

# IV. OTHER TRADE ACTIVITIES

## A. Trade and the Environment

Over the course of 2015, the Administration achieved significant results on trade and environment matters in multiple fora, including through multilateral, regional, and bilateral trade initiatives. The Administration successfully concluded negotiations on a TPP Environment Chapter that includes the most comprehensive environmental commitments the United States has ever negotiated in a trade agreement. The TPP represents a significant opportunity to address pressing environmental issues in the Asia-Pacific region, including such conservation challenges as wildlife trafficking, illegal logging, and illegal, unreported, and unregulated fishing. The chapter also includes first-ever commitments to prohibit some of the most harmful fisheries subsidies, including those that negatively affect overfished fish stocks.

In the WTO, the United States and 16 other WTO Members made significant progress in advancing the Environmental Goods Agreement (EGA) negotiations, aimed at eliminating tariffs on environmental technologies such as wind turbines, water treatment filters, and solar water heaters.

The Administration also continued to prioritize implementation of the free trade agreements (FTAs) currently in force, including working closely with the government of Peru to implement a bilateral action plan to advance forest sector reforms and combat illegal logging, and to establish an independent Secretariat to review stakeholder submissions regarding Peru's enforcement of its environmental laws.

USTR also contributed significantly to implementation of the President's *National Strategy to Combat Wildlife Trafficking* and the President's *Action Plan to Combat Illegal, Unreported, and Unregulated (IUU) Fishing and Seafood Fraud*. This section reflects the Obama Administration's increased integration of environmental considerations across various multilateral, regional, and bilateral fora.

### 1. Multilateral and Regional Fora

#### Regional Engagement

In APEC, the United States continued its leadership role in promoting mutually supportive trade and environmental objectives. Pursuant to APEC Leaders' 2011 commitment to reduce applied tariffs on a list of 54 environmental goods to 5 percent or less by the end of 2015, over 300 tariff lines were cut across the region, making environmental technology solutions cheaper than ever before. These tariff cuts on technologies such as wind turbines and solar water heaters impact approximately \$2 billion in U.S. exports - unlocking opportunities for U.S. green technology exporters while improving access to the technologies that the United States and other countries need to protect the environment. Building on this success, in May 2015, the Public-Private Partnership on Environmental Goods and Services (PPEGS) held its second meeting in Boracay, Philippines, in which representatives from APEC governments and the private sector convened to discuss ways that nontariff barriers to trade in environmental goods and services have been successfully addressed in the APEC region. The United States will seek to build on the outputs of this meeting in 2016 by advancing work to address barriers to trade and investment in sustainable materials management solutions.

The APEC Experts Group on Illegal Logging and Associated Trade (EGILAT) continued its work to combat illegal logging in the region, including through endorsement of a Common Understanding of the Scope of Illegal Logging and Associated Trade, as well as a Timber Legality Guidance Template put forward by the United States that will help to advance regional transparency in the laws and regulations

governing trade in timber products. The APEC Oceans and Fisheries Working Group continued its work to encourage transparency in fisheries subsidies, including by updating a 2000 study on APEC economies' fisheries subsidies programs.

### **WTO and Other Multilateral Engagement**

As described in more detail in Chapter II of this report, the United States has continued to explore fresh and innovative approaches to all aspects of the WTO's trade and environment work. At the WTO Ministerial Conference in Nairobi, the United States joined more than 25 other WTO Members in issuing a Joint Ministerial Statement on Fisheries Subsidies that expressed support for reinvigorating work in the WTO to strengthen disciplines on fisheries subsidies and enhance transparency of subsidy programs. The Administration also has sought to orient activities in the OECD Joint Working Party on Trade and Environment to support ongoing WTO work and to develop strong analytical research on the synergies between trade and clean energy policies.

In addition, in 2015, the United States and the 16 other WTO Members participating in the EGA negotiations made significant progress over the course of eight negotiating rounds to develop a list of environmental technologies that will be subject to tariff elimination. Once finalized, the EGA will eliminate tariffs on a broad range of environmental technologies, expanding on APEC Leaders' commitment to reduce applied tariffs on a list of 54 environmental goods to 5 percent or less by the end of 2015. Global trade in environmental goods is estimated at nearly \$1 trillion annually, and some WTO Members charge tariffs as high as 35 percent on these goods. The United States exported \$130 billion of environmental goods in 2015, and U.S. exports of environmental goods have been growing at an annual rate of 4 percent since 2010. By eliminating tariffs on these products, the United States can improve access to the technologies that the United States and other countries need to protect the environment, while unlocking opportunities for U.S. exporters and spurring innovation in green technologies. In addition to the United States, 16 other countries – Australia, Canada, China, Costa Rica, the European Union, Hong Kong, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Chinese Taipei, and Turkey – are participating in the EGA negotiations. The United States will continue to work with EGA participants in 2016 with the aim of concluding a commercially significant and environmentally credible agreement.

In 2015, USTR was actively engaged in the negotiations and the implementation of a number of MEAs, including: the Convention on International Trade in Endangered Species of Wild Fauna and Flora, the International Convention for the Conservation of Atlantic Tunas, International Maritime Organization conventions, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal, Strategic Approach to International Chemicals Management, the Stockholm Convention on Persistent Organic Pollutants, the United National Framework Convention on Climate Change, the Minamata Convention on Mercury, and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade. USTR is also actively engaged in U.S. fisheries policy development, regional fisheries management organizations, and the International Tropical Timber Organization.

## **2. Bilateral and Regional Activities**

As described below and in Chapter III.B of this report, USTR realized concrete achievements supporting green growth and trade during 2015, which included the completion of negotiations on the TPP Environment Chapter, as well as monitoring and implementation of the environmental provisions of existing FTAs. USTR continued to convene meetings of the TPSC Subcommittee on FTA Environment Chapter Monitoring and Implementation to consider actions taken by U.S. FTA partners, in accordance with the Subcommittee's plan for monitoring implementation of FTA environment chapter obligations.

The monitoring plan forms part of the Administration's ongoing efforts to ensure that U.S. trading partners comply with their FTA environmental obligations. The Administration will be building on these monitoring efforts to develop an enhanced whole-of-government implementation and monitoring plan for the recently concluded TPP agreement.

### **TPP Negotiations**

Working with interagency partners, USTR successfully concluded negotiations on the landmark TPP Environment Chapter in 2015. The TPP Environment Chapter includes the most comprehensive environmental commitments the United States has ever negotiated in a trade agreement, including with respect to combating wildlife trafficking and illegal logging and associated trade, promoting sustainable fisheries management, eliminating harmful fisheries subsidies that negatively affect overfished fish stocks or support vessels engaged in illegal fishing, and liberalizing trade in environmental goods and services. The TPP Environment Chapter will strengthen environmental protection throughout the dynamic Asia-Pacific region and set a new high standard for environmental provisions in trade agreements. Likewise, in the T-TIP negotiations, the Administration is seeking ambitious environmental commitments, including commitments relating to the protection and conservation of wildlife, marine fisheries, and forest resources.

### **Peru TPA**

With respect to the Peru Trade Promotion Agreement (PTPA), the United States and Peru held multiple meetings with broad participation from a range of government agencies and stakeholders to discuss issues relating to implementation of the Environment Chapter of the PTPA and the Annex on Forest Sector Governance (Forest Annex). This regular engagement provided important opportunities to gather information about new laws, regulations, and policies that Peru is implementing, particularly in the forestry and mining sectors, and gain a better understanding of their environmental impact.

In June 2015, the United States and Peru held senior-level meetings of the Environmental Affairs Council (EAC), the Environmental Cooperation Commission (ECC), and the Subcommittee on Forest Sector Governance in Lima, Peru. United States and Peruvian officials also held a public session to share information and exchange views on implementation of the Chapter and environmental cooperation.

During the EAC, Peru presented information on measures taken to implement its environmental commitments, including the launch of a new Peruvian National Forest and Wildlife Service (SERFOR) in August 2014, and the United States discussed progress in advancing Presidential initiatives to combat wildlife trafficking and illegal and unregulated fishing. The United States and Peru also discussed implementation of certain economic reforms enacted by Peru in 2014 and 2015, and the United States stressed the link between a healthy economy and environmental protection. The United States is continuing to engage closely with Peru to monitor both the forestry and economic reforms' implementation in light of Peru's environmental commitments in the PTPA. During the EAC, the United States and Peru also signed the necessary documents to establish an independent environmental secretariat to receive submissions from the public on effective enforcement of environmental laws. The environmental secretariat will be housed in the Organization of American States in Washington, DC.

