Toronto, the meeting reviewed the operation of NAFTA over the prior year and set out an agenda for future work.

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 2010. Highlights of USTR's other priority activities in the region include:

- Mexico is the United States' second largest goods export market and was a strong source of U.S. export growth in 2010. Goods exports grew by over 27 percent, an all-time export record for the year.
- Mexico remains one of the most important markets for U.S. agricultural products. Through the first 11 months of 2010, U.S. agricultural exports rose 12 percent over the same period in 2009, ranking Mexico as the U.S.'s third largest agricultural export market. In 2010, the United States received improved access for U.S. apple and beef exports, as Mexico ended antidumping duties on both products. Mexico also began investigations of imports of pistachios from non-U.S. suppliers to determine origin and value was being properly declared. 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.
- Ambassador Ron Kirk traveled to Mexico several times during 2010. In January, he represented the President at a ceremony commemorating the opening of the Anzalduas International Bridge in Reynosa, Mexico. The bridge connects the cities of McAllen, Texas, and Reynosa, Mexico. This is the first LEED-certified green land port of entry on the southern border and the first new land port of entry on the southern border in 10 years.
- Ambassador Kirk returned to Mexico in February 2010 to meet with Mexican government officials, business leaders, and business owners. During these meetings, Ambassador Kirk discussed such topics as bilateral trade, agriculture, labor, the environment, and transportation. Ambassador Kirk also toured the facilities of U.S. firms and participated in a roundtable, hosted by the American Chamber of Commerce, with small and medium-sized business owners who are exporting to Mexico.
- In May 2010, President Obama and Mexican President Calderón agreed to create a High-Level Regulatory Cooperation Council (HLRCC), which would work to "increase regulatory transparency; provide early warning of regulations with potential bilateral effects; strengthen the analytic basis of regulations; and help make regulations more compatible." The first meeting was held in September 2010, and work is currently underway to identify promising sectors for cooperation. In addition, the United States and Mexico have met with Canada regarding its participation.

- In February 2010, the United States and Canada signed an agreement on government procurement. This agreement provides for the United States' permanent 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 through September 2011 for Canadian provincial and municipal construction contracts not covered by the GPA. The United States agreed to provide reciprocal access for Canadian companies to 37 states already covered by the GPA and a limited number of American Reinvestment and Recovery Act programs. These provisions strengthen an already robust U.S.-Canadian trade relationship.
- On July 22 and 23, 2010, Ambassador Kirk made his first visit to Canada as the United States Trade Representative, traveling to Ottawa and Toronto to meet with government officials and business people, including a roundtable with the American Chamber of Commerce and Canadian business leaders and a keynote speech at an event hosted by the Toronto Board of Trade business leaders. Canada is the United States' largest trading partner and export market. Exports to Canada in 2010 grew by \$46 billion, larger than the growth to China, Japan, the United Kingdom and Germany combined.
- In July 2010, the government of Canada passed legislation allowing Canada to impose an additional 10 percent export charge on all softwood products from Manitoba, Saskatchewan, Quebec, and Ontario that were subject to a section 301 action imposed by the United States in April 2009. This export charge stems from a London Court of International Arbitration Tribunal Award under the Softwood Lumber Agreement. The United States and Canada reached an understanding that the United States would cease collections of this duty on September 1, 2010 and that Canada would begin collecting the monies as an export charge until CDN \$68.26 million is collected.
- As a result of the 1998 U.S.-Canada Record of Understanding on Agricultural Matters, the United States-Canada Consultative Committee on Agriculture (CCA) and the Province/State Advisory Group were formed in 1999 to strengthen bilateral agricultural trade relations and to facilitate discussion and cooperation on matters related to agriculture. The CCA met in June and December 2010 to discuss issues concerning trade in livestock, fruits, vegetables, seeds, plants, and biotechnology as well as to reinforce the close working relationship between the two governments and their respective agricultural sectors.
- 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. In the wake of Haiti's January 12, 2010 earthquake, USTR launched an effort with the U.S. textiles and apparel industry to help Haiti recover, and worked with the U.S. Congress to secure the passage in May 2010 of legislation expanding trade preferences for Haiti. (*For additional information, see Chapter V.B.8.*)
- Costa Rica issued new regulations in March 2010 to provide data protection for agrochemical products and implemented technical corrections in April to its IPR legislation with respect to performance rights to comply with its CAFTA-DR commitments. The new regulations and legislative amendments were designed to fulfill IPR commitments made by Costa Rica in a December 2008 exchange of letters with the United States in conjunction with its entry into force of the CAFTA-DR. In response, in June 2010, President Obama issued a proclamation granting Costa Rica's CAFTA-DR sugar quota for 2010 and beyond.

- Facing USTR scrutiny under the U.S. Telecommunications Barriers 1377 Report and in bilateral discussions, El Salvador reported in June 2010 that it had modified its telecommunications tax practices governing taxes charged to terminate international calls. U.S. telecommunications providers are now granted the same treatment granted to other Central American providers.
- In June 2010, the United States and Brazil agreed on a Framework regarding the WTO cotton dispute, which averted the imposition of countermeasures of more than \$800 million this year. *(For additional information, see Chapter II.H.b.)*

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: strengthening 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); integrating Russia and other countries in the region into the global trade community through completing negotiations for membership in the WTO; and working with countries in the region to resolve trade concerns, expand trade and investment opportunities, and foster commercial and trade policies grounded in the rule of law.

