



United States
International Trade Commission

The Year in Trade 2019:

Operation of the Trade Agreements
Program

71st Report

August 2020

Publication Number: 5055

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Preface

This report is the 71st in a series of annual reports submitted to the U.S. Congress under section 163(c) of the Trade Act of 1974 (19 U.S.C. 2213(c)) and its predecessor legislation. Section 163(c) states that “the International Trade Commission shall submit to the Congress at least once a year, a factual report on the operation of the trade agreements program.”

This report is one of the principal means by which the U.S. International Trade Commission provides Congress with factual information on trade policy and its administration for 2019. The trade agreements program includes “all activities consisting of, or related to, the administration of international agreements which primarily concern trade and which are concluded pursuant to the authority vested in the President by the Constitution” and by congressional legislation.

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Abbreviations and Acronyms

Acronyms	Term
AB	Appellate Body
AD	antidumping
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
ALJ	administrative law judge
APEC	Asia-Pacific Economic Cooperation forum
ARC	Agricultural Review Commission
ASEAN	Association of Southeast Asian Nations
ATAA	Alternative Trade Adjustment Assistance
ATPP	Agricultural Trade Promotion Program (U.S.)
AU	African Union
BDCs	beneficiary developing countries
BEA	Bureau of Economic Analysis (USDOC)
BLS	Bureau of Labor Statistics
Brexit	Britain's vote to leave the European Union
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Agreement
CARICOM	Caribbean Community and Common Market
CBERA	Caribbean Basin Economic Recovery Act
CBP	U.S. Customs and Border Protection
CBPR	Cross-Border Privacy Rules System
CBTPA	Caribbean Basin Trade Partnership Act
CCAMLR	Commission for the Conservation of Antarctic Marine Living Resources
CEC	Commission for Environmental Cooperation (NAFTA)
CED	Comprehensive Economic Dialogue
CITA	Committee for the Implementation of Textile Agreements
CLC	Commission for Labor Cooperation (NAFTA)
CLDP	Commercial Law Development Program
CNL	competitive need limitation
COMESA	Common Market for Eastern and Southern Africa
COOs	certifications of origin
CPI	Consumer Price Index
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CRS	Congressional Research Service
CSPV	crystalline silicon photovoltaic (solar cells)
CTI	Committee on Trade and Investment (APEC)
CVD	countervailing duty
DSB	Dispute Settlement Body (WTO)
DST	digital services tax
DSU	Dispute Settlement Understanding (WTO)
EAC	Environmental Affairs Council (U.S.-Peru)
EC	European Commission
ECA	Environmental Cooperation Agreement
ECOWAS	Economic Community of West African States
EDA	Economic Development Administration (USDOC)
EGA	Environmental Goods Agreement (WTO)
EIA	U.S. Energy Information Administration
EIAP	Earned Import Allowance Program
EPAT	Environmental Protection Agency of Taiwan

Year in Trade

ETA	Employment and Training Administration (USDOL)
EU	European Union
FAS	Foreign Agricultural Service (USDA)
FDA	U.S. Food and Drug Administration
FDI	foreign direct investment
Fed. Reg.	<i>Federal Register</i>
FMCSA	Federal Motor Carrier Safety Administration
FOMC	Federal Open Market Committee (Federal Reserve)
FPDP	Food Purchase and Distribution Program (USDA)
FTA	free trade agreement
FTAAP	Free Trade Area of the Asia-Pacific
FTC	Free Trade Commission
FTZ	free trade zone
FY	fiscal year
G7	Group of Seven (countries)
G20	Group of Twenty (countries)
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Cooperation Council for the Arab States of the Gulf (Gulf Cooperation Council)
GDP	gross domestic product
GDPR	General Data Protection Regulation (EU)
GE	genetically engineered
GFSEC	Global Forum on Steel Excess Capacity
GI	geographical indication
GMP	Good Manufacturing Practice
GPA	Agreement on Government Procurement (WTO)
GSA	General Services Administration (U.S.)
GSP	Generalized System of Preferences
GVC	global value chain
HELP	Haiti Economic Lift Program
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement Act
HTS	Harmonized Tariff Schedule of the United States
ICSID	International Centre for Settlement of Investment Disputes (World Bank)
ICT	information and communications technology
IMF	International Monetary Fund
IP	intellectual property
IPRs	intellectual property rights
IT	information technology
ITA	Information Technology Agreement (WTO)
IUU	illegal, unreported, and unregulated (fishing)
JPAC	Joint Public Advisory Committee (CEC)
KFTC	Korea Fair Trade Commission
KORUS	U.S.-Korea Free Trade Agreement
LDBDC	least-developed beneficiary developing country
LDCs	lesser-developed countries
LPOE	land port of entry
LTFV	less than fair value
MFN	most-favored-nation (trade status; = “normal trade relations” status in the United States)
MFP	Market Facilitation Program (USDA)
MINAM	Ministry of Environment (Peru)
MOL	Ministry of Labor
MOU	memorandum of understanding

MRA	mutual recognition agreement
MSMEs	micro, small, and medium-sized enterprises
mt	metric tons
NAAEC	North American Agreement on Environmental Cooperation (NAFTA)
NAALC	North American Agreement on Labor Cooperation (NAFTA)
NAFTA	North American Free Trade Agreement
NAO	National Administrative Office (NAFTA)
n.d.	not dated
NDRC	National Development and Reform Commission
n.i.e.	not included elsewhere
NML	Notorious Markets List (USTR)
NPRM	Notice of Proposed Rulemaking (USDOL)
NTPA	Nepal Trade Preferences Act
NTPP	Nepal Trade Preference Program
NTR	normal trade relations (U.S. equivalent to most-favored-nation treatment)
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
OSINFOR	Agency for the Supervision of Forest Resources and Wildlife (Peru)
PCM	Presidency of the Council of Ministers (Peru)
PIF	Product Information File
PPI	Producer Price Index
PRP	Privacy Recognition for Processors
PSU	Policy Support Unit (APEC)
PTPA	U.S.-Peru Trade Promotion Agreement
Pub. L.	Public Law
QIZ	qualifying industrial zone
RFMO	regional fisheries management organization
RTAA	Reemployment Trade Adjustment Assistance
RTCA	Central American Technical Regulation
SACU	Southern African Customs Union
SAT	Tax Administration Service (Mexico)
SCM Agreement	Agreement on Subsidies and Countervailing Measures
SDGs	Sustainable Development Goals (UN)
SMEs	small and medium-sized enterprises
SOEs	state-owned enterprises
SPS	sanitary and phytosanitary (standards)
SREWG	Special Relationship Economic Working Group
SSA	sub-Saharan Africa
SSAP	U.S. Soy Sustainability Assurance Protocol
TAA	Trade Adjustment Assistance
TAAEA	Trade Adjustment Assistance Extension Act
TAARA	Trade Adjustment Assistance Reauthorization Act of 2015
TAIPEI Act	Taiwan Allies International Protection and Enhancement Initiative Act of 2019
TFDE	Task Force on the Digital Economy
TFA	Agreement on Trade Facilitation (WTO)
TICFA	Trade and Investment Cooperation Forum Agreement
TIFA	Trade and Investment Framework Agreement
TiVA	Trade in Value Added (OECD-WTO initiative)
TPA	trade promotion agreement
TPEA	Trade Preferences Extension Act
TPP	Trans-Pacific Partnership
TRAs	Trade Readjustment Allowances