The United States and Peru also approved an Environmental Cooperation Agreement Work Program (2015-2018) during the ECC meeting, which lays out a plan for continued support and technical assistance for Peru in the forestry sector. The United States continued to support the development and implementation of an electronic system to verify and track the legal origin and proper chain of custody of timber harvested from Peru's forests, from stump to port. The final system is expected to be implemented in 2016. The United States Forest Service is also supporting the government of Peru in completing inventories of forests designated for timber production. The first phase of inventories were completed in 2015, including data

from approximately 1.5 million hectares in Loreto and 1.2 million hectares in Ucayali. USAID supported the launch of a satellite imagery system and trained environmental prosecutors to use satellite images in their investigations and prosecutions. Additionally, in June 2015, the Department of Justice conducted the second of two training workshops to assist the government of Peru in combating illegal logging pursuant to the Forest Annex and Action Plan. The Fish and Wildlife Service also has posted a regional law enforcement attaché to the Embassy in order to enhance cooperation between the Ministry of Interior and SERFOR.

During the June meeting of the Subcommittee on Forest Sector Governance and in a separate September trip to Lima, the U.S. delegation reviewed Peru's implementation of the Forest Annex. Topics addressed included increased investigations and prosecutions for forestry crimes, enhanced transparency, and actions to strengthen timber legality. The meetings included broad participation by a range of government agencies from the United States and Peru. During these meetings, and throughout 2015, the United States engaged extensively with Peru on its draft regulations to implement its Forestry and Wildlife Law. In September, the final regulations entered into force following extensive consultation with civil society and the endorsement of 52 indigenous and local communities.

## **CAFTA-DR**

The United States and other Parties under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) continued efforts to advance environmental protection and implement the commitments of the CAFTA-DR Environment Chapter. The officials responsible for trade and environment under CAFTA-DR met and held DVCs in 2015 to discuss priorities for environmental capacity building programming, the implementation of Environment Chapter obligations, and the preparation for senior-level meetings of the Environmental Affairs Council (Council). In July 2015, the Council met in Guatemala City, Guatemala, and Council Members reported on progress made in their countries to implement core commitments of the CAFTA-DR Environment Chapter, including efforts to improve levels of environmental protection, strengthen environmental laws and environmental law enforcement, and promote public participation in environmental decision making. The Council also received an update from the Secretariat for Environmental Matters (Secretariat) and recognized the high number of public submissions as a positive demonstration of increased public participation and environmental awareness. Since 2007, the Secretariat has received 34 submissions regarding effective enforcement of environmental laws. The Secretariat also summarized its outreach activities, including dissemination of information about the submission mechanism to over 3,500 people from non-governmental organizations, academia, the private sector, and governments. The Council received an update from the Organization of American States on progress and accomplishments in environmental protection activities and also received an update on the preparation of the fifth monitoring report on the Environmental Cooperation Program and results of the communications and social outreach plan.

During the Council meetings, Members reviewed accomplishments and next steps in the implementation of environmental cooperation. To date, the United States has invested \$87.2 million, and accomplishments include: improving over 203 environmental laws, regulations, or policies; outreach and education to 19.1 million local people through campaigns for public awareness on biodiversity and endangered species conservation; training over 120,000 people in natural resource management and biodiversity conservation; saving nearly \$3 million through the application of private sector practices that reduce energy, water consumption, and greenhouse gas emissions; and training over 33,600 people and certifying more than 2,000 farms in sustainable agricultural practices. The Council discussed ongoing and future cooperation related to the enforcement of wildlife protection laws, combating illegal, unreported, and unregulated (IUU) fishing and illegal logging, and promoting public participation in environmental decision making process.

The Council held a public session on July 10, 2015 at the *Universidad del Valle de Guatemala* to share information and exchange views on implementation of the Chapter and the Environmental Cooperation Program. Approximately 150 people from non-governmental and international organizations, the private sector, and academia attended the meeting.

Environment points of contacts from the CAFTA-DR governments met in the Dominican Republic in November 2015, to discuss new environmental cooperation activities including a new interagency agreement with the U.S. Forest Service aimed at reducing the illegal logging of rosewood, and a new program with the Central America Fisheries and Aquaculture Organization (OSPESCA), which improves regional coordination on enforcement of regional regulations to prevent IUU fishing. CAFTA-DR points of contacts additionally started discussing preparations for the next Council meeting, which will take place in the summer of 2016 and will mark the 10<sup>th</sup> anniversary of the CAFTA-DR Agreement.

### **Chile FTA**

In August 2015, the United States and Chile held meetings of the Environmental Affairs Council (EAC) and the Joint Commission on Environmental Cooperation (JCEC). At these meetings, the United States and Chile continued to advance their work to implement the Environment Chapter of the FTA and the associated Environmental Cooperation Agreement. The governments reported on and discussed their progress in implementing obligations under the chapter, including obligations to establish high levels of environmental protection, effectively enforce domestic environmental laws, and provide opportunities for public participation in matters related to the implementation of the chapter.

Chile presented its actions to improve air quality and emissions standards; the adoption of environmental quality standards protecting surface waters; the implementation of tools to combat IUU fishing, and the establishment of requirements for the protection of seamounts. Chile also reported on environmental law enforcement by the Environment Superintendency, as well as on efforts to improve public participation and promote corporate social responsibility.

The two governments also discussed ongoing environmental cooperation activities and adopted an updated environmental cooperation work program for the period 2015-2017, which establishes the following priorities for cooperative activities: strengthening effective implementation and enforcement of environmental laws and regulations; promoting conservation and inclusive management of natural resources, including biodiversity and ecosystem services, protected wild areas, and other ecologically important ecosystems; promoting environmental education, transparency, and civil society participation in environmental decision making and enforcement; and encouraging development of low emissions technology, improving resilience to large-scale disasters, and encouraging the adoption of sound environmental practices and technologies. The officials held a public session in conjunction with the EAC and JCEC meetings.

The United States continued to support environmental cooperation activities in Chile in 2015. For example, the Department of the Interior provided training for judges, prosecutors, and customs officials on the implementation and enforcement of the Convention on International Trade in Endangered Species of Fauna and Flora. The Environmental Protection Agency (EPA) worked with Chilean officials in the Ministries of Mining and Environment on environmental management of existing and planned mines and mine closures, on facilitating public participation in environmental decision making, and on environmental education. EPA also supported the South American Compliance and Enforcement Network and conducted two workshops on strategic environmental enforcement with Chile's Environment Superintendency. The National Parks Service supported the United States-Chile Sister Parks program and trained Chilean park officials on natural resource management. U.S. funding also supported two projects implemented by non-governmental organizations: the World Wildlife Fund worked with artisanal fishers to promote

sustainability of the Chilean Southern Hake fish stock, and the Collaborative Labeling and Standards Program collaborated with the Chilean Ministry of Energy to establish an industry and utility roundtable and work toward implementation of more efficient energy distribution technologies.

### **Colombia TPA**

An interagency delegation traveled to Bogotá in September 2015 to monitor Colombia's implementation of its environmental commitments, and held roundtable discussions with private sector and civil society representatives. The delegation also advanced progress towards the establishment of an independent secretariat to receive and consider submissions from the public on matters regarding enforcement of environmental laws pursuant to Article 18.8 of the CTPA. The secretariat mechanism is intended to promote public participation in the identification and resolution of issues regarding each Party's enforcement of its environmental laws. In October 2015, the Department of State published a solicitation requesting applicants for housing the secretariat and, in collaboration with USTR and the government of Colombia, is working to select a host organization.