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

During 2010, the United States continued efforts to ensure implementation of the provisions of U.S. FTAs in the region with Bahrain, Israel, Jordan, Morocco, and Oman and to enforce U.S. rights under those agreements so that U.S. businesses, farmers, and workers reap their benefits. A successful first FTA Joint Committee meeting with Oman was held. In addition, the United States had regular contact with other FTA partner governments in the region to address implementation issues or discuss a variety of trade and investment questions. USTR also devoted special attention in 2010 to implementing the obligations in the labor and environment chapters of the U.S. FTAs with partners in the Middle East and North Africa. *(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. Transatlantic trade flows (goods and services trade plus earnings/payments on investment) average more than \$3.5 billion each day. The total stock of transatlantic investment exceeds \$3 trillion. This enormous amount of trade and investment promotes prosperity in the United States and Europe.

In 2010, USTR and other agencies interacted extensively with counterparts in the major EU governing institutions (the European Commission, the European Parliament, and the European Council) and with 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 2010 included:

- *Environmental Regulations:* USTR 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) and the EU directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS).

- *Intellectual Property*: USTR engaged the EU on several important intellectual property rights (IPR) issues during 2010, including identifying shared goals and strategies for promoting improved IPR protection in key third country markets and successfully overcoming U.S.-EU differences on provisions of the Anti-Counterfeiting Trade Agreement, which led to completion of negotiations on that Agreement. Bilateral engagement with EU Member State governments resulted in the removal of three Eastern European countries from the Special 301 Watch List: Poland; Hungary; and the Czech Republic.
- *Science-Based Regulation*: USTR led continued engagement with the EU over 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, were the focus of enforcement efforts under WTO dispute settlement procedures that will continue into 2011. USTR also engaged European Commission, European Parliament, and EU 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.*)
- *Joint Efforts in Key Third Country Markets*: The United States and the EU collaborated during 2010 on the development and implementation of joint strategies to address market access and other trade-related problems of common concern in major emerging markets and other countries, including China, Russia, Japan, and Ukraine.
- *Transatlantic Economic Council (TEC)*: Under the TEC umbrella, USTR and other agencies collaborated with the EU during 2010 on several initiatives, including: efforts to promote regulatory cooperation aimed at reducing non-tariff barriers (NTBs); joint efforts to increase the pace and quality of industrial and technological innovation; the development of a work plan on trade and other policy issues influencing access to industrial raw materials; trade-related principles to promote the development of information and communication technology services; and joint strategies to address market access and other problems of common concern in major emerging market countries. During its December 17, 2010 meeting, the TEC reviewed progress on these initiatives and launched several regulatory cooperation initiatives that have the potential to reduce NTBs or preempt future ones. The TEC agreed to identify emerging technologies or sectors in which the United States and the EU could implement compatible regulatory approaches, avoiding unnecessary regulatory obstacles to exports. The U.S. and EU will also seek agreement on joint principles and best practices for the development of regulations and jointly develop improvements in each side's use of standards in regulation.
- *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 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 – of certain ratification steps begun in 2010, and WTO certification of the EU's new tariffs on bananas. (*For additional information, see Chapter V.A.*)

c. Recent Successes and New Challenges in the United States-Russia Trade Relationship

During 2010, the United States worked to strengthen the trade relationship with Russia, consistent with the general improvement in the U.S.-Russia bilateral relationship. USTR engaged with its counterparts in the Russian government to enhance conditions for increased bilateral trade and investment. USTR worked to advance the full implementation of several bilateral agreements, dating from November 2006, covering such areas as the inspection of meat processing facilities, protection of intellectual property rights, and import licensing for products with cryptographic capabilities. USTR also contested protectionist measures introduced by Russia's government, such as unjustified sanitary and phytosanitary restrictions, more restrictive tariff-rate quotas, and higher tariffs.

On January 1, 2010, Russia, Kazakhstan, and Belarus created a customs union and aligned their external tariffs and many of the rules and procedures governing trade in goods. As a result, USTR and other agencies focused significant effort during 2010 on understanding and interpreting the implications of the new customs union for the U.S. trade relationship with Russia and the other customs union parties.

The United States continued to raise concerns about Russia's inadequate protection of intellectual property rights, both in the context of Russia's WTO accession negotiations and under the rubric of the bilateral working group established under 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. In addition, USTR officials participated in meetings of various working groups established under the U.S.-Russia Bilateral Presidential Commission.