Year in Trade

TRIPS	Trade-Related Aspects of Intellectual Property Rights agreement (WTO)
TRQ	tariff-rate quota
UN	United Nations
UNCITRAL	United Nations Commission on International Trade Law
U.S.C.	U.S. Code
USDA	U.S. Department of Agriculture
USDOC	U.S. Department of Commerce
USDOL	U.S. Department of Labor
USDOS	U.S. Department of State
USDOT	U.S. Department of Transportation
USITC	U.S. International Trade Commission
USJDTA	U.S.-Japan Digital Trade Agreement
USJTA	U.S.-Japan Trade Agreement
USMCA	United States-Mexico-Canada Agreement
USTR	U.S. Trade Representative
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

Executive Summary

This report on the operations of the trade agreements program is prepared by the U.S. International Trade Commission (Commission or USITC) as required by section 163(c) of the Trade Act of 1974. The 71st in a series, this report covers trade-related actions in the calendar year 2019.¹

The level of U.S. imports and U.S. exports of goods and services depends on many factors, including the strength of the U.S. and other economies. Growth in these economies contributes to growth in cross-border trade. The rate of global economic growth fell slightly from 3.6 percent in 2018 to 2.9 percent in 2019, reflecting slower growth in advanced as well as emerging and developing economies. The economies of advanced countries grew 1.7 percent in 2019, down from 2.2 percent in 2018. The growth rate of emerging-market and developing economies also dropped—from 4.5 percent in 2018 to 3.7 percent in 2019—due to broad-based decelerations across most regions of the emerging market world, with the exception of sub-Saharan Africa. All of the United States' eight major trading partners, except Japan, showed slower growth rates in 2019 than in 2018.² The economic rate of growth in the United States also slowed in 2019: U.S. real gross domestic product (GDP) increased 2.3 percent in 2019, compared to an increase of 2.9 percent in 2018.

In 2019, the U.S. dollar depreciated 0.5 percent against a broad trade-weighted index of major foreign currencies. However, it experienced varying exchange rates against the currencies of its main trading partners. Between January 1 and December 31, 2019, the U.S. dollar appreciated by 3.4 percent against the Chinese yuan, 2.7 percent against the euro, 0.6 percent against the Indian rupee, and 0.1 percent against the Japanese yen. Over the same period, the dollar depreciated 0.4 percent against the Mexican peso, 1.0 percent against the Canadian dollar, and 1.6 percent against the British pound sterling.

Both U.S. exports and U.S. imports of goods decreased by value in 2019. The value of U.S. merchandise exports totaled \$1,645.2 billion in 2019, down 1.2 percent (\$20.8 billion) from \$1,666.0 billion in 2018. The value of U.S. merchandise imports totaled \$2,497.5 billion in 2019, down by 1.6 percent (\$41.9 billion) from \$2,539.3 billion in 2018. The largest increase in U.S. exports was a \$7.5 billion increase in energy-related products, whereas the largest increase in U.S. imports was a \$12.5 billion increase in transportation equipment. Of the U.S. economy's broad merchandise sectors, all but one, the energy-related products sector, experienced a trade deficit in 2019.³ Overall, U.S. exports decreased less than U.S. imports, resulting in an \$21.1 billion decrease in the U.S. merchandise trade deficit that brought it to \$852.3 billion in 2019 (figure ES.1).

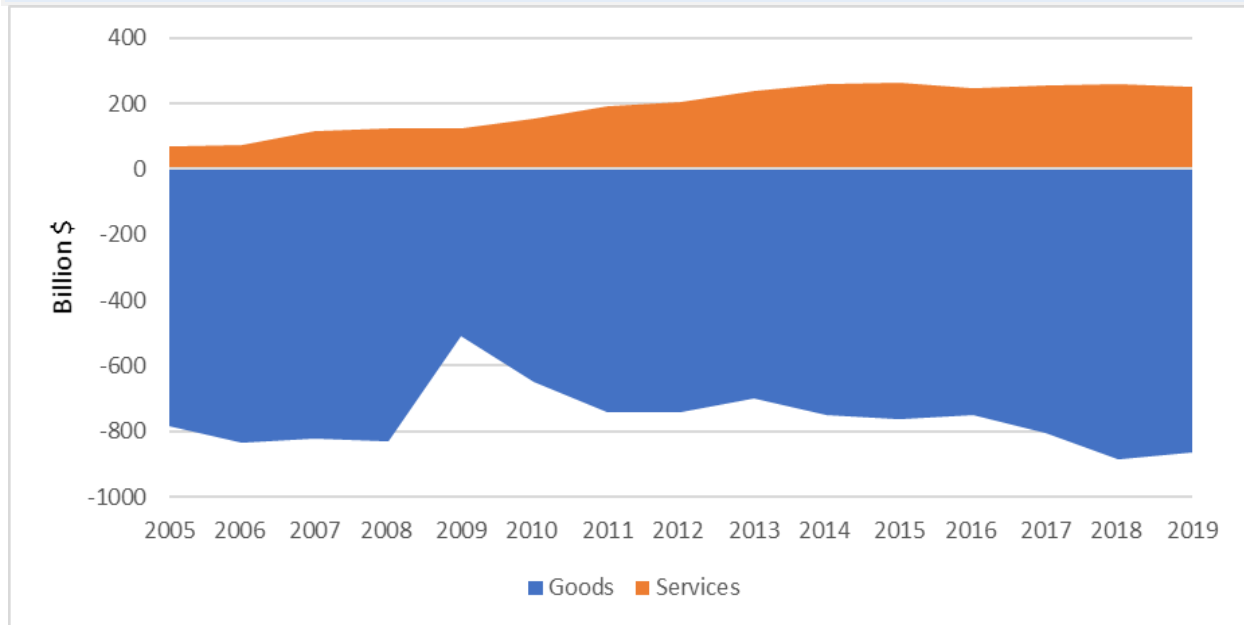
¹ This year, the merchandise data used in this report are available through a supplemental trade dataset accompanying the report at publication.

² The eight largest U.S. trading partners are the European Union, Canada, China, Mexico, Japan, Republic of Korea (South Korea), India, and Taiwan (see the [interactive dashboard](#) at appendix A).

³ These merchandise sectors are defined by the U.S. International Trade Commission (USITC) in the [Harmonized Tariff Schedule of the United States](#) (HTS), which classifies tradable goods. Each USITC HTS digest sector encompasses a number of 8-digit subheadings. The sectors are listed and defined in USITC, "[Frequently Asked Questions](#)," *Shifts in U.S. Merchandise Trade, 2018*, December 2019. "Special provisions" is not considered a merchandise sector; it represents trade under HTS chapters 98 and 99.

U.S. two-way cross-border trade in private services increased 3.3 percent between 2018 and 2019.⁴ U.S. exports of private services grew 2.2 percent to \$823.7 billion in 2019, while U.S. imports of private services grew 5.0 percent to reach \$571.3 billion in 2019. As a result, the U.S. surplus in private services decreased 3.4 percent to \$252.4 billion.

Figure ES.1: U.S. trade balance in goods and services, 2005–19



Source: USDOC, BEA, interactive data, “Table 1.2: U.S. International Transactions, Expanded Detail,” April 14, 2020.

Note: Underlying data for this figure can be found in appendix table [B.1](#).

Key Trade Developments in 2019

Administration of U.S. Trade Laws and Regulations

Safeguard actions: The Commission conducted no new safeguard investigations during 2019 under sections 201–204 of the Trade Act of 1974 or under any of the provisions that implement safeguard provisions in free trade agreements (FTAs) involving the United States.