The United States provided capacity building assistance under the United States - Colombia Environmental Cooperation Work Program 2014-2017 to support Colombia's implementation of its environmental obligations under the CTPA. The U.S. Agency for International Development (USAID) supports the bulk of this environmental cooperation and in 2015 invested more than \$20 million in activities that directly supported the work program. This work included support to improve the legality of the informal mining sector, which resulted in 84 mining units being formalized, 1,074 miners being trained on best environmental practices for mining operations, and a reduction of mercury use by at least 25 percent in 106 mining units. USAID also supported the Colombian government's efforts to improve the conservation of biodiversity and strengthen environmental governance in almost 37,000 hectares and facilitated a public-private dialogue on implementation of zero deforestation commitments made by a large group of U.S. and multinational companies in Colombia under the global Tropical Forest Alliance 2020. In addition, USAID assisted Colombia to implement a Tax Incentive Regulation linked to its new renewable energy law, which helped spur over \$360 million in private sector investments in clean energy.

### **Korea FTA**

On November 10 and 11, 2015, in Seoul, Korea, the United States and Korea held the second meeting of the Environmental Affairs Council (EAC) and Environmental Cooperation Commission (ECC), as well as a public session in conjunction with the meetings. The EAC discussed progress in implementing the KORUS Environment Chapter. The meetings focused specifically on provisions mandating high levels of protection, effective enforcement, and public participation.

Korea described actions it took in response to being listed in 2013 by NOAA as a "non-cooperative" nation regarding IUU fishing under the Magnuson-Stevens Fishery Conservation and Management Act. In particular, Korea noted that it had significantly revised its legal and regulatory system, especially with respect to its deep-water fishing fleet, resulting in its de-listing from NOAA's 2015 report on illegal and unreported fishing practices. The government passed the Distant Water Fisheries Development Act and created a vessel monitoring center. Other steps included mandatory use of vessel monitoring tracking systems for deep water fleets, increased inspections, and stricter penalties. Officials also reported on Korea's plans to ratify the Port State Measures Agreement which subsequently occurred in January 2016.

Korea officials discussed several other environmental initiatives aimed at protecting the public, including among others, improving the management of harmful chemicals and encouraging recycling. The Korean Forestry Service is also drafting a new law to combat illegal logging and associated trade.

The ECC reviewed environmental cooperation activities under the 2013-2015 Work Program. U.S. agencies have extensive cooperation with their Korean counterparts across a wide spectrum of projects and issue areas. For instance, on energy innovation, the U.S. Department of Energy works with Korea's Ministry of Trade, Industry and Energy on a range of clean energy technologies, including fuel cells, smart grids, and energy storage. On air quality, the United States and Korea participated in exchanges on regional trans-boundary air pollution, port and vessels emissions assessment, reduction, and monitoring strategies, and on radiation regulations. On fisheries issues, the Korean Ministry of Oceans and Fisheries and NOAA have cooperative activities in integrated coastal resource management, marine and climate monitoring, and fisheries and aquaculture research. The Korean Forestry Service engaged with the U.S. Forest Service, USDA, the Department of Justice, the Department of State, and USTR on ways to combat illegal logging and associated trade. Technical experts from Korea regularly meet with U.S. counterparts, including EPA, which hosted a fellow from the Korean Environmental Preservation Association, and worked with counterparts on managing products containing mercury, including under the U.S. Superfund model.

The United States and Korea also cooperate in multilateral fora, including in several regional fisheries management organizations. Korea participated in EPA-supported Asia-Pacific Mercury Monitoring Network workshops, as well as hosted and co-led an international seminar on perfluorinated compounds (PFCs) management. During this year's EAC and ECC meetings, USTR officials emphasized the need for Korea to take a leadership role within the region on environmental protection.

The ECC also approved the 2016-2018 Work Program, which identifies priorities for future cooperative activities, including: strengthening implementation and enforcement of environmental laws; protecting wildlife and sustainably managing ecosystems and natural resources, including combating IUU fishing; strengthening environmental protection and promoting sustainable environmental cities; and sharing best practices on the development and application of cleaner sources of energy and the use of innovative environmental technology.

### **Jordan FTA**

In accordance with the United States-Jordan FTA and the United States-Jordan Joint Statement on Environmental Technical Cooperation, the United States and Jordan have worked closely together on a range of environmental matters. In 2014, the United States and Jordan adopted the 2014-2017 Work Program for Environmental Technical Cooperation that includes cooperation on institution strengthening for the effective enforcement of environmental laws, biodiversity conservation, improved cleaner production processes, and increased public participation and transparency in environmental decision making and enforcement in Jordan. In 2015, the U.S. Forest Service (USFS) continued to support improved management of 53,200 hectares of areas of biological significance through partnerships with Jordan's Royal Society for the Conservation of Nature. Also in 2015, the USFS provided technical assistance on tree nursery improvements to enhance the growing of seedlings and to improve reforestation practices. The USFS also provided a series of trainings to 75 Jordanians, including nursery specialists from Jordan's Forestry Department in the Ministry of Agriculture and representatives from the NGO community working on forest conservation.

### **Oman FTA**

In accordance with the United States-Oman FTA and the United States-Oman Memorandum of Understanding on Environmental Cooperation, the United States and Oman have worked closely together on a range of environmental matters. In 2015, progress on environmental cooperation continued through implementation of the plan of action. As part of this effort, the U.S. Department of the Interior worked with the Omani Ministry of Environment and Climate Affairs (MECA) to build technical capacity for the implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora. In addition, the U.S. Department of Justice worked with MECA to update Oman's environmental laws,

particularly the law on Conservation of the Environment and Prevention of Pollution and the Regulation on Controlling Air Pollutants Emitted by Immobile Sources. The U.S. Forest Service helped Oman improve its institutional capacity to respond to oil spills and other environmental disasters and worked with the National Committee for Civil Defense. (NCCD) to design and develop the capstone training courses to create Oman's first Incident Management Team.

### **Panama TPA**

To promote environmental stewardship, and ensure that trade and environmental priorities are mutually supportive, the TPA requires that the Parties adopt, maintain, and implement laws, regulations, and other measures to fulfill their obligations under certain multilateral environmental agreements, and not to fail to effectively enforce their environmental laws or to reduce environmental protections to encourage trade or investment. The environmental obligations under the TPA are subject to the same dispute settlement provisions as the other obligations in the TPA and are subject to the same remedies.

The TPA established an Environmental Affairs Council (Council) composed of senior level officials who are to meet annually to consider and discuss implementation of the Environment Chapter. These meetings are an important tool to evaluate progress in implementing the environmental commitments of the TPA, discuss priority areas needing further attention, formulate a plan to achieve further progress, and provide for public participation. The United States and Panama intend to schedule a Council meeting in Washington, DC in the first half of 2016, in conjunction with a meeting of the Environmental Cooperation Commission (Commission), a related body established under the United States-Panama Environmental Cooperation Agreement (ECA), which entered into force on December 7, 2013. The Council and Commission will also hold a public session pursuant to the TPA Environment Chapter and the ECA, where stakeholders will have the opportunity to ask questions of, and provide comments to, officials from both countries.

An interagency delegation traveled to Panama in March 2015 to monitor Panama's implementation of its environmental commitments. The delegation met with representatives of Panama's trade and environment ministries and held a roundtable with civil society representatives to exchange views on the implementation of the environment commitments of the TPA.

In June 2015, the United States and Panama formalized agreement with the Water Center for the Humid Tropics of Latin America and the Caribbean (CATHALAC), located in Panama City, Panama, that CATHALAC would house the Environment Secretariat. In December 2015, the United States and Panama signed an agreement for the establishment of the Environmental Secretariat, pursuant to Article 17.8 of the TPA. The secretariat mechanism is intended to promote public participation in the identification and resolution of environmental enforcement issues and receives and considers submissions from the public on matters regarding enforcement of environmental laws.

### **Singapore FTA**

In August 2015, the United States and Singapore met bilaterally to advance their work to implement the Environment Chapter of the FTA and the associated Memorandum of Intent on Cooperation in Environmental Matters (MOI). The governments reported on and discussed their progress in implementing obligations under the chapter, including obligations to establish high levels of environmental protection, effectively enforce domestic environmental laws, and provide opportunities for public participation in matters related to the implementation of the chapter.