In 2010, the United States worked to advance Russia's efforts to join the WTO. Following the U.S. and Russian Presidents' instructions at the close of their Summit meeting in June 2010, the negotiating teams worked to resolve the significant outstanding bilateral issues concerning Russia's WTO accession. For example, agreement was reached on commitments Russia will reflect in the final terms of its WTO accession in such areas as intellectual property rights, government procurement, subsidy disciplines, transparency, and tariff administration. This step provided significant impetus to the WTO accession process. *(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 and the U.S. Department of Commerce 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 first formal ministerial level meeting of the Framework co-chairs occurred in October 2010. Both sides noted progress toward resolving certain issues and committed to seeking practical ways to reduce or eliminate barriers to bilateral trade and investment in the months ahead.

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 in Europe, the Middle East, and North Africa. Currently, 13 such agreements are in force throughout the region. In 2010, USTR led several bilateral meetings

under these various frameworks, achieving notable progress toward solving outstanding trade issues and fostering effective trade dialogues with partner countries. Key achievements in 2010 included:

- *Saudi Arabia:* Saudi Arabia undertook significant efforts to strengthen its IPR enforcement regime.
- *Ukraine:* The United States and Ukraine agreed on an Action Plan to improve Ukraine's protection of IPR.

f. Other Priority Trade Activities

FTAs and other 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.*) Notable activities in 2010 included:

- *Egypt:* The United States successfully launched a new Strategic Partnership for trade and investment issues with Egypt. Under the new Partnership, the two sides initiated discussions that will continue during 2011 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 GCC and its six member states as the GCC continues to develop and harmonize standards, import regulations, and conformity assessment systems affecting U.S. trade.
- *Georgia:* The United States sought to strengthen trade relations with Georgia in 2010 through the Strategic Dialogue and other mechanisms.
- *Southeastern Europe:* In 2010, 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 protection, 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 continued to engage Japan on a broad array of trade and trade-related issues throughout 2010, with the goal of expanding access to and opportunities in Japan's market. In late 2010, the United States and Japan agreed to launch the U.S.-Japan Economic Harmonization Initiative as a new, regular forum for bilateral engagement on trade and economic issues. The Initiative aims to contribute to economic growth through steps to harmonize regulatory and other approaches that help facilitate trade, address individual trade and business environment-related issues, and promote closer coordination on issues of common interest in the Asia-Pacific region. This Initiative also complements the ongoing work of the U.S.-Japan Trade Forum. The United States additionally held Insurance Consultations with Japan

on October 1, 2010, which remains a key venue for addressing market access and level playing field concerns in the insurance sector.

The United States welcomed a range of measures taken by Japan during 2010 that help improve access by Japanese consumers to U.S. products and services. These include steps taken by Japan to approve more food additives that are already widely accepted around the globe as well as the introduction of an important new reimbursement system for innovative pharmaceuticals. The United States continued to express concern over an array of specific measures, including those related to regulatory transparency and various sanitary and phytosanitary (SPS) issues. The United States furthermore urged full resolution of longstanding bilateral irritants, including restricted access for U.S. beef, lack of a level playing field between Japan Post and private companies in the banking, insurance, and express delivery sectors, and measures limiting access for U.S. automobiles.

The United States and Japan agreed in late 2010 to begin bilateral consultations related to Japan's interest in the Trans-Pacific Partnership (TPP) process, as Japan considers whether it will formally seek TPP membership.

The United States and Japan also cooperated to conclude plurilateral negotiations for the Anti-Counterfeiting Trade Agreement (ACTA), closely coordinated throughout Japan's 2010 host year to advance our shared objectives to strengthen and deepen regional economic integration by removing barriers to trade and investment in the Asia-Pacific region through the Asia-Pacific Economic Cooperation (APEC) forum, and worked together bilaterally to address common concerns over restrictive trade measures implemented by third countries

b. Republic of Korea

U.S.-Korea Trade Agreement

On December 3, 2010, the United States and the Republic of Korea reached agreement on a landmark trade deal that resolved outstanding issues related to the United States-Korea (KORUS) trade agreement. After approval and implementation, the KORUS trade agreement will provide preferential access for U.S. businesses, farmers, ranchers, services providers, and workers to the United States' seventh largest export market, help solidify the two countries' long-standing alliance, and underscore the U.S. commitment to and engagement in the Asia-Pacific region. The KORUS trade agreement is expected to increase annual exports of American goods by up to \$11 billion. It will eliminate tariffs on over 95 percent of industrial and consumer goods within five years. In addition, duties on nearly two-thirds of U.S. agricultural exports to Korea will be eliminated immediately. The new agreements comprising the December 3, 2010 deal will level the playing field and enhance market access for U.S. automobile companies and workers by addressing the ways Korea's system of automotive safety standards and proposed Korean environmental standards could serve as barriers to U.S. exports. The agreements followed months of close consultations with the U.S. Congress and U.S. stakeholders to identify the most effective approaches for dealing with the outstanding concerns.