⁴ The figures for services trade are based on data for cross-border trade in private services, which exclude government sales and purchases of goods and services not included elsewhere (n.i.e.). The sole exceptions are the European Union (EU) and India: U.S. services trade flows from the EU and India include government goods and services n.i.e. According to the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce (USDOC), trade data from EU-based and Indian government services providers are “suppressed to avoid the disclosure of data of individual companies.” USDOC, BEA, International Services Data, table 2.3, “U.S. Trade in Services, by Country or Affiliation and by Type of Service, European Union,” October 15, 2019. Exports and imports of government services primarily consist of services supplied in support of operations by the U.S. military and embassies abroad. USITC, [Recent Trends in U.S. Services Trade, 2019 Annual Report](#), September 2019, 9.

Two safeguard measures were in place during 2019, on certain large residential washers and on certain crystalline silicon photovoltaic cells. During 2019, the Commission conducted and completed a safeguard monitoring investigation on certain large residential washers.

Section 301: There were two ongoing investigations and two new investigations in 2019 under section 301 of the Trade Act of 1974.

The first ongoing investigation was instituted in 1987 and concerned various European Union (EU) meat hormone directives, which prohibit the use of certain hormones that promote growth in farm animals. Following a successful challenge at the World Trade Organization (WTO), the United States imposed additional duties on certain imports from the EU in 1999. The United States lifted the additional duties in 2011. In December 2016, representatives of the U.S. beef industry filed a request with the Office of the U.S. Trade Representative (USTR) asking that the additional duties be reinstated, and USTR initiated a process to consider whether to reinstate the additional duties. In 2018, the European Commission received a mandate from the European Council to begin formal negotiations with the United States to resolve the matter. In June 2019, the United States and the EU signed an agreement guaranteeing EU market access for U.S. high-quality beef under a tariff-rate quota, and USTR concluded its section 301 proceedings against the EU, effective January 1, 2020.

The second investigation ongoing in 2019 was initiated on August 18, 2017. USTR sought to determine whether any of China's laws, policies, practices, or actions may be unreasonable or discriminatory and may be harming American intellectual property rights (IPRs), innovation, or technology development. Following publication of its findings on March 22, 2018, where it identified four categories of acts, policies, and practices that it found unreasonable or discriminatory, the United States initiated a WTO dispute and requested consultations with China on its findings involving one of the categories of acts, policies, and practices identified in the section 301 investigation. In response to the other categories of acts, policies, and practices, and at the direction of the President, USTR imposed an additional 25 percent duty on certain Chinese products with an annual trade value of about \$50 billion. These added tariffs fell into two tranches. Following this action, China imposed retaliatory tariffs on U.S. goods. On September 24, 2018, USTR imposed additional duties on a third tranche of products from China with an approximate trade value of \$200 billion. On August 24, 2019, the United States announced an additional 10 percent tariff on a fourth tranche of imports from China, worth an approximate \$300 billion. These added tariffs were divided into two different groups that were set to be implemented in the fall of 2019. Tariffs on the first group took effect on September 2019, with tariffs on the second group scheduled to take effect December 15, 2019. However, in light of the Phase One trade deal, tariffs on the first group were again modified in late December 2019, from 15 percent to 7.5 percent, for implementation in February 2020, while tariffs on the second group were suspended indefinitely.

The first new section 301 investigation of 2019 was instituted by the USTR on April 12, 2019, concerning a 15-year-old WTO dispute on subsidies to the EU large civil aircraft industry. The USTR initiated the section 301 investigation to enforce the U.S. rights in connection with the WTO dispute. After considering the outcomes of the WTO proceedings, public comment, and the advice of the Section 301 Committee, the USTR determined that EU large civil aircraft subsidies were inconsistent with the WTO agreement, and that the EU had failed to implement the recommendation of the WTO Dispute Settlement Body (DSB) to rectify the issue. On October 2, 2019, the WTO arbitrator issued its decision

that the United States was authorized to enact \$7.5 billion in countermeasures against the EU annually, as a result of large civil aircraft subsidies. Duties on EU goods took effect on October 18, 2019.

The USTR initiated a second new section 301 investigation on July 10, 2019, concerning then-pending legislation on a French tax on international companies providing digital interface services and certain internet advertising services to French users. The law enacting the tax was signed on July 24, 2019, and initial tax payments from covered companies were due to the French government on November 25, 2019. USTR issued its investigation findings in a report on December 2, 2019, following a public hearing on proposed duties under the investigation and consultations between the U.S. and French governments on the matter. Finding that the tax was discriminatory and an unreasonable burden to U.S. companies, on December 6, 2019, USTR proposed duties of up to 100 percent on about \$2.4 billion of imports of food, beverage, cosmetics, and other products from France. Duties had not yet been imposed by the end of 2019.

Special 301: On April 25, 2019, USTR released its annual *Special 301 Report*. The report identifies trading partners that do not adequately or effectively protect and enforce IPRs or otherwise deny market access to U.S. innovators and creators that rely on protection of their IPRs. Trading partners that currently present the most significant concerns regarding IPRs are placed on the Priority Watch List or Watch List. USTR identified 36 such countries for these lists in the *2019 Special 301 Report*.

Antidumping duty investigations: The Commission instituted 37 new antidumping investigations and made 33 preliminary determinations and 33 final determinations in 2019. Antidumping duty orders were issued by the U.S. Department of Commerce (USDOC) in 33 final investigations on 20 products from 15 countries.

Countervailing duty investigations: The Commission instituted 21 new countervailing duty investigations and made 17 preliminary determinations and 21 final determinations during 2019. Countervailing duty orders were issued by USDOC in 20 final investigations on 16 products from five countries.

Reviews: The Commission instituted 83 reviews of existing antidumping and countervailing duty orders and suspension agreements, as required by law, either five years after initial publication or five years after publication of a subsequent determination to continue them. The Commission completed 60 reviews, resulting in the continuation of 51 antidumping duty and countervailing duty orders for up to five additional years.

Section 129 investigations: Section 129 of the U.S. Uruguay Round Agreements Act established a procedure by which the Administration may respond to adverse reports from WTO panels (quasi-judicial tribunals) or the WTO Appellate Body in trade remedy cases. There were no section 129 determinations made or proceedings underway during 2019.

Section 337 investigations: During calendar year 2019, there were 128 active section 337 investigations and ancillary proceedings alleging unfair import practices, such as patent infringement. Fifty-nine of these proceedings were instituted in 2019. Of those new proceedings, 47 were new section 337 investigations and 12 were new ancillary (secondary) proceedings relating to previously concluded investigations. The Commission completed a total of 63 investigations and ancillary proceedings under

section 337 in 2019, and issued 6 general exclusion orders, 9 limited exclusion orders, and 25 cease and desist orders.

Section 337 proceedings active in 2019 involved a broad spectrum of products. Technology products remained the single largest category, with approximately 29 percent of the active proceedings involving computer and telecommunications equipment. The second-largest category was pharmaceuticals and medical devices, which were at issue in about 15 percent of the active proceedings. Together, automotive, manufacturing, and transportation products were at issue in about 12 percent of the active proceedings. Three categories—consumer electronics, small consumer items, and lighting products—were each at issue in about 6 percent of the proceedings; together, they represented about 18 percent of the proceedings.