Singapore reported on the development of stricter regulations on industrial and vehicle emissions standards, as well as the implementation of energy labeling requirements and minimum energy performance standards



for electrical appliances. Singapore also reported on the achievements in, and future goals for, sustainable development outlined in the Sustainable Singapore Blueprint 2015, the development of which entailed significant engagement of members of the public through dialogue sessions, focus group discussions, and online platforms. The governments also exchanged views on trade and environmental matters of mutual interest, including the TPP agreement and the WTO Environmental Goods Agreement.

The two governments also discussed ongoing environmental cooperation activities and adopted an updated environmental cooperation plan of action for 2016-2017, which establishes the following priorities for cooperative activities: (1) improving the capacity of institutions and strengthening policies for effective implementation and enforcement of environmental laws, including supporting efforts of countries in the region to combat illegal trade in environmentally sensitive goods through bilateral and regional cooperative activities; (2) participating in regional initiatives related to the conservation and sustainable use of and trade in natural resources; and (3) encouraging the exchange of information on environmental policies, best practices and use of innovative environmental technology and pollution management techniques. The officials held a public session in conjunction with the meeting.

In 2015, the United States and Singapore, through its Third Country Training Program (TCTP), jointly provided technical assistance programs for developing countries in Southeast Asia, in particular in the Lower Mekong sub-region. The governments conducted seven TCTP courses in 2015 on a range of environmental matters. Singapore also participated in the U.S. EPA-Taiwan Cities Clean Air Partnership Meeting, and EPA provided training to Singapore officials on AirNOW, EPA's air quality monitoring program.

### **U.S.-China Joint Commission on Commerce and Trade**

In November 2015 at the 26th U.S.-China Joint Commission on Commerce and Trade (JCCT), which USTR co-chairs, the United States and China highlighted their shared objective of combating IUU fishing, wildlife trafficking, and illegal logging and associated trade, and agreed to build on previous JCCT (2014) and Strategic and Economic Dialogue commitments by enhancing information exchange and cooperation, under existing and appropriate agreements and mechanisms, in the areas of IUU fishing, wildlife trafficking, and illegal logging and associated trade. Recognizing these issues are global in nature, the two countries also agreed to exchange information and cooperate with other trading partners in the region recognizing their combined efforts and commitments will have significant benefits for the environment and help protect natural resources on a global scale.

### **3. USTR's Contribution to Administration Initiatives to Combat Wildlife Trafficking, IUU Fishing and Seafood Fraud**

USTR is working closely with other agencies to implement the President's *National Strategy to Combat Wildlife Trafficking (National Strategy)*. The *National Strategy*, released in February 2015, includes a comprehensive plan to address the wildlife trafficking crisis, including by using existing and future U.S. free trade agreements, environmental cooperation mechanisms, and other trade-related initiatives. By securing strong and enforceable commitments to combat wildlife trafficking and enhance wildlife conservation in TPP, and seeking similar commitments in T-TIP, USTR is already delivering on the *National Strategy's* call to action.

Similarly, USTR is actively implementing the President's *Action Plan on Combating Illegal, Unreported, and Unregulated (IUU) Fishing and Seafood Fraud (Action Plan)*, released in March 2015. The *Action Plan* calls for a whole-of-government approach to fighting IUU fishing and seafood fraud, which deplete global fish stocks and undermine legitimate fishers. The *Action Plan* specifically calls upon USTR to obtain

commitments from U.S. trading partners to combat IUU fishing and eliminate harmful fisheries subsidies, such as those that go to illegal fishers.

USTR is already contributing to the success of the *Action Plan* by securing commitments in TPP to promote sustainable fisheries management, combat IUU fishing, and encourage conservation of marine resources, including sharks, marine mammals, and other threatened marine species. TPP also includes first-ever provisions to prohibit some of the most harmful fisheries subsidies, including those that negatively affect overfished fish stocks. USTR is seeking similar commitments in the T-TIP negotiations.

Further to the *Action Plan*, the United States, joined by New Zealand, also announced a commitment at the October 2015 Our Ocean Conference in Valparaiso, Chile not to provide subsidies to vessels engaged in IUU fishing.

## **B. Trade and Labor**

Protecting workers' rights is a top priority of the Obama Administration's trade policy agenda and reflects a strong commitment to ensure that American workers and their families benefit from trade. In 2015, the Administration continued to enhance its efforts to advance respect for labor rights and to strengthen monitoring and enforcement of trade agreement labor provisions. The Administration also has continued to enhance U.S. Government engagement with trade partners on labor rights through the formal mechanisms of trade agreements and trade preference programs, as well as through innovative new initiatives. In 2015, labor issues were a key aspect of trade and investment negotiations with Asia-Pacific, China, and the European Union and featured prominently on meeting agendas under existing trade agreements, under Trade and Investment Framework Agreements (TIFAs), as well as in multilateral fora, such as Asia Pacific Economic Cooperation (APEC).

In 2015, the United States concluded negotiation of the Trans-Pacific Partnership (TPP) with eleven other countries. The TPP contains the strongest protections for workers ever negotiated in a trade agreement, with unprecedented commitments by TPP countries to ensure their laws and practices conform to international labor standards. Among those commitments, TPP includes provisions to ensure that workers in Vietnam will have the right to form and join independent labor unions, that workers in Malaysia will have greater protections against forced labor, and that workers in Brunei will have a minimum wage and protections against discrimination in employment. (*For additional information on the TPP, see Chapter III.B.5.*) The Administration also continued to pursue inclusion of strong labor standards in negotiations with the European Union for a Transatlantic Trade and Investment Partnership (T-TIP) agreement. (*For additional information on the T-TIP negotiations, see Chapter III.B.2.*)

The Administration has used all trade policy tools available to improve labor rights in trading partners including pursuing dispute settlement against Guatemala, removing trade preference benefits from Bangladesh and Swaziland, placing labor experts full-time in Bangladesh and Colombia, and negotiating an extensive monitoring and action plan with Honduras.

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

# 1. Bilateral Agreements and Preference Programs

## FTAs

Since 2007, U.S. trade agreements have included obligations to ensure the consistency of each Party's labor laws with international labor standards as reflected in the 1998 ILO *Declaration on Fundamental Principles and Rights at Work*, as well as obligations not to fail to effectively enforce each Party's labor laws and not to waive or derogate from those laws in a manner affecting trade or investment. Additionally, FTA labor provisions create labor cooperation and capacity building mechanisms through which the Parties work together to enhance opportunities to improve labor standards. Each Party is obligated to designate an office within its labor ministry to serve as a contact point for matters related to the labor chapter, including receiving communications from the public and coordinating labor cooperation activities. The Office of Trade and Labor Affairs (OTLA) in the Bureau of International Labor Affairs (ILAB) of the DOL, in consultation with USTR and the U.S. Department of State (State), serves as the contact point for all U.S. free trade agreements with such provisions and for the North American Agreement on Labor Cooperation. For additional information on the OTLA, its Procedural Guidelines, and the process for filing a communication, visit <http://www.dol.gov/ilab/trade/agreements>. The Procedural Guidelines are also available in Arabic, French, and Spanish.

The United States engages trade partners on labor issues as part of our ongoing monitoring and implementation of U.S. trade agreements, and works with trading partners to advance labor rights through technical cooperation efforts, including in the CAFTA-DR countries, Morocco, Jordan, Peru, and Colombia (*for additional information, see Chapter III.A*). In 2015, consultations continued with Bahrain under the Labor Chapter of the United States-Bahrain Free Trade Agreement on concerns about freedom of association and employment discrimination (*for additional information see Chapter III.A.2*). In September 2015, DOL officials met with government representatives and stakeholders in Jordan to advance labor cooperation under the United States-Jordan Free Trade Agreement (*for additional information see Chapter III.A.7*). DOL officials also met with government and stakeholders in Oman to support labor rights cooperation under the United States-Oman Free Trade Agreement (*for additional information see Chapter III.A.11*).