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 2010, bilateral trade consultations were held on two occasions, in May and September. The following issues were among the bilateral issues addressed in 2010:

- In June 2010, Korea amended its regulations to allow U.S. and other foreign manufacturers to use test results from foreign laboratories when submitting a complaint to the Korean Energy Management Corporation challenging the energy-efficiency claims of a competitor's product. These changes addressed longstanding concerns of stakeholders in the U.S. appliance manufacturing industry.
- In August 2010, Korea extended until December 31, 2012 the grace period for the requirement that imported processed organic products be certified by a certifier accredited by Korea's Ministry of Agriculture. This requirement had previously raised concerns from the U.S. organic industry due to added costs, logistical difficulties related to individual ingredient certification, and a zero-tolerance policy with respect to biotechnology presence in the products. During the additional time granted, the United States and Korea will work together to develop an equivalence agreement which would enable U.S. organic products certified by the U.S. Department of Agriculture's National Organic Program to enter the Korean market without having to be recertified under Korea's new system.
- In July 2010, Korea's Ministry of Health and Welfare (MOHW) made a decision to exclude patented and patent-expired drugs from its "Rearrangement of Already Listed Drugs" project. Previously, under the Rearrangement Project, drugs listed on Korea's National Health Insurance reimbursement list were re-evaluated for pharmacoeconomic value and received price reductions. Concerns had been raised by the U.S. industry that the Rearrangement Project did not properly take into account the value of innovation or previous price reductions on the same product. MOHW's decision to exclude innovative drugs signaled the Korean government's willingness to accord proper value to innovation and encourage greater research and development for its pharmaceutical industry.

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 2010, U.S. exports of beef and beef products to Korea have reached nearly \$470 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). In APEC, the two countries worked together closely on a variety of initiatives to strengthen regional economic integration in the Asia-Pacific, including on work to promote trade in cross-border services and providing training and technical assistance to economies to increase their capacity to engage in negotiations on next generation trade and investment issues in regional and bilateral trade agreements.

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 in 2011, which will provide the United States with a unique opportunity to reduce barriers to U.S. exports and more closely link our economy with the dynamic Asia-Pacific region.

In 2009, the 21 APEC member economies collectively accounted for 43 percent of world trade and 55 percent of global GDP. In 2010, U.S.-APEC total trade in goods was \$2 trillion and total trade in services was \$278 billion in 2009 (latest data available). The significant volume in U.S. trade in the Asia-Pacific region underscores the importance of the region as a market for U.S. exports. The critical role APEC continues to play in promoting trade and investment liberalization and facilitation in the region helps U.S. exporters by addressing barriers that impact their ability to trade in the region. Under Japan's strong leadership as host economy, the outcomes generated by APEC in 2010 provide the foundation for a robust agenda that will lead to practical, concrete, and ambitious outcomes in 2011 when the United States hosts APEC.

2010 Activities

Supporting the Multilateral Trading System and Resisting Protectionism: In 2010, APEC Leaders and Ministers provided strong statements of support for an ambitious and balanced conclusion to the WTO Doha Round negotiations. They also agreed to endorse the progress made by negotiating groups in Geneva and to take steps to direct and empower representatives in Geneva and Senior Officials with the necessary flexibilities to further engage in active and substantive negotiations in all the appropriate fora and configurations. Leaders and 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 through the end of 2013.

Taking Concrete Steps to Advance a Free Trade Area of the Asia Pacific by Addressing Barriers to Trade and Investment: Strengthening economic integration in the Asia-Pacific region remains the top U.S. trade priority in APEC. To that end, in 2010, APEC Leaders agreed to take more concrete steps towards achieving a free trade area of the Asia-Pacific (FTAAP) as a comprehensive, region-wide agreement that will be developed through existing regional agreements like the Trans-Pacific Partnership. Leaders also agreed that APEC will make an important and meaningful contribution to achieving an FTAAP by defining, shaping, and addressing the next generation trade and investment issues that an FTAAP should contain.

Regulatory Cooperation and Convergence: The United States and its APEC partners established an annual process under which regulators and trade officials will cooperate on emerging regulatory issues as a way to prevent technical barriers to trade.

Environmental Goods and Services: To advance the APEC work program on Environmental Goods and Services (EGS), the United States and its APEC partners launched a series of case studies on developing economy EGS markets to demonstrate to these economies the value of engaging seriously in work to eliminate barriers to trade and investment in EGS – both in the WTO and in APEC.

Making It Cheaper, Easier, and Faster to Trade in the Region: The United States, working with other APEC economies, undertook a number of initiatives in 2010 to make it cheaper, easier, and faster to trade in the Asia-Pacific region. APEC economies agreed to reduce the time, cost, and uncertainty of moving goods throughout the region by 10 percent by 2015 through specific actions to improve the performance of supply chains. To increase certainty and predictability of shipping goods in the region, Ministers endorsed the APEC Guidelines for Advance Rulings and a capacity building work program to help economies implement advance rulings in their customs systems, which enable importers to get decisions from customs authorities on tariff classification, origin, and valuation before goods arrive at the port of

entry. APEC also continued its work to make it easier for businesses to take advantage of trade agreements in the region by urging additional economies to adopt self certification of rules of origin (ROOs) approaches. To facilitate trade by increasing transparency, APEC economies provided information on tariffs and ROOs in English, online and at an easily linked to a central APEC web site. Additionally, APEC committed to: continue to work to reduce trademark counterfeiting and copyright piracy, including on the Internet; improve patent cooperation; and increase information sharing between intellectual property authorities and stakeholders.