Section 232 national security investigations: During 2019, USDOC completed two investigations under the national security provisions in section 232 of the Trade Expansion Act of 1962,⁵ on certain automobiles and parts and on uranium. No section 232 trade remedy actions were imposed during 2019 on products covered by those investigations. USDOC instituted one new investigation under section 232, on titanium sponge. Additional tariffs imposed in 2018 under section 232 on certain steel and aluminum imports remained in place throughout 2019, but with certain adjustments in May 2019. Adjustments included the termination of the section 232 tariffs on steel and aluminum from Canada and Mexico, and a reduction in the section 232 tariffs on steel from Turkey from 50 percent ad valorem to 25 percent ad valorem.

Trade Adjustment Assistance (TAA): The U.S. Department of Labor (USDOL) administers the TAA for Workers programs, while the TAA for Firms program is administered by USDOC. In fiscal year (FY) 2019, USDOL received 1,235 petitions for TAA for Workers, a slight decline from the 1,273 petitions received in FY 2018. USDOL certified 799 petitions covering 88,001 workers as eligible for TAA and denied 316 petitions covering 21,881 workers. In FY 2019, USDOC certified 67 petitions as eligible for assistance under the TAA for Firms program and approved 66 adjustment protocols.

Trade Preference Programs

U.S. imports under preference programs have declined in recent years; from 2018 to 2019, the preference program share of total U.S. general imports fell to 1.1 percent (down from 1.4 percent). Total preference program imports declined by 21.0 percent, and the share of imports under HTS subheadings that are eligible for preferences under the African Growth and Opportunity Act (AGOA), the Caribbean Basin Economic Recovery Act (CBERA), the U.S.-Caribbean Basin Trade Partnership Act (CBTPA), and the Generalized System of Preferences (GSP) declined by about 15.8 percent.

Generalized System of Preferences (GSP): U.S. imports under GSP dropped 12.5 percent, falling to \$20.9 billion in 2019. These imports accounted for 8.9 percent of total U.S. imports from all GSP beneficiary countries and 0.8 percent of U.S. imports from all countries. The top five beneficiary countries (Thailand, India, Indonesia, Brazil, and the Philippines) accounted for more than two-thirds of GSP imports.

USTR opened new GSP eligibility reviews for South Africa and Azerbaijan, and closed eligibility reviews—with no loss of GSP eligibility—for Bolivia, Iraq, and Uzbekistan. Turkey was removed from the GSP

⁵ 19 U.S.C. § 1862.

program, effective May 17, 2019, based on its level of economic development. India was removed from GSP, effective June 5, 2019, based on India's failure to provide the United States with equitable and reasonable access to its markets. About one-third of Thailand's GSP benefits—\$1.3 billion in trade preferences under the GSP—were suspended based on its failure to adequately provide worker rights. A portion of Ukraine's GSP benefits, previously removed in 2017, were restored in recognition of Ukraine's tangible progress on IPRs.

Thailand was the leading source of imports that entered under the GSP program in 2019, followed by India and Indonesia ([interactive dashboard](#) in appendix A). These three countries together accounted for about half of all U.S. imports under GSP in 2019.

Nepal Trade Preferences Act (NTPA): The NTPA was implemented in December 2016 to improve Nepal's export competitiveness and help Nepal's economic recovery following a 2015 earthquake. In 2019, U.S. imports from Nepal under NTPA were \$3.1 million (a decrease of 2.1 percent from the previous year), accounting for 3.4 percent of all U.S. imports from Nepal.

African Growth and Opportunity Act (AGOA): In 2019, 39 sub-Saharan African (SSA) countries were eligible for AGOA benefits. Of these countries, 27 were eligible for AGOA textile and apparel benefits for all or part of 2019. As a result of the 2019 annual AGOA eligibility review, Cameroon's AGOA eligibility was terminated effective January 1, 2020 because of human rights violations, while 38 SSA countries remained eligible for AGOA benefits in 2020.

In 2019, the value of U.S. imports that entered free of duty from beneficiary countries under AGOA (including imports under GSP) was \$8.4 billion, a 30.1 percent decline from 2018. These imports accounted for 40.5 percent of total imports from AGOA countries in 2019. The decline in U.S. imports under AGOA between 2018 and 2019 mainly reflected a decline by value of imports of crude petroleum, refined petroleum products, and passenger motor vehicles under the program.

Caribbean Basin Economic Recovery Act (CBERA): At yearend 2019, 17 countries and dependent territories were eligible for CBERA preferences, and a subset of 8 countries were designated eligible for Caribbean Basin Trade Partnership Act (CBTPA) preferences. In 2019, the value of U.S. imports under CBERA decreased by 7.7 percent to \$5.6 billion, mainly reflecting a drop in U.S. imports of methanol. Haiti was the leading supplier of U.S. imports under CBERA in 2019, followed by Trinidad and Tobago. Imports under CBERA programs accounted for 11.7 percent of all imports from CBERA beneficiary countries in 2018.

Haiti Initiatives: Over the years, several amendments to CBERA have expanded trade benefits to Haiti, benefiting Haiti's apparel industry. Nearly all (96.9 percent) of U.S. imports of apparel from Haiti entered duty free under CBERA. U.S. imports from Haiti under CBERA are brought in under CBTPA, the Haitian Hemisphere Opportunity through Partnership Encouragement Act of 2006 and 2008 (HOPE Acts), and the Haiti Economic Lift Program of 2010 (HELP Act), with a growing portion entering under these acts. The value of U.S. imports of apparel entering under the HOPE/HELP Acts rose 12.2 percent to \$720.0 million in 2019 and represented nearly 72 percent of all U.S. apparel imports from Haiti.

World Trade Organization (WTO)

WTO developments: Negotiations towards a plurilateral agreement on fisheries subsidies and the trade-related aspects of e-commerce continued in 2019. Two existing moratoriums—one on imposing customs duties on electronic transmissions, and the other on submitting nonviolation and situation complaints under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)—were extended until June 2020. WTO membership remained at 164 in 2019.

WTO dispute settlement: During 2019, WTO members filed 19 new requests for dispute settlement consultations. This number was significantly lower than the 39 requests filed during 2018 and closer to the 17 requests filed in 2017 and the number filed in earlier years. The United States filed one new dispute in 2019, against India, and was the named respondent in three new disputes filed by the EU, Russia, and China.

Four of the disputes filed during 2018—two by the United States and one each by Canada and Mexico—were terminated in May 2019 after the three countries reached a mutually agreed settlement. The disputes concerned additional duties imposed by the United States in 2017 on imports of certain steel and aluminum products and countermeasures imposed in response by Canada and Mexico on U.S. imports.

One of the year's most significant developments occurred in October 2019 in a dispute originally brought by the United States in 2004 that concerned subsidies provided to the large European aerospace company Airbus by the EU and four member states. After the issuance of several panel and Appellate Body reports in favor of the United States, a WTO arbitrator rendered a decision about the level of countermeasures sought by the United States. The decision stated that countermeasures of up to \$7.5 billion annually were commensurate with the degree and nature of the adverse effects determined to exist. The award of \$7.5 billion annually is by far the largest in WTO history.

During 2019, WTO dispute settlement panels and the WTO Appellate Body issued reports in nine disputes to which the United States was a party, including the four disputes noted above in which the United States, Canada, and Mexico reached mutually agreed settlements. Three of the remaining five involved disputes filed by the United States, and the remaining two involved disputes filed against the United States. These totals reflect only panel and Appellate Body reports relating to the original disputes and not reports by compliance panels or arbitrators following adoption of panel and/or Appellate Body reports by the DSB in the original dispute.