In 2015, the United States worked closely with Colombia to continue implementation of the Colombian Action Plan Related to Labor Rights, which focuses on improving protection of labor rights, preventing violence against trade unionists, and prosecuting perpetrators of such violence. The DOL also stationed a labor attaché at the U.S. Embassy in Bogotá starting in April 2015, to ensure close monitoring and coordination on labor enforcement in Colombia. Also in April, officials from USTR, the DOL, and State held a videoconference with Colombia's Vice Minister of Labor and other Colombian officials to discuss progress under the Action Plan. In December, a USTR official visited Colombia to monitor further the implementation of the Action Plan, and held meetings with high-level government officials, including the Minister of Labor, as well as extensive discussions with interested stakeholders. Also in December, officials from USTR, the DOL and State met in Washington, D.C. with the Vice Prosecutor General of Colombia to discuss ongoing initiatives to prosecute perpetrators of violence against trade unionists. The United States will continue to work closely with Colombia in 2016, particularly to support efforts to combat illegal subcontracting and further reduce violence against labor leaders and activists (*for additional information, see Chapter III.A.5*).

On February 27, 2015, the DOL released a report on labor issues in Honduras in response to a submission by the American Federation of Labor Congress of Industrial Organizations and 26 Honduran labor unions, pursuant to the CAFTA-DR labor chapter. The report addressed allegations that the government of Honduras (GOH) failed to effectively enforce its labor laws, and included recommendations for actions by

the GOH to improve enforcement efforts in the agriculture, manufacturing, and port sectors. The DOL report also recommended that the U.S. Government work with the GOH to develop and implement a monitoring and action plan with time-bound steps and measurable milestones. Pursuant to that recommendation, on December 9, 2015, the United States and Honduras signed a labor Monitoring and Action Plan that includes commitments to increase inspection resources, provide training for inspectors, and establishes timeframes for improvements to labor enforcement mechanisms. The plan also includes commitments by the GOH to share labor law enforcement information with stakeholders and the public and undertake outreach to promote knowledge of labor rights and enforcement (*for additional information, see Chapter III.A.3*).

In February 2015, government officials from the United States and Morocco convened a meeting of the Joint Committee under the United States-Morocco Free Trade Agreement. At the meeting, officials reviewed discussions held during the agreement's Labor Subcommittee in September 2014 as well as the status of two technical assistance projects funded by the DOL designed to address child labor and gender equity. Officials also agreed to explore additional areas of labor cooperation in the coming year (*for additional information, see Chapter III.A.9*).

In September 2014, the United States announced its decision to proceed with a labor dispute against Guatemala under the CAFTA-DR agreement. This dispute, the first labor case to be brought under any free trade agreement, challenged Guatemala's enforcement of its labor laws. Earlier engagement by the United States and Guatemala on the issues subject to the challenge had resulted in an 18-point Enforcement Plan that included commitments by Guatemala to strengthen its labor inspections, expedite and streamline the process of sanctioning employers and ordering remediation of labor violations, increase labor law compliance by companies engaged in exporting, improve the monitoring and enforcement of labor court orders, publish labor law enforcement information, and establish mechanisms to ensure that workers are properly compensated upon closure of a company. Although Guatemala implemented many of these commitments, it did not achieve full implementation. As a result, the United States proceeded with formal dispute procedures. On June 2, 2015, the arbitral panel held a hearing in Guatemala City. The panel's final report is anticipated in June 2016 (*for additional information, see Chapter III.A.3*).

In 2015, the United States continued to monitor and assess progress towards addressing the labor concerns identified in a 2013 public report about labor rights in the Dominican Republic that the DOL issued in response to a communication submitted pursuant to the labor chapter of the CAFTA-DR. In April and December 2015, the DOL, in consultation with USTR and State, issued public updates on its findings. At the end of 2015, the DOL noted a number of positive steps taken by the government and by industry designed to address some of the labor issues identified in the 2013 report and emphasized other areas in need of further effort.

Also in 2015, the DOL was in the process of reviewing two additional public submissions on labor rights, one involving Mexico and the other involving Peru (*for additional information, see Chapter III.A.3*).

### **Other Bilateral Agreements and Preference Programs**

Pursuant to requirements of the Haitian Hemispheric Opportunity through the Partnership Encouragement Act of 2008 (HOPE II), producers eligible for duty-free treatment under HOPE II must comply with core labor standards. The DOL, in consultation with USTR, is charged with identifying noncompliant producers on a biennial basis and providing assistance to such producers to come into compliance. The DOL identified one such producer in 2013 and, following extensive engagement in 2014, the producer is working to resolve the problems with labor rights. During 2015, the DOL did not identify any new non-compliant producers for the reporting period. USTR and the DOL continue to work closely with the government of Haiti, the ILO, and other U.S. Government agencies on implementation of the program to monitor factories'

compliance with core labor standards. For additional information, view the 2015 USTR Annual Report on the Implementation of the TAICNAR program at:

<https://ustr.gov/sites/default/files/Final%20Report%20Haiti%20HOPE%20II%202015.pdf>.

U.S. trade preference programs, including the AGOA, the Caribbean Basin Trade Preferences Act, and the GSP, require beneficiaries to meet statutory eligibility criteria pertaining to workers' rights and child labor. During 2015, the GSP program was reauthorized after a lapse of two years. Congress also extended both the AGOA and HOPE preference programs. Although the GSP program was only authorized for a portion of the year, USTR and other agencies worked closely to engage with governments and stakeholders involved in ongoing GSP workers' rights-related reviews of Fiji, Georgia, Iraq, Niger, and Uzbekistan, as well as country eligibility reviews of Burma and Laos that included workers' rights issues.

Regarding Bangladesh, which President Obama suspended from GSP eligibility in June 2013 based on workers' rights concerns, USTR led an interagency delegation in September 2015 to assess actions taken under the GSP Action Plan and to reiterate to the government of Bangladesh that more needs to be done to improve workers' rights and worker safety issues in the country. USTR also hosted a meeting of the United States-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA) in November 2015 at which labor was a key issue. Additionally, USTR coordinated U.S. Government engagement in the Sustainability Compact for Bangladesh, which includes the European Union, the ILO, Bangladesh and the United States. During the year, the Compact participants communicated regularly to assess progress and identify areas for priority action, such as continued reports of unfair labor practices in the ready-made garment sector, increasing rejections of independent union applications, and the need to ensure freedom of association and collective bargaining rights in the country's export processing zones.

In November 2015, the Administration closed a GSP review of workers' rights in the Philippines based on progress made by that government in reforming its law and practice. USTR also announced the acceptance of a GSP petition submitted by the AFL-CIO to review worker rights in Thailand.

The United States continued to engage with African countries on AGOA workers' rights criteria through the AGOA annual eligibility review and bilateral and multilateral fora. After an extensive review and years of engagement, the President concluded that Swaziland had not met AGOA's statutory eligibility criteria with respect to labor rights and took steps to withdraw Swaziland's AGOA benefits in June 2014. The change took effect January 2015. USTR led U.S. Government discussions on critical labor issues, such as forced labor, with beneficiary countries during the 2015 August AGOA Forum in Libreville, Gabon.

The United States and China committed to a dialogue on labor issues in 2009 during the first United States-China Strategic and Economic Dialogue. In August 2015, the DOL and the China State Administration of Work Safety (SAWS) held a senior-level United States-China Workplace Safety and Health Dialogue, and undertook related exchanges throughout the year focusing on technological and regulatory solutions to protect workers. Those exchanges included the roles that industry and non-governmental organizations play in workplace safety and explore ways to ensure that workers are given a strong voice in the workplace on management decisions that impact workers' protection and welfare. Additionally, labor issues and respect for fundamental labor rights are a key component of bilateral investment treaty negotiations with China.

The thirteenth meeting of the United States-Vietnam Labor Dialogue took place in June 2015, at which the DOL and Vietnam's Ministry of Labor, Invalids, and Social Affairs (MOLISA) discussed cooperation on employment for people with disabilities; Vietnam's first ever Law on Occupational Safety and Health (OSH), which was approved by the National Assembly on June 25; expansion of the ILO Better Work program in Vietnam; and Vietnam's participation as one of two pilot countries in the DOL-funded ILO Global OSH Project. They also discussed Vietnam's exploration of ratification of ILO Conventions 87

(Freedom of Association and Protection of the Right to Organize) and 98 (Right to Organize and Bargain Collectively), and technical assistance for Vietnam to address the implications of compliance with ILO standards in those areas.