Food Security and Food Safety: APEC held its first Ministerial Meeting on Food Security to improve regional and global food security. In support of this goal, APEC established the Action Plan on Food Security with programs in sustainable development and trade and investment facilitation. The United States and its APEC partners agreed on a roadmap of actions to expand the use of international standards and best practices for food safety through network development, training and capacity building programs. In support of this initiative, APEC established partnerships with industry, academia, and international organizations, such as the World Bank.

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 addressed the challenges to the automotive industry in the midst of the global downturn that continues to affect the region's automobiles and automotive parts producers. It also updated its 2005 recommendations on rules of origin methodologies and focused on ways to promote trade and investment in new and green technologies. The Chemical Dialogue, co-chaired by the United States and Japan, endorsed the Chemical Strategic Framework for 2010 to 2012 to improve regulatory cooperation and to enhance understanding of how the chemical industry can contribute to increasing energy efficiency, reducing greenhouse gases, and improving food security. The Chemical Dialogue also continued its work to seek clarification regarding implementation of the EU's regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). The Life Sciences Innovation Forum, for which the United States chairs the Planning Group, focused on promoting policy and regulatory approaches that encourage and reward investment in innovation, regulatory harmonization, and capacity building to combat counterfeiting and promote safe medicines.

4. China, Hong Kong and Taiwan

a. China

See 2010 USTR Report to Congress on China's WTO Compliance:
http://www.ustr.gov/webfm_send/1675

b. U.S.-Hong Kong Trade Relations

The United States continued its efforts to expand trade with Hong Kong, a Special Administrative Region of the People's Republic of China. The United States continued to press Hong Kong 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 and prepared a report based on their findings in August 2010. The United States will continue to engage with Hong Kong to establish science-based access for U.S. beef and beef products in 2011.

c. U.S.-Taiwan Trade Relations

During 2010, the United States worked to expand opportunities for U.S. exports to Taiwan. Working-level officials engaged Taiwan throughout the year under the U.S.-Taiwan Bilateral Trade and Investment Framework Agreement (TIFA) process on the range of issues affecting bilateral trade and investment ties. Despite these efforts, continuing concerns regarding Taiwan's shortcomings in meeting its obligations under several bilateral agreements with the United States made it impossible to hold a high-level meeting of the TIFA Council on Trade and Investment. Rebuilding confidence in Taiwan as a reliable trading partner will be critical to reenergizing the TIFA process, and the United States will engage Taiwan closely in 2011 to seek resolution of the high-priority policy concerns that have undermined our trade dialogue in recent years.

The United States continued its efforts to ensure that Taiwan provides 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. The United States continued to press Taiwan to fully comply with the science-based and OIE-consistent bilateral protocol, providing for expanded market access for U.S. beef and beef products that entered into force on November 2, 2009. To date, Taiwan has failed to fully implement the bilateral protocol as a result of the actions taken by Taiwan's Legislative Yuan (LY). On January 5, 2010, the 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. This ban is inconsistent with Taiwan's obligations under the protocol. Furthermore, Taiwan authorities have also taken a range of administrative measures that have disrupted trade and created uncertainty in the market. In particular, disruptions have occurred because of Taiwan authorities' failure to adhere to predictable inspection and testing practices that are appropriately focused on legitimate food safety concerns. The United States has made some progress in working with Taiwan to eliminate certain of these problematic administrative measures, but serious concerns remain. USTR will continue to press Taiwan to act in a manner consistent with science, as well as its obligations under the bilateral protocol, and to refrain from taking measures that overly burden trade in beef and beef products.

The United States continues to discuss several phytosanitary and sanitary issues with Taiwan. Taiwan's failure to either defer to internationally established pesticide Maximum Residue Levels (MRLs) or develop its own science-based MRLs in a timely manner has resulted in increased rejections of various U.S. agricultural specialty crop exports. In some cases, the pesticide violation is for a newer and safer pesticide that lacks a review and approval in Taiwan. Also, avian influenza restrictions on imports of poultry meat and related products as well as Taiwan's ban on the use of ractopamine, a lean muscle promotant, in beef, pork and pork products do not comply with international guidelines. In the case of ractopamine, even when Taiwan has found that there is no health risk and notified the WTO of its intention to establish an MRL for ractopamine, other factors, including pressure from domestic political constituencies, appear to have caused Taiwan not to move forward with implementing science-based measures. The United States will continue to work closely with Taiwan in 2011 to resolve these systemic concerns.

The United States also 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. Throughout 2009 and 2010, 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 of these efforts, it appeared that Taiwan attempted to fill all country-specific tenders. However, in 2010, Taiwan fell substantially short of meeting its rice purchase obligations, and issues with the ceiling price mechanism continue.