OECD, APEC, and TIFAs

Organisation for Economic Co-operation and Development (OECD): The OECD ministerial council meeting was held in Paris, France, on May 22–23, 2019. Discussions focused on digitalization and addressing its disruptive effects on competitiveness, taxation, governance, and digital transition. There were 37 OECD members at yearend 2019. During the year, the OECD Trade Committee focused on broad topics such as trade policy concerns, digital trade, agricultural subsidies, and export credits. In 2019, after a disagreement arose between the United States and France about France's proposed digital tax, the OECD stepped in and sought to create a resolution mechanism to settle digital tax disputes. Following a mandate from the G20 Finance Ministers to review the implications of

digitalization for taxation, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) continued to work on forming a consensus-based long-term solution through its Task Force on the Digital Economy (TFDE).⁶ Finally, the Global Forum on Steel Excess Capacity (GFSEC), which is chaired by the OECD, held its third ministerial meeting in Tokyo, Japan, on October 26, 2019. Members of the GFSEC could not reach an agreement on renewal at the ministerial meeting, and the GFSEC expired in November 2019.

Asia-Pacific Economic Cooperation (APEC): In 2019, under Chile’s leadership, APEC member economies highlighted the theme of “Connecting People, Building the Future.” APEC focused on the digital revolution; facilitating trade via uniform procedures and regulations; growth that benefits women and small and medium-sized businesses; and climate change. APEC’s major accomplishments in 2019 included carrying out work on the internet economy, digital trade, and e-commerce; developing a 2020–25 blueprint to further global value chain development and cooperation in the region; and identifying areas for which APEC could contribute to support the multilateral trading system, among other achievements.

Trade and Investment Framework Agreements (TIFAs): TIFAs provide a framework to expand trade and investment and a forum to resolve trade and investment issues between the United States and various trading partners. By yearend 2019, the United States was party to 56 TIFAs; no new TIFAs entered into force in 2019. A number of TIFA Council meetings took place in 2019, including those with Central Asia, Egypt, Iraq, Maldives, Mongolia, New Zealand, Rwanda, Thailand, Tunisia, and Uruguay.

U.S. Free Trade Agreements

U.S. free trade agreements (FTAs) in force in 2019: The United States was party to 14 FTAs involving a total of 20 countries as of December 31, 2019. In chronological order by date of entry into force, the United States’ FTAs in force during 2019 were with Israel; Canada and Mexico; Jordan; Singapore; Chile; Australia; Morocco; Bahrain; the six countries of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), comprising Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua; Peru; Oman; South Korea; Colombia; and Panama.

FTA merchandise trade flows with FTA partners: Total two-way merchandise trade between the United States and its 20 FTA partners was \$1.6 trillion in 2019, accounting for 39.6 percent of total U.S. merchandise trade with the world. U.S. trade with the two other North American Free Trade Agreement (NAFTA) countries, Canada and Mexico continued to contribute the most to overall U.S. trade with its FTA partners. In 2019, these countries accounted for \$1.2 trillion, or 74.7 percent, of total U.S. trade with its FTA partners. From 2018 to 2019, however, the value of U.S. exports to NAFTA countries decreased 2.9 percent (\$16.5 billion) to \$548.8 billion, while U.S. general imports from NAFTA countries rose 1.9 percent (\$13.0 billion), to \$677.8 billion. As a result, the U.S. merchandise trade deficit with its NAFTA partners increased by 29.5 percent to \$129.1 billion in 2019.

U.S. trade with its FTA partners other than Canada and Mexico was valued at \$415.0 billion in 2019, which was a 0.2 percent increase from 2018. U.S. exports to these FTA partners increased 0.3 percent (\$730 million), from \$217.1 billion in 2018 to \$217.9 billion in 2019. At the same time, U.S. imports from

⁶ OECD, “[Tax Challenges Arising from Digitalisation](#)” (accessed July 8, 2020); OECD, “[OECD Invites Public Input](#)” (accessed July 8, 2020).

these partners increased less than 0.1 percent (\$105 million) from \$197.0 billion in 2018 to \$197.1 billion in 2019. U.S. exports rose more than imports, causing the U.S. merchandise trade surplus with FTA partners other than Canada and Mexico to grow 3.1 percent to \$20.8 billion.

The value of U.S. imports for consumption entered under FTAs totaled \$408.3 billion in 2019, accounting for nearly half (46.7 percent) of total U.S. imports for consumption from FTA partners and for 16.3% of U.S. Imports for consumption from the world. The value of U.S. imports for consumption entered under FTAs in 2019 increased by \$249 million (less than 0.1 percent), up from \$408.0 billion in 2018. FTA imports from Jordan grew 15.6 percent (\$251 million), representing the second-largest percentage increase. Imports under the FTA with Bahrain increased by 18.1 percent (\$92 million); however, it changed from a smaller baseline. Imports from South Korea accounted for the greatest increase by value, rising by \$3.1 billion (9.2 percent) to \$36.4 billion. Imports from Mexico increased by 1.1 percent (\$2.2 billion). On the other hand, imports from Canada fell by \$5.4 billion (4.2 percent), and combined imports from Mexico and Canada fell 1.0 percent (\$3.2 billion). The largest percent decline in U.S. imports under any FTA was seen in imports from Oman, which fell by 17.8 percent (\$161 million).

U.S.-Mexico-Canada Trade Agreement (USMCA) negotiations: The United States, Mexico, and Canada entered into negotiations for the United States-Mexico-Canada Agreement (USMCA) on August 16, 2017, in Washington, DC, with the dual purpose of modernizing provisions. On November 30, 2018, after concluding negotiations, the three countries signed USMCA. In response to outstanding concerns from members of Congress, the USTR and members of Congress negotiated changes to USMCA during 2019. USTR then negotiated amendments to USMCA with Mexico and Canada that were included as a protocol of amendment to USMCA signed on December 10, 2019 by the three countries. On December 12, 2019, Mexico approved the amendments after having previously ratified the signed USMCA in June 2019. On January 29, 2020, the President signed U.S. legislation that approved USMCA and provided for implementation. The Parliament of Canada concluded the final ratification of USMCA on March 13, 2020. The preexisting NAFTA remained in effect until USMCA entered into force on July 1, 2020.⁷

North American Agreement on Environmental Cooperation (NAAEC): In 1994, NAFTA parties undertook commitments concerning enforcement of environmental laws and other environment-related matters in a companion agreement to NAFTA called the NAAEC. At the end of 2019, five cases regarding enforcement of environmental laws subject to the review of NAFTA's Commission for Environmental Cooperation, which was established under NAAEC, remained active under Articles 14 and 15. Two involved Canada (one was submitted in 2017 and the other in 2018), and three involved Mexico (all submitted in 2018).

NAFTA dispute settlement: In 2019, 1 active Chapter 11 (investor-state dispute settlement) case was filed against the United States by Canadian investors; 5 cases were filed by U.S. investors against Canada; and 4 were filed by U.S. investors against Mexico. At the end of 2019, the NAFTA Secretariat listed 1 binational panel active under Chapter 19 (Review and Dispute Settlement in Anti-dumping and Countervailing Duty Matters); these are reviews of final determinations made by national authorities in antidumping and countervailing duty cases. The review concerned a case filed by the United States contesting Mexico's determination.

⁷ USMCA entered into force on July 1, 2020. NAFTA preferences cannot be claimed on or after July 1, 2020. U.S. Customs and Border Protection, "[U.S.-Mexico-Canada Agreement \(USMCA\)](#)" (accessed July 2, 2020).