During 2015, USTR also engaged with several countries on labor issues in the context of TIFA meetings and other bilateral trade mechanisms. For example, discussions with Georgia, Bangladesh, Thailand, and Pakistan highlighted the importance of ensuring that labor laws are compliant with internationally recognized workers' rights and that government agencies have the capacity to enforce domestic labor laws.

In August 2014, USTR announced that the United States and Burma agreed to develop a new labor initiative to promote strong labor rights and responsible business practices. During President Obama's visit to Burma in November 2014, the United States, Burma, Japan, Denmark, and the ILO launched the innovative *Initiative to Promote Fundamental Labor Rights and Practices in Myanmar*. During 2015, USTR continued to coordinate U.S. Government engagement around the *Initiative*, including through a multi-stakeholder meeting in Burma that brought together business and labor interests to provide practical input into ongoing labor law reforms. In support of the *Initiative*, the DOL and State announced technical assistance programs aimed at assisting Burma's own comprehensive labor reforms and efforts to establish productive and cooperative industrial relations among social stakeholders.

## 2. Multilateral and Regional Fora

In the Ministerial Declaration adopted during the World Trade Organization (WTO) Ministerial Conference in Singapore (1996) and reaffirmed in Ministerial Declarations adopted during Ministerial Conferences in Doha (2001) and Hong Kong (2005), WTO Members renewed their commitment to observe internationally recognized core labor standards and took note of collaboration between the WTO and the International Labor Organization (ILO) Secretariats. In support of this collaboration, the ILO has continued its research and hosting of international conferences as part of a multi-year project to study the inclusion of labor provisions in trade and investment agreements. In 2015, USTR and DOL officials participated in ILO-led discussions to further this effort. The ILO also issued a revised edition of *Social Dimensions of Free Trade Agreements* (available at [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_228965.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_228965.pdf)).

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

## C. Small and Medium Sized Business Initiative

Under the Obama Administration, USTR has implemented a Small Business Initiative to increase export opportunities for U.S. small and medium sized enterprises (SMEs), and has expanded efforts to address the specific export challenges and priorities of SMEs and their workers in our trade policy and enforcement activities. During 2015, USTR continued to engage with its interagency partners and with trading partners to develop and implement new and continuing initiatives that support small business exports.

U.S. small businesses are key engines for our economic growth, jobs, and innovation. SMEs that export grow faster, add jobs faster, and pay higher wages—up to 18 percent higher than SMEs that serve only domestic markets. According to research by the U.S. International Trade Commission (USITC), direct and indirect exports by U.S. SMEs support an estimated four million jobs in the United States and account for

over 40 percent of the total value of U.S. exports of goods and services. Nearly 300,000 U.S. SMEs exported goods in 2013 (latest data available), accounting for 98 percent of all identified exporters.

SMEs participate in international trade as direct exporters with foreign sales (e.g., medical device manufacturers, software developers, and home-based businesses selling on e-commerce platforms), as importers (e.g., small retailers and “mom and pop” shops), and as suppliers (e.g., small auto parts suppliers and family farms that serve global markets and supply chains).

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

In particular, in October 2015, the United States concluded negotiations of the Trans-Pacific Partnership (TPP), an agreement with 11 other Asia-Pacific trading partners containing numerous provisions to open up new opportunities in the dynamic Asia-Pacific region, including the first-ever chapter on SMEs in a U.S. trade agreement. This reflects a recognition of the important role that SMEs play in increasing exports, prompting economic growth, and creating jobs. This further reflects broad recognition that costly tariff and nontariff trade barriers can disproportionately burden smaller firms.

Over 170,000 U.S. SMEs are currently exporting to TPP countries. Among the key aims of the TPP is to expand export opportunities for these SMEs and grow the number of SME exporters. The prospective trade agreement with the European Union, the Transatlantic Trade and Investment Partnership (T-TIP), also envisions including an SME chapter, which will deepen U.S.-EU cooperation to help SMEs benefit from increased transatlantic trade and investment.

Consistent with the objectives of the Administration’s National Export Initiative, USTR is supporting efforts to help more American companies – especially SMEs – reach overseas markets by improving data, leveraging new technology applications, and empowering local export efforts. USTR works closely with the U.S. Small Business Administration, the Department of Commerce and other agencies to help provide U.S. SMEs information, assistance, and counselling on specific export opportunities.

In 2015, USTR undertook significant actions in continued support of our SME objectives.

## **1. USTR SME-Related Trade Policy Activities**

Under the SME Initiative, USTR’s small business office, regional offices, and functional offices are developing initiatives and advancing efforts to benefit SMEs. In addition to the recently concluded TPP Agreement and ongoing T-TIP negotiations, several other aspects of USTR’s trade policy agenda have the potential to help SMEs boost exports. These include enhancing trade facilitation work – notably through the landmark WTO Trade Facilitation Agreement. As President Obama has noted, “this new deal... will eliminate red tape and bureaucratic delay for goods shipped around the globe. Small businesses will be among the biggest winners, since they encounter the greatest difficulties in navigating the current system.” USTR is also leading efforts to strengthen and enforce intellectual property rights, reduce services market barriers, and simplify government procurement rules. For example, the revised WTO Government Procurement Agreement (GPA) expands business opportunities for U.S. firms including small businesses to supply goods and services to foreign governments, estimated to be worth between \$80 billion and \$100 billion annually. This adds to the \$1 trillion already covered under the GPA, and establishes work programs

that facilitate participation by small and medium sized businesses. Tariff barriers, burdensome customs procedures, discriminatory or arbitrary standards, and lack of transparency relating to relevant regulations in foreign markets present particular challenges for our SMEs in selling abroad.

U.S. trade agreements, as well as other trade dialogues and fora, provide a critical opportunity to address specific concerns of U.S. SMEs and facilitate their participation in export markets. For example:

- In October 2015, the United States concluded negotiations for the landmark TPP Agreement. TPP, comprised of 12 countries representing 40 percent of the global economy, will open markets for U.S. SMEs exporters of agricultural goods, industrial goods, and services (including financial services), and remove restrictions on investment and government procurement. One of the United States' key objectives since the launch of the TPP negotiations has been to facilitate the participation of U.S. SMEs in Asia-Pacific export markets and in Asia-Pacific supply chains. The final negotiated TPP agreement will eliminate tariffs and other formal restrictions on U.S. exports; it will also address many non-tariff barriers that pose disproportionate challenges to small business exports, including complex, slow, non-transparent, and unpredictable customs procedures (addressed in the Customs and Trade Facilitation Chapter of the TPP text); limitations on availability of express delivery services (Cross-Border Trade in Services and Customs and Trade Facilitation Chapters), restrictions on the provision of services over the Internet (Electronic Commerce Chapter); obstacles to use of electronic payment systems (Financial Services Chapter); conflicting or duplicative requirements for standards and conformity assessment (Technical Barriers to Trade Chapter), unavailability of information on upcoming government contracts (Government Procurement Chapter), and inability to review and comment upon new regulatory measures (Transparency and Anti-corruption and Regulatory Coherence Chapters), and others. In order to ensure that SMEs can fully access the benefits of the Agreement, TPP is the first U.S. trade agreement ever to contain an SME chapter dedicated to the specific needs of SME exporters. TPP's SME Chapter builds on the commitments elsewhere in the Agreement by having each TPP country commit to create a dedicated website targeted at TPP SME exporters with a description of those provisions of the Agreement considered most relevant to small and medium enterprises. The website will also include how and by which agency in each TPP country are implemented, contact information for relevant agencies in each TPP country, as well as additional trade-related information of use to SME exporters, on topics like standards and regulations, intellectual property rights, foreign investment regulations, business registration procedures, employment regulations, and taxation procedures. TPP's SME Chapter also establishes a TPP Small and Medium Enterprise Committee to meet regularly following implementation to engage with SME exporters and ensure that the Agreement is delivering the anticipated benefits for SMEs. The SME Committee will consider how best to maximize TPP benefits for SMEs, including through best practices and consideration of cooperation and capacity-building activities. The text of the TPP SME Chapter and the full text of the TPP Agreement is available to the public at [www.ustr.gov](http://www.ustr.gov).
- The United States' continuing negotiations under the T-TIP with the European Union aim, in part, to strengthen U.S.-EU cooperation to enhance the participation of SMEs in trade between the United States and the EU, as well as address in the Agreement trade barriers that may disproportionately burden SMEs and prevent them from reaching new markets and customers. In 2015, USTR convened the 6th U.S.-European Union Small and Medium Enterprise Workshop in Washington, D.C., in coordination with the Small Business Administration, the Department of Commerce, and the European Commission's DG TRADE and DG GROW, to hear directly from SME stakeholders on both sides of the Atlantic regarding the trade policy priorities of SMEs in T-TIP. The workshop discussed specific ways to enhance SME cooperation between the United States and the EU, such as connecting industry-to-industry clusters in geographic regions on both sides. The U.S. and EU also released an updated report on "T-TIP Opportunities for Small and