IPR protection and enforcement also continue to be important issues in the United States-Taiwan trade relationship. The United States recognizes Taiwan's continuing efforts to improve enforcement of IPR and has continued to deepen bilateral cooperation activities with Taiwan on these issues. In 2010, the United States provided training to Taiwan patent examiners and conducted other capacity-building and information exchange activities. 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 certain forms of liability for the infringing activities of users on their networks. The United States will continue to engage Taiwan on implementation of its ISP liability legislation, as ISPs and rights holders have been working to finalize an effective Code of Conduct to implement the notice and takedown provisions. Some music rights holders have expressed concerns about amendments passed in January 2010 to the Copyright Act and the Copyright Collective Management Organization Act. These amendments grant the Taiwan Intellectual Property Office the power to set rates if a commercial arrangement cannot be reached. They also ban rights holders or collective management organizations from using commissioned agents to collect licensing fees, although this is a common and well-accepted industry practice. The U.S. government will continue discussions of these concerns with Taiwan in 2011.

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. While foreign companies have already begun to benefit from increased access to Taiwan's government procurement market, some U.S. companies have raised concerns relating to contract terms and conditions, as well as licensing and liability issues. The United States will continue to work closely with Taiwan on implementing international best practices in government procurement 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. Taiwan enacted a number of reforms to their national health insurance system on January 7, 2011, and the United States will engage closely with Taiwan authorities as these reforms are implemented to assess their potential impact on U.S. pharmaceutical and medical device manufacturers.

5. Southeast Asia and the Pacific

a. Free Trade Agreements

The United States continued to implement, monitor and enforce its Free Trade Agreements (FTAs) 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, following detailed consultations with Congress and stakeholders, 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. This agreement, when completed, will create a potential platform for economic integration across the Asia-Pacific region, advance U.S. economic interests with the fastest-growing economies in the

world, and 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.

Four formal rounds of TPP negotiations were held in 2010. In the negotiations, the United States and the eight other TPP partners – Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam – are working to craft a high-standard agreement that addresses new and emerging trade issues and 21st century challenges. When completed, the new TPP agreement is expected to include provisions on cross-cutting issues not included in previous trade agreements, such as promoting connectivity to deepen the links of U.S. companies to the emerging production and distribution networks in the Asia-Pacific region; making the regulatory systems of TPP countries more compatible so U.S. companies can operate more seamlessly in TPP markets; and helping small- and medium-sized enterprises, which are a key source of innovation and job creation, participate more actively in international trade.

The U.S. vision for the TPP is predicated on the long-term objective – shared by all TPP participants – of expanding the group to additional countries across the Asia-Pacific region. In 2010, following detailed consultations with the United States and other TPP members, Malaysia joined the negotiations, and on October 5, 2010, Ambassador Kirk informed the U.S. Congress of Malaysia's inclusion in the TPP negotiations. Malaysia's participation further enhances the economic value of a TPP agreement for the United States, as Malaysia is one of the most dynamic economies in Southeast Asia and an important market for U.S. goods and services exports. Other countries in the Asia-Pacific region have expressed interest in joining the TPP, and the United States and other TPP countries are consulting bilaterally and collectively to help those countries understand the standards and objectives that the TPP countries have established and to discuss whether they are prepared to meet them.

We will continue to rigorously and extensively consult with the U.S. Congress on all elements of the TPP negotiations in order to develop negotiating objectives consistent with both Administration and Congressional priorities and objectives. We will continue to work with Congress as we further develop approaches for using the TPP to promote U.S. economic priorities and values, including on matters related to environmental protection and conservation, transparency, worker rights and protections, and development.

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

Throughout 2010, the United States engaged bilaterally, regionally, and multilaterally to improve and expand our trade and investment relations with Southeast Asian and Pacific countries. In addition to meeting bilaterally under our Trade and Investment Framework Agreements (TIFAs) and other dialogues, the United States worked with countries of the Association of Southeast Asian Nations (ASEAN) to advance our discussions under the ASEAN-U.S. Trade and Investment Framework Arrangement and to coordinate positions and approaches at APEC, the WTO, and other trade and investment forums.

During 2010, the United States held numerous high-level meetings, TIFA dialogues, and other bilateral exchanges with countries in the region including Brunei Darussalam, Cambodia, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. Frequently, these discussions were aimed at resolving long-standing trade issues in areas such as customs, intellectual property protection and enforcement, market access for industrial and agricultural products, regulatory and other non-tariff barriers facing U.S. manufacturers and 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 advance initiatives of common interest. With Indonesia, the United States reached agreement on an updated OPIC Investment Support Agreement, which will help to further expand our bilateral economic relationship. In September, the United States and Indonesia reported on progress made in our TIFA discussions to the inaugural meeting of the Joint Commission of the Indonesia-United States Comprehensive Partnership. With Malaysia and Vietnam, the United States held detailed bilateral discussions to facilitate the participation of both countries in the TPP, to monitor implementation of bilateral and multilateral agreements, and to coordinate on approaches to issues in regional and multilateral fora. With Laos, the United States continued to work closely with the Lao government to monitor progress and support the implementation of the U.S.-Lao Bilateral Trade Agreement and to support Laos's ongoing negotiations to join the WTO.

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

With robust economies and a total population of about 600 million people, the ten member countries of ASEAN represent large and growing markets for U.S. traders and investors. As U.S. trade with the region continued to expand in 2010, the ASEAN countries collectively became the fourth largest U.S. export market and fifth largest two-way trading partner.