FTA Negotiations: USTR published negotiating objectives for trade agreements with the EU and the UK in January and February 2019, respectively. Formal negotiations with both economies had yet to begin at the end of 2019. However, the European Council approved mandates for the European Commission to open negotiations with the United States on the elimination of tariffs on industrial goods and on conformity assessment in April 2019. The United States also signed four mutual recognition agreements with the UK on wine, spirits, pharmaceuticals, and marine equipment in January and February 2019 to minimize trade disruption once EU agreements no longer apply to the UK following Brexit.⁸

One year after USTR notified Congress of its intent to negotiate a formal trade agreement with Japan, the United States and Japan signed two separate trade agreements—the United States-Japan Trade Agreement (USJTA) and the United States-Japan Digital Trade Agreement (USJDTA)—on October 7, 2019. As part of USJTA, Japan agreed to tariff reduction, elimination, and country-specific quotas for \$7.2 billion of U.S. food and agricultural exports to Japan. In total, Japan has agreed to completely eliminate tariffs on \$4.3 billion worth of U.S. agriculture exports, with tariffs on \$1.3 billion eliminated on January 1, 2020. For its part, the United States agreed to reduce or eliminate tariffs on 42 tariff lines for agricultural imports from Japan valued at \$40 million in 2018 and on certain industrial goods such as machine tools, fasteners, and bicycles. As part of USJDTA, the United States and Japan have agreed to several measures that reduce digital trade policy uncertainty, including bans on digital trade tariffs and prohibitions on cross-border data flow restrictions. USJDTA also includes protections for digital consumers, requiring both parties to maintain a legal framework for protecting digital consumers' personal information.

Developments with FTAs already in force: U.S. officials met with a number of partners representing member states of the 14 U.S. FTAs in force during 2019. Discussions with U.S. partners covered a range of trade- and investment-related issues, in addition to the labor and environmental provisions included in most of these agreements. Following the negotiation and signing of a modified U.S.-Korea FTA (KORUS), the agreement entered into force on January 1, 2019.⁹ From March 11 to March 15, 2019, the United States and Israel held the second round of negotiations on a permanent agreement to succeed the 2004 U.S.-Israel Agreement on Trade in Agricultural Products.

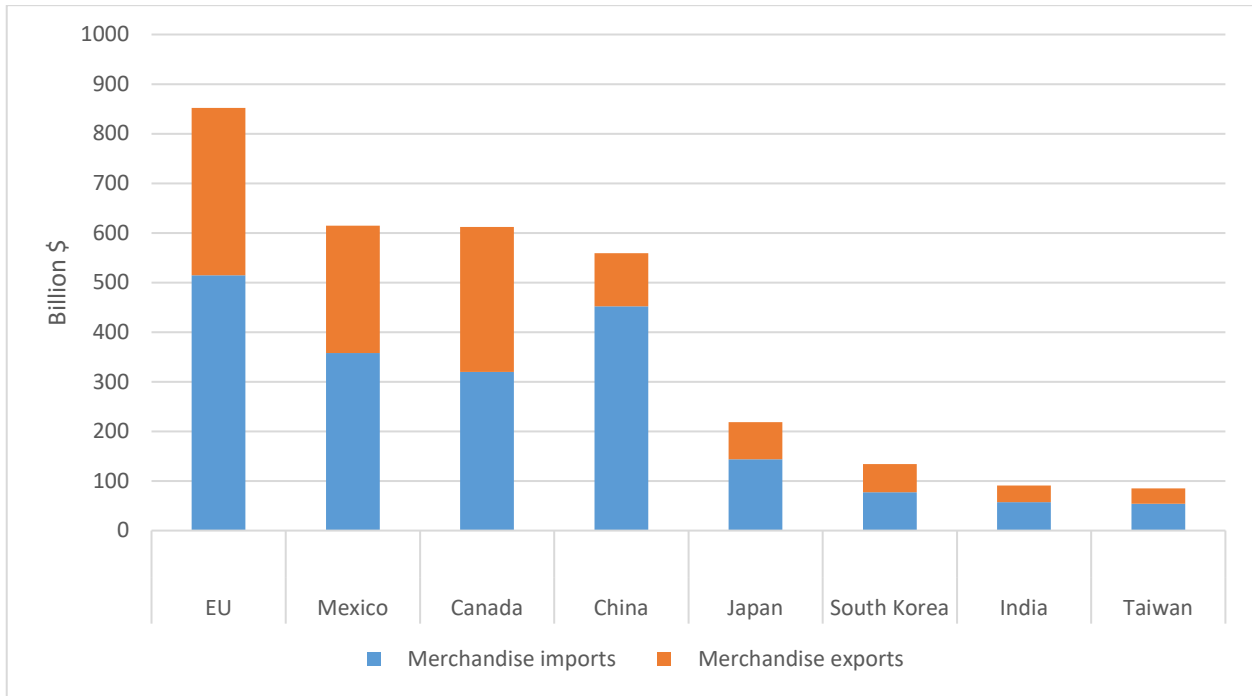
Trade Activities with Major Trading Partners

This report includes a review each year of the United States' bilateral trade relations with its largest trading partners. This year, the report covers the following eight trading partners: the EU, Mexico, Canada, China, Japan, South Korea, India, and Taiwan (ordered by the value of their two-way merchandise trade). Two-way merchandise and private services trade for each trading partner are presented in figures ES.2 and ES.3, respectively.

⁸ Brexit—a portmanteau of “British exit”—refers to the United Kingdom’s withdrawal from the European Union in response to a 2016 referendum on EU membership in which the majority of the electorate voted to leave the European Union.

⁹ USTR, “[Amending the FTA between the U.S. and the Republic of Korea](#),” September 3, 2018.

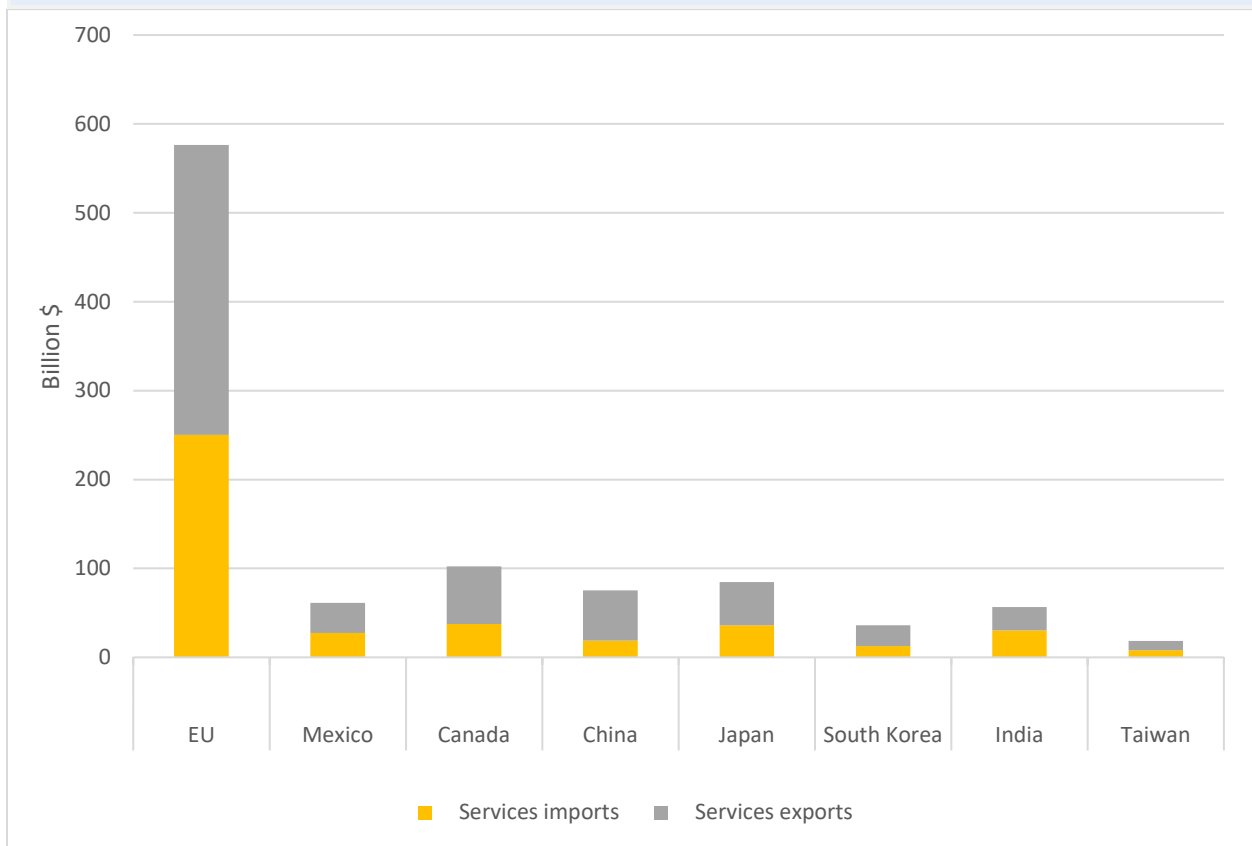
Figure ES.2 U.S. merchandise trade with major bilateral trading partners, 2019



Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: Underlying data for this figure can be found in appendix table [B.2](#).

Figure ES.3 U.S. trade in private services with major bilateral trading partners, 2019



Source: USITC DataWeb/USDOC (accessed May 9, 2019); USDOC, BEA, interactive data, tables 1.2 and 1.3, April 14, 2020.

Note: Underlying data for this figure can be found in appendix table B.3. U.S. trade in services from the EU and India are overstated because the data include government goods and services not included elsewhere.

European Union

The EU, viewed as a single market, continued to be the United States’ largest merchandise trading partner in 2019, representing 20.6 percent of total U.S. two-way merchandise trade (exports plus imports) with the world.

U.S. two-way merchandise trade with the EU increased 5.8 percent to \$851.7 billion in 2019. U.S. exports to the EU were \$337.0 billion, which placed the EU as the top U.S. export market for the fourth year in a row. U.S. merchandise imports from the EU were \$514.7 billion in 2019, with the EU surpassing China as the top source market for imports into the United States. Both U.S. exports and U.S. imports with the EU increased in 2019, but U.S. imports grew more, widening the U.S. merchandise trade deficit with the EU to \$177.7 billion, an increase of 5.4 percent from the previous year. Leading U.S. exports to the EU included civil aircraft and parts; crude petroleum; and nonmonetary gold. Leading U.S. imports were medicaments; passenger vehicles with gasoline engines between 1.5 and 3 liters; and immunological products.

The EU remained a leading U.S. services trading partner in 2019, representing \$475.4 billion or 34.1 percent of two-way U.S. cross-border services trade.¹⁰ U.S. cross-border service exports to the EU increased by \$12.0 billion, or 4.7 percent, to \$265.6 billion in 2019, while U.S. cross-border service imports from the EU increased by \$11.2 billion, or 5.6 percent, to \$209.8 billion. As a result, the U.S. surplus in services trade with the EU grew by 1.4 percent to \$55.7 billion from \$55.0 billion the year before.

The United States' largest services exports in 2019 included other business services (\$76.0 billion); charges for intellectual property (IP) use (\$49.3 billion); and travel services (\$42.4 billion). Major U.S. services imports from the EU were travel services (\$50.2 billion); other business services (\$47.1 billion); and transport services (\$39.4 billion).

Among the important U.S.-EU trade developments in 2019 were the implementation of section 301 duties against imports from the EU and certain member states as a countermeasure for subsidies to the EU's large civil aircraft industry, the initiation of a section 301 investigation of a French tax on multinational digital services firms, and enforcement actions by U.S. and EU authorities to protect the privacy of EU data subjects under the General Data Protection Regulation and the U.S.-EU Privacy Shield Framework.

Mexico

In 2019, Mexico surpassed China and Canada to become the United States' largest single-country merchandise trading partner. U.S. two-way merchandise trade with Mexico amounted to \$614.5 billion in 2019, an increase of 0.5 percent from 2018. Mexico accounted for 14.8 percent of U.S. trade with the world. U.S. merchandise exports to Mexico totaled \$256.4 billion in 2019, which is a 3.4 percent decrease from 2018, and U.S. merchandise imports from Mexico amounted to \$358.1 billion, which is a 3.5 percent increase from 2018. As the growth in imports outpaced that of exports, the merchandise trade deficit grew by \$21.0 billion (26.0 percent) from the previous year, totaling \$101.7 billion in 2019. Leading U.S. exports to Mexico included light oils, refined petroleum products, and computer parts and accessories. Leading U.S. imports from Mexico included computers, passenger vehicles with gasoline engines between 1.5 and 3L, and light trucks.

Mexico was the United States' fourth-largest single-country trading partner for private services in 2019. U.S. exports of private services to Mexico remained roughly unchanged compared to 2018, at \$33.4 billion, while U.S. private services imports from Mexico increased 6.0 percent (\$1.5 billion) to \$27.2 billion in 2019. This resulted in the U.S. trade surplus in private services decreasing by \$1.5 billion in 2019, to \$6.2 billion from \$7.7 billion the year before.

A major focus of U.S.-Mexico trade relations in 2019 was conclusion of a protocol of amendment to USMCA on December 10, 2019.¹¹ The United States also reached an agreement with Mexico to remove section 232 tariffs, and Mexico agreed to remove its countermeasures in return. Joint efforts to

¹⁰ U.S. trade in services from the EU are overstated because the data include government goods and services not included elsewhere.

¹¹ All three countries have approved the agreement and the protocol; USMCA entered into force on July 1, 2020.

modernize border procedures and facilities also continued in 2019, with the creation of new customs and inspection processes, pedestrian and vehicle inspection facilities, and vehicle processing lanes.

Canada

In 2019, Canada surpassed China to become the United States' second-largest single-country trading partner. The value of U.S. two-way merchandise trade with Canada decreased by 1.0 percent to \$612.1 billion in 2019, accounting for 14.8 percent of total U.S. merchandise trade with the world. The U.S. merchandise trade deficit with Canada increased by \$8.3 billion to \$27.3 billion.

U.S. merchandise exports decreased by 2.5 percent to \$292.4 billion, and imports from Canada increased by 0.3 percent to \$319.7 billion in 2019. Leading U.S. exports to Canada included crude petroleum, civil aircraft, and light trucks. Top U.S. imports from Canada included crude petroleum, and passenger motor vehicles and their parts and accessories.

U.S. private services exports to Canada increased by 1.0 percent to \$64.3 billion in 2019, and U.S. private services imports from Canada increased by 4.5 percent to \$37.2 billion. Leading U.S. services exports to Canada included travel services, other business services, and charges for IP use. Leading U.S. services imports from Canada included other business services, travel services, and transport services.