Medium-Sized Enterprises,” reflecting joint objectives in tariffs, regulatory issues and non-tariff barriers, services, procurement, customs and trade facilitation, intellectual property rights, electronic commerce, and supply chains that could benefit SMEs on both sides. USTR also participated in T-TIP SME programs at U.S. and EU Embassies to hear directly from U.S. and EU small businesses on ways to strengthen transatlantic small business cooperation, and is engaging small businesses in IPR-intensive industries through the Transatlantic Intellectual Property Rights Working Group.

- In the Asia-Pacific Economic Cooperation (APEC) forum, APEC adopted the Boracay Action Agenda to Globalize Micro, Small and Medium Enterprises (MSMEs), as well as the APEC Iloilo Initiative: Growing Global SMEs for Inclusive Development, a guiding framework for integrating SMEs into international trade and Global Value Chains (GVCs). APEC also welcomed the U.S.-led initiative on the Digital Economy Action Plan for MSMEs to further assist SMEs’ access to international markets. The United States, through APEC, continued supporting capacity building activities closely linked to the WTO’s Trade Facilitation Agreement, including assistance for economies to further simplify customs procedures and document requirements that will in turn benefit small and medium sized businesses that often lack the resources necessary to navigate overly complex requirements to deliver their goods to overseas markets in the region. During its host year in 2015, the Philippines highlighted the participation of SMEs in global value chains, and the United States supported this focus through work related to improving SME inclusion throughout regional/global value chains. APEC also launched a new website called the APEC Trade Repository (APECTR) at <http://tr.apec.org>, APEC’s online source of members’ trade and tariff information, which will help SMEs seeking tariff rates, customs procedures, and other information for doing business in APEC markets.
- With respect to Free Trade Agreement (FTA) partners in the Western Hemisphere, USTR is working with the U.S. Small Business Administration, the U.S. Department of State, and other agencies to support the Obama Administration’s Small Business Network of the Americas (SBNA), which helps small businesses participate in international trade by linking U.S. small business development centers (SBDCs) with international counterparts via web-based platforms and facilitates direct contacts between centers and small business clients seeking foreign customers and partners. USTR participated in the America’s Small Business Development Centers annual meeting in San Francisco, and supported the SBNA matchmaking workshop of SBDCs in the United States with potential sister centers in countries in the Western Hemisphere. U.S. SBDCs expressed interest in SME client matchmaking and exchange of best practices in SME counseling, financing, and other areas with counterpart centers in Mexico, Canada, Brazil, and other countries.
- USTR also convened SME Working Groups in conjunction with the Free Trade Commission meetings with partners Chile and Peru to discuss cooperation through the Administration’s SBNA. USTR welcomed progress by the Chilean Administration to establish 50 SBDCs based on the U.S. model throughout Chile. Chile and Peru intend to partner with U.S. SBDCs and their SME clients to expand opportunities under the trade agreement. USTR also discussed expanded regional opportunities for SMEs with Chile and Peru through the Trans-Pacific Partnership agreement.

## **2. USTR Interagency SME Activities**

USTR participates in the Trade Promotion Coordinating Committee’s (TPCC) Small Business Working Group, collaborating with agencies including the U.S. Department of Commerce, the U.S. Small Business Administration, the U.S. Department of State, U.S. Export-Import Bank, the U.S. Department of Agriculture, and others across the U.S. Government to promote small business exports. The TPCC Small

Business Working Group connects SMEs to trade information and resources to help them begin or expand their exports and take advantage of existing trade agreements.

USTR collaborates as a key member of the TPCC SME Task Force, which is chaired by the Small Business Administration (SBA), on formulating policies to connect SMEs to international trade opportunities and increase their ability to compete in international markets. As a result of work by the Task Force, USTR, the U.S. Department of Commerce and the U.S. Small Business Administration created the FTA Tariff Tool. This free, online tool (<http://export.gov/FTA/ftatarifftool/index.asp>) can help small businesses take better advantage of the reduction and elimination of tariffs under U.S. FTAs. The FTA Tariff Tool was expanded to include tariff information on textiles and apparel products as well as rules of origin under U.S. FTAs, and will be expanded to include new regional free trade agreements such as TPP and T-TIP.

### **3. USTR's SME Outreach and Consultations**

Throughout 2015, Ambassador Froman and senior USTR staff participated in numerous engagements around the country to hear directly from local small businesses, workers, and other stakeholders about the trade opportunities and challenges they face. These engagements included briefings through small business associations, in-person roundtables, and direct outreach to over 500 SMEs about their experience accessing overseas markets. USTR's new website also includes helpful links, fact sheets, and resources for SMEs, and blogs which highlight small business export success stories around the country and USTR trade policy efforts supporting small business. In 2015, USTR created a report, the United States of Trade, including examples throughout the 50 states of U.S. small businesses in manufacturing, services, and agriculture successfully exporting to the Asia Pacific, European Union and countries around the world, accompanied by state-by-state trade statistics to help educate SMEs about the benefits of trade in their state. On an interagency basis, USTR is working with the TPCC to improve trade information relevant for SMEs and highlight interagency programs to assist SMEs with their individual export needs.

USTR staff regularly consult with the Industry Trade Advisory Committee for Small and Minority Business (ITAC 11) to seek its advice and input on U.S. trade policy negotiations and initiatives, and meets frequently with individual SMEs and associations representing SME members on specific issues. USTR spoke at several SME events around the country and abroad in 2015, including at the American Association of Small Business Development Centers annual conference in San Francisco, California; the National Association of Foreign Trade Zones in Los Angeles, California; the National District Export Council Annual meeting in Washington, D.C.; Town Halls on the Transatlantic Trade and Investment Partnership in Mobile, Alabama and Birmingham, Alabama; the U.S. Export Assistance Center T-TIP conference in Philadelphia, Pennsylvania; the annual meeting of the Small Business Administration Regional Advocates in Baltimore, Maryland; small businesses from around the country convening at the White House Business Council; the Small Business Committee of the President's Export Council; and other events aimed at apprising small businesses of international trade opportunities and encouraging them to begin or expand their exports.

## **D. Organization for Economic Cooperation and Development**

Thirty-four democracies in Europe, the Americas, the Middle East, and the Pacific Rim comprise the Organization for Economic Cooperation and Development (OECD), established in 1961 and headquartered in Paris. The OECD is a grouping of economically significant countries and serves as a policy forum covering a broad spectrum of economic, social, environmental, and scientific areas, from macroeconomic analysis to education to biotechnology. The OECD helps countries, both OECD Members and non-Members, reap the benefits and confront the challenges of a global economy by promoting economic growth, free markets, and the efficient use of resources. A committee of Member government officials, supported by Secretariat staff, covers each substantive area. The emphasis is on discussion and peer review

rather than negotiation. However, some OECD instruments, such as the Anti-Bribery Convention, are legally binding. Most OECD decisions require consensus among Member governments. The like-mindedness of the OECD's membership on the core values of democratic institutions, the rule of law, and open markets uniquely positions the OECD to serve as a valuable policy forum to address issues relevant to the global economy and the multilateral trading system. In the past, analysis of issues in the OECD has often been instrumental in forging a consensus among OECD countries to pursue specific negotiating goals in other international fora, such as the WTO.