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. As part of these efforts, Ambassador Kirk hosted ASEAN Trade Ministers in May 2010 for a U.S.-ASEAN Road Show with stops in Seattle and Washington, D.C. The Road Show brought together U.S. Government officials, Members of Congress, ASEAN trade ministers, and U.S. and ASEAN business representatives to identify business opportunities and to discuss ways to expand U.S.-ASEAN economic cooperation and support ASEAN integration. With the success of the event, U.S. and ASEAN officials agreed to plan another Road Show for 2011. In September 2010, the United States and ASEAN facilitated the signing of a Memorandum of Understanding on trade finance between the Export-Import Bank of the United States and business federations from the Philippines, Vietnam, Singapore, Indonesia, and Malaysia.

e. Other Priority Activities

In July, the United States hosted the second meeting of the Asia-Pacific Regional Dialogue to Promote Trade in Legally Harvested Forest Products in Seattle, Washington. The Regional Dialogue builds on U.S. bilateral agreements with Indonesia and China and reflects recognition that regional cooperation is essential in addressing the trade-related aspects of illegal logging. The meeting was co-convened by the United States and Indonesia and included representatives from Australia, Cambodia, China, Japan, Laos, Malaysia, Papua New Guinea, New Zealand, Philippines, Singapore, the Solomon Islands, Thailand, and Vietnam. Participants discussed best practices and new ways to promote trade in legally harvested forest products and government-to-government cooperation in combating illegal logging. They agreed to continue discussions in 2011. *(For additional information, see Chapter IV.A.)*

6. Sub-Saharan Africa

a. Trade and Investment Relations

The Administration seeks 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 ten 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 to expand and diversify African exports to the United States, while at the same time fostering an improved business environment in many African countries. Thirty eight sub-Saharan African countries were eligible for AGOA benefits in 2010.

b. Trade and Investment Framework Agreements

The United States has Trade and Investment Framework Agreements (TIFAs) with eleven countries or regional economic communities: Angola, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, the Common Market for Eastern and Southern Africa (COMESA)²³, the East African Community (EAC)²⁴, and the West African Economic and Monetary Union (also known by its French acronym, UEMOA)²⁵. USTR leads interagency discussions with TIFA partners on a wide range of trade and investment-related issues. In addition to high-level TIFA Council meetings, which are held every one to two years, there is an ongoing dialogue with all TIFA partners that may include periodic working-level meetings and digital video conferences on the implementation of the TIFA work plans. In 2010, the United States participated in four Council meetings – with Angola, Ghana, the EAC, and UEMOA.

c. Angola

After signing a TIFA in 2009, U.S. and Angolan trade and development officials held the inaugural United States-Angola Council meeting in June 2010 to discuss ways to strengthen bilateral trade and investment ties. The U.S. and Angolan delegations discussed progress in several areas, including bilateral trade, implementation of AGOA, investment promotion, the business environment, agri-business projects and development, and trade-related transportation and infrastructure issues.

Angola is the United States' third largest trading partner in sub-Saharan Africa. Angolan exports are dominated by mineral fuels and oil, but also include precious or semiprecious stones and metals. In 2010, two-way trade between the United States and Angola totaled \$13.3 billion, an increase of 23 percent from 2009.

d. Ghana

In July 2010, Assistant United States Trade Representative Florie Liser co-chaired the sixth meeting of the United States-Ghana TIFA Council. At the meeting, officials discussed AGOA, investment challenges, transportation, telecommunications, intellectual property rights, trade capacity building, and technical assistance.

The United States-Ghana TIFA has been in effect since 1999. Two-way trade between the United States and Ghana was valued at \$1.3 billion during 2010, representing a 50 percent increase from last year. Imports from Ghana that receive trade preferences under AGOA and the Generalized System of Preferences include cocoa paste, wood ornaments, apparel, vegetables, spices, and baskets. Since 2001, the United States has provided \$325 million in trade capacity building assistance to Ghana, including \$240 million in trade-related activities under Ghana's \$547 million, five-year Millennium Challenge Corporation compact. This assistance has helped Ghana to increase its competitiveness in world markets,

²³ COMESA members are Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

²⁴ EAC members are Burundi, Kenya, Rwanda, Tanzania, and Uganda.

²⁵ UEMOA members are Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

upgrade and improve its road system, improve agricultural productivity, and strengthen the business environment.

e. UEMOA

In August 2010, Deputy United States Trade Representative Ambassador Marantis and the Trade Commissioner of UEMOA convened the sixth meeting of the United States-UEMOA TIFA Council in Washington D.C. In addition to discussing and tracking progress on a broad range of trade and investment-related issues, including AGOA, the Council identified new areas of cooperation to advance regional economic integration and development.

Total two-way trade between the United States and UEMOA was valued at \$2.5 billion in 2010. Leading exports to the U.S. include oil, cocoa and cocoa products, coffee, rubber, nuts, fruits, and precious minerals. Six UEMOA countries—Benin, Burkina Faso, Guinea Bissau, Mali, Senegal and Togo—are eligible for AGOA benefits.

f. EAC

In February 2010, representatives from the United States and the EAC convened the first meeting of the U.S.-EAC TIFA Council in Uganda. Deputy United States Trade Representative Ambassador Marantis led the U.S. delegation. The Council discussed a range of trade issues, including market access, agricultural trade, the business environment, the financial sector, and trade capacity building. This initial meeting was an important step towards adopting a common workplan for implementing the U.S.-EAC TIFA. The TIFA meeting also represented an important step towards enhanced U.S.-EAC trade relations, and highlighted the EAC's ongoing progress in opening up regional trade and advancing economic integration among member countries.

The U.S.-EAC TIFA entered into effect in July 2008 between the United States and the five EAC member states—Burundi, Kenya, Rwanda, Tanzania, and Uganda. The EAC has made great strides towards regional integration in recent years, establishing a free trade area, a customs union, and a common market. Total two-way trade between the EAC and the United States was valued at \$1.1 billion during 2010. Leading U.S. imports from the EAC include apparel, coffee, tea, and cashews. EAC member countries - Burundi, Kenya, Rwanda, Tanzania, and Uganda - are eligible for AGOA benefits.

7. South and Central Asia

a. Advancing the United States-India Trade and Investment Relationship

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 U.S.-India Strategic Dialogue, initiated by Secretary of State Hillary Clinton in 2010, and remains the principal bilateral forum for discussing bilateral trade and investment issues. The TPF's five Focus Groups – Agriculture, Innovation and Creativity, Investment, Services, and Tariff and Non-Tariff Barriers – sought to make progress on addressing the range of issues on the bilateral agenda, including adequate protection of copyrights and patents, obstacles to foreign direct investment in India, agricultural and industrial standards, and other impediments to U.S. exports of goods and services to India. The ministerial-level TPF met formally on September 21, 2010 in Washington, D.C. Following on last year's decision by the two governments to reconstitute the Private Sector Advisory Group (PSAG), U.S. and Indian members of the PSAG exchanged views and developed recommendations over the course of 2010 on actions each government might take to facilitate bilateral trade and investment.

Other key features of the United States-India trade policy engagement during 2010 included:

- Ambassador Ron Kirk and Indian Minister of Commerce and Industry Anand Sharma signed the Framework for Cooperation on Trade and Investment in March 2010. The Framework included 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.
- Under the Framework, the United States and India agreed to explore collaborative initiatives in the Information Communications Technology (ICT) and energy and environmental services sectors. The two countries also agreed, among other things, to promote greater involvement by U.S. and Indian small and medium-sized 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 in 2010, including during the September 2010 ministerial-level TPF. They discussed the importance of ensuring adequate engagement at both the political and technical levels in order to foster an enhanced bilateral relationship. They also met in the context of the Doha Round negotiations to attempt to find common ground towards concluding a balanced and ambitious outcome.
- In November 2010, President Obama visited India, where he met Prime Minister Manmohan Singh and addressed India's Parliament. President Obama welcomed the growing trade between the United States and India, evidenced in part by the almost \$15 billion in U.S. trade transactions with India announced during the visit. In their Joint Statement, President Obama and Prime Minister Singh looked forward to building on the existing strong ties between U.S. and Indian firms in order to realize fully the enormous potential for trade and investment between the two countries. The Joint Statement also emphasized the two countries' shared interest in an ambitious and balanced conclusion to the Doha Round negotiations.

b. Contributing to Regional Stability

In support of top national security objectives in Afghanistan, Pakistan, and Iraq, in 2010 USTR strengthened engagement with all three countries as part of a broader effort to boost trade, employment, and sustainable development. USTR hosted a Trade and Investment Framework Agreement (TIFA) meeting with Afghanistan on November 8, 2010, which included a session with the private sector and USTR advisory committee members. USTR also hosted a TIFA meeting with Pakistan on April 23, 2010. Working with other U.S. agencies, USTR participated in trilateral and other high-level meetings with officials from Afghanistan, Iraq, and Pakistan. Key highlights from 2010 included:

- USTR and other agencies continued to seek passage of trade preference legislation, including 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) program.
- 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 United States-Pakistan Joint Trade Study Group. USTR participated in the United

States-Pakistan Strategic Dialogue on October 21, 2010, leading the discussion on trade and co-leading with the U.S. State Department on investment issues.

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

c. Promoting National Reconciliation and Lasting Peace in Sri Lanka

The United States and the government of Sri Lanka (GOSL) held the 8th TIFA Council Meeting in Colombo, Sri Lanka, in October 2010. It was the second meeting of the TIFA Council 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.

d. Advancing U.S. Engagement with Central Asia

USTR supported the Administration's strategy towards Central Asia by hosting the U.S.-Central Asia TIFA Council meeting in Washington, D.C. in October 2009 in order to bolster cooperation with the Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan in support of U.S. operations in Afghanistan (which participates in the TIFA as an 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. The Central Asia TIFA meeting will be held in 2011 as annual meetings are required under the TIFA.

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