The United States has a longstanding interest in trade issues studied by the OECD. On trade and trade policy the OECD engages in meaningful research, provides a forum in which OECD Members can discuss complex and sometimes difficult issues, and communicates to the wider public the benefits that trade and open economies generate. Through its multi-disciplinary approach, the OECD offers a distinct advantage in analyzing the complex economic effects of trade liberalization. In recent years, *inter alia* using economic modeling, OECD research and analysis has shown that trade liberalization is an engine for job creation in all countries, especially as the world moves toward economic recovery. The Trade Committee's work developing trade facilitation indicators provided powerful analytical evidence supporting the conclusion of the WTO negotiations on trade facilitation, demonstrating that the potential trade cost savings from full implementation of the agreement is 14.1 percent of total costs for low income countries, 15.1 percent for lower middle income countries, and 12.9 percent for upper middle income countries. The OECD is also active in warning against the dangers of protectionist measures and explaining how imports help firms cut costs and improve efficiency.

## 1. Trade Committee Work Program

In 2015, the OECD Trade Committee, its subsidiary Working Party, and its joint working parties on environment and agriculture, continued to address a number of issues of significance to the multilateral trading system. The Trade Committee met in April and November 2015, and its Working Party met in March, June, October, and December. The Trade Committee and its subsidiary groups paid significant attention to trade facilitation, global value chains, services trade, export restrictions, state-owned enterprises, regional trade agreements, and export credits. The trade page on the OECD website (<http://www.oecd.org/trade>) contains up-to-date information on published analytical work and other trade-related activities.

Several major analytical pieces were developed or completed under the Trade Committee during 2015, including:

- *Managing the Minerals Sector: Implications for Trade from Peru and Colombia*, Jane Korinek
- *Water in the GATS*, Sébastien Miroudot, Kätlin Pertel
- *International Trade and Investment by State Enterprises*, Przemyslaw Kowalski, Kateryna Perepechay
- *Services Trade Restrictiveness Index (STRI): Logistics Services*, Kazuhiro Sugie, Massimo Geloso Grosso, Hildegunn Kyvik Nordås, Sébastien Miroudot, Frederic Gonzales, Dorothee Rouzet
- *Trade, global value chains and wage-income inequality*, Javier Lopez Gonzalez, Przemyslaw Kowalski, Pascal Achard
- *Contribution of Trade Facilitation Measures to the Operation of Supply Chains*, Evdokia Moisé, Silvia Sorescu
- *Emerging Policy Issues: Localisation Barriers to Trade*, Susan Stone, James Messent, Dorothee Flaig
- *Participation of Developing Countries in Global Value Chains*, Przemyslaw Kowalski, Javier Lopez Gonzalez, Alexandros Ragoussis, Cristian Ugarte

- *The Impact of Services Trade Restrictiveness on Trade Flows*, Hildegunn Kyvik Nordås, Dorothée Rouzet
- *Services Trade Restrictiveness Index (STRI): Scoring and Weighting Methodology*, Massimo Geloso Grosso, Frédéric Gonzales, Sébastien Miroudot, Hildegunn Kyvik Nordås, Dorothée Rouzet, Asako Ueno

The Trade Committee continued its analysis and work surrounding the Services Trade Restrictiveness Index (STRI), a tool to measure the restrictiveness of barriers affecting trade in services. Looking ahead, the Trade Committee will also continue its work on participation in global value chains, localization barriers related to government procurement processes and data localization, trade-related international regulatory cooperation, and trade facilitation.

The OECD Ministerial Council Meeting took place in June 2015 in Paris. Deputy U.S. Trade Representative Ambassador Michael Punke participated in the Trade Session, which focused on unlocking investment for sustainable growth and jobs. OECD Members, Key Partners, accession candidates Colombia, Latvia, Costa Rica, and Lithuania, and Trade Committee observers Argentina and Hong Kong participated in the session. Participants underscored the importance of trade as a key driver for growth and job creation. Ministers underlined that international investment and an open, rules-based multilateral trading system are key drivers for private sector development, sustainable economic growth, and job creation. They welcomed WTO-consistent and WTO-supportive bilateral, regional, and plurilateral initiatives aimed at promoting trade. They also called for implementation of the WTO Trade Facilitation Agreement (TFA), which according to OECD analysis has the potential to reduce trade costs by 12 to 18 percent with the greatest benefit to developing countries. Participants in the trade session also expressed support for the OECD's work on a Trade in Value Added initiative, a Global Value Chains initiative, Trade Facilitation Indicators, the Policy Framework for Investment, and the Service Trade Restrictions Index. The United States, supported by other Members, emphasized the value of OECD's concrete trade data in making policy decisions.

## **2. Trade Committee Dialogue with Non-OECD Members**

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

The OECD Trade Committee continued its contacts with non-Member countries in 2015. The Trade Committee invited Key Partners and G-20 countries to participate in special sessions of the April 2015 committee meeting related to explaining the global trade slowdown and reinvigorating trade's contribution to growth, planned G20 activities, and the state of play in the post-Bali work program of the WTO. In 2015, the Trade Committee undertook discussions on the draft Market Openness Reviews of Colombia, Costa Rica, Latvia, and Lithuania. At the November 2015 Trade Committee meeting, Members agreed to approve Latvia's draft formal opinion, thereby finalizing Latvia's Trade Committee review. Members also agreed to close Lithuania's market openness review and to move on to drafting the formal opinion in 2016. Colombia's and Costa Rica's Market Openness Reviews will continue in 2016.

At the 2013 Ministerial Council Meeting, OECD Ministers called for the establishment of a comprehensive OECD Southeast Asia Regional Programme, the main objective of which is to strengthen engagement between the OECD and Southeast Asian countries with a view to supporting regional integration and national reform priorities. The Trade Committee also continued its work with the Southeast Asia region in areas where OECD work is relevant to APEC's efforts to improve market "connectivity," including the analysis of global/regional value chains, trade in services, and trade facilitation.

The OECD held a Global Forum on Trade in November 2015. The Forum focused on "The Future of Trade – Will Policy Lead or Follow?" The purpose of the forum was twofold: to explore the medium term prospects and the likely nature of future trade flows; and to highlight trade and related policy approaches that would ensure that trade and investment continue to contribute to more inclusive growth and employment in all economies.

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

### 3. Other OECD Work Related to Trade

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

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

## E. Localization Barriers to Trade

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

- Local content requirements, *i.e.*, requirements to purchase domestically manufactured goods or domestically supplied services;

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

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

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

In 2015, USTR continued to lead the Trade Policy Staff Committee Task Force on Localization Barriers to Trade's. The mission of this task force is to build off the USTR initiatives already underway in this area, by working closely with U.S. industry and other stakeholders, along with trading partners around the world, to reduce market access challenges posed to U.S. goods, services, and IP by localization barriers. Specifically, USTR continued to advance work in APEC on promoting trade-enhancing models for creating jobs, increasing competitiveness, and promoting economic growth, as an alternative to localization barriers. USTR also worked closely with OECD staff on its continued research on the impact of localization barriers on trade and investment and economic growth. Finally, the United States successfully negotiated a number of provisions in the Trans-Pacific Partnership Agreement (TPP) that will address and prevent localization barriers in the Asia-Pacific region. In 2016, the United States will seek to build on the APEC and OECD initiatives, continue work on T-TIP and TiSA, and take additional steps to continue to address localization barriers around the world.

## **F. Trade in Services Agreement**

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

Twenty-three economies participated in TiSA negotiations in 2015: Australia, Canada, Chile, Colombia, Costa Rica, the European Union, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, the Republic of Korea, Switzerland, Taiwan, Turkey, and the United States. Negotiations are being held in Geneva, Switzerland, but there is no relationship between TiSA and the World Trade Organization.

TiSA participants represent 70 percent of the world's \$55 trillion services market in 2014. For the United States, services account for three-quarters of U.S. private industries GDP and four out of five jobs. Thanks to a vibrant and open domestic market, the United States is highly competitive in services trade, routinely

recording an annual surplus on the order of \$200 billion. Expanding services trade globally will unlock new opportunities for Americans.

Five rounds of negotiations were held in 2015. Negotiations over market access offers are intensifying, and extensive work is underway to develop the text of several annexes that contain additional disciplines in areas like telecommunications, financial services, and domestic regulations. The negotiating participants hope to achieve substantial progress during 2016.