In 2019, a major focus of U.S.-Canada trade relations was conclusion of a protocol of amendment to USMCA on December 10, 2019. The United States also reached an agreement with Canada to remove section 232 tariffs, and Canada agreed to remove its countermeasures in return. Additionally, a dispute regarding sales of imported wine in British Columbia was addressed by regulatory changes in July 2019, so that imported wine can now be sold alongside British Columbia wine in grocery stores. A longstanding dispute regarding imports of softwood lumber from Canada also continued, with a NAFTA dispute settlement panel remanding a USITC AD/CVD determination.

China

In 2019, China was the United States' third-largest single-country trading partner in terms of two-way trade, accounting for 13.5 percent of total U.S. merchandise trade. It dropped from its position as the United States' largest single-country trading partner in 2018. In 2019, U.S. merchandise trade with China decreased by 15.3 percent, from \$659.8 billion to \$558.9 billion. The U.S. merchandise trade deficit with China decreased by \$73.9 billion to \$345.6 billion. The decrease in the bilateral merchandise trade deficit reflects a \$13.5 billion decrease in U.S. exports combined with a \$87.4 billion decrease in imports.

China remained the third-largest single-country destination for U.S. merchandise exports in 2019, accounting for 6.5 percent of global U.S. exports. U.S. merchandise exports to China decreased from \$120.1 billion in 2018 to \$106.6 billion in 2019, an 11.3 percent decrease. The top U.S. exports to China during the year were civil aircraft and parts; soybeans; and processors and controllers.

China remained the largest single-country source of U.S. merchandise imports in 2019, accounting for 18.1 percent of global U.S. imports. U.S. merchandise imports from China decreased from \$539.7 billion in 2018 to \$452.2 billion in 2019, a 16.2 percent decrease. The top U.S. imports from China during the year were cell phones, portable computers and tablets, and telecommunications equipment.

In 2019, U.S. cross-border trades in private services with China totaled \$74.9 billion, or 5.4 percent of total U.S. services trade. U.S. cross-border service exports to China fell by \$0.4 billion, or 0.8 percent, to \$56.3 billion in 2019, while U.S. cross-border service imports from China rose by \$0.4 billion, or 2.2 percent, to \$18.7 billion. As a result, the U.S. surplus in services trade with China decreased 2.2 percent to \$37.6 billion from \$38.4 billion the year before (figure 6.8).

The United States' largest services exports in 2019 included travel services (\$31.1 billion), charges for IP use (\$9.2 billion), and transport services (\$5.2 billion). Major U.S. services imports from China were other business services (\$6.1 billion), transport services (\$4.9 billion), and travel services (\$4.4 billion).

Since China's accession to the WTO in 2001, the United States has filed 23 WTO disputes against it. In total, China has filed 23 WTO disputes since its accession, 16 of which have been against the United States. Tariffs from both countries continued to escalate in 2019. In May 2019, USTR increased the additional rate of duty on the previously published "List 3" of Chinese imported items, worth an estimated \$200 billion. On August 24, 2019, the United States announced additional tariffs on a fourth list of imports from China, worth approximately \$300 billion. These added tariffs were divided into two different groups: tariffs on the first group took effect on September 2019, with tariffs on the second group scheduled to take effect December 15, 2019. However, in light of the Phase One trade deal, tariffs on the first group were lowered in February 2020, while tariffs on the second group were suspended indefinitely.

The United States announced a "Phase One" economic and trade agreement with China on December 13, 2019. According to USTR, the United States agreed to modify its section 301 tariff actions in a "significant" way. China agreed to undertake structural reforms in a variety of areas, to make substantial additional purchases of U.S. goods and services in the coming years, and to participate in a dispute resolution system with the United States.

Japan

In 2019, Japan remained the United States' fourth-largest single-country trading partner in terms of two-way trade, accounting for 5.3 percent of total U.S. merchandise trade. U.S. two-way merchandise trade with Japan grew by 0.3 percent from \$217.7 to \$218.3 billion in 2019. U.S. merchandise exports to Japan totaled \$74.7 billion in 2019, and U.S. merchandise imports from Japan amounted to \$143.6 billion, yielding a U.S. merchandise trade deficit with Japan of \$69.0 billion in 2019—a \$1.8 billion increase from 2018's deficit figure. The increase in the bilateral merchandise trade deficit reflects a \$0.5 billion decrease in U.S. exports combined with a \$1.2 billion increase in imports from Japan. Leading U.S. exports to Japan were civil aircraft and parts, liquefied propane, and corn. Leading U.S. imports from Japan were passenger motor vehicles with gasoline engines between 1.5 and 3L, passenger motor vehicles with gasoline engines exceeding 3L, and parts for airplanes or helicopters.

In 2019, U.S. cross-border trade in private services with Japan totaled \$79.4 billion, or 5.7 percent of U.S. services trade. U.S. cross-border private service exports to Japan increased by \$3.7 billion, or 8.3 percent, to \$48.1 billion in 2019, while U.S. cross-border service imports from Japan increased by \$0.9 billion, or 2.9 percent, to \$31.3 billion. As a result, the U.S. trade surplus in services with Japan increased \$2.8 billion, to \$16.8 billion from \$14.0 billion the year before.

On October 7, 2019, one year after the USTR notified Congress of the United States' intent to negotiate a trade agreement with Japan, the United States and Japan signed two separate trade agreements—the United States Japan Trade Agreement (USJTA) and the United States-Japan Digital Trade Agreement (USJDTA). As part of USJTA, Japan agreed to tariff reduction, elimination, and country-specific quotas for \$7.2 billion worth of U.S. food and agricultural exports to Japan. In total, Japan has agreed to completely eliminate tariffs on \$4.3 billion worth of U.S. agriculture exports, with tariffs on \$1.3 billion eliminated on January 1, 2020. Other agriculture-related trade developments in 2019 included the reopening of the Japanese market to U.S. exports of beef, regardless of age.

As part of USJDTA, the United States and Japan have agreed to several measures that reduce digital trade policy uncertainty, including bans on digital trade tariffs and prohibitions on cross-border data flow restrictions. USJDTA also includes protections for digital consumers, requiring both parties to maintain a legal framework for protecting digital consumers' personal information. The United States and Japan continued to work, along with the EU, in addressing issues related to nonmarket economic policies, including industrial subsidies, state-owned enterprises, and forced technology transfers. Other digital trade-related developments in 2019 included Japan's revision of its procedures on public supercomputer procurement.

Republic of Korea

The Republic of Korea (South Korea) continued to be the United States' sixth-largest single-country merchandise trading partner in 2019, accounting for 3.2 percent of total U.S. trade with the world. Two-way merchandise trade grew 2.8 percent from the previous year, to \$134.3 billion in 2019. U.S. merchandise exports to South Korea were valued at \$56.9 billion in 2019, while U.S. merchandise imports from South Korea totaled \$77.4 billion.

The resulting merchandise trade deficit with South Korea was \$20.8 billion in 2019, an increase of 16.0 percent from 2018, as the increase in U.S. imports from South Korea from 2018 to 2019 outpaced the increase in U.S. exports to South Korea over the same period. Leading U.S. exports to South Korea included crude petroleum; processors and controllers; and civil aircraft and parts. Leading U.S. imports from South Korea included passenger motor vehicles gasoline engines between 1.5 and 3 liters; computer parts and accessories; and cellphones.

In 2019, two-way cross-border private services trade with South Korea totaled \$33.2 billion, representing 2.4 percent of total U.S. services trade with the world. U.S. private services exports to South Korea grew 4.8 percent in 2019 to \$22.9 billion, while U.S. services imports from South Korea rose by 4.3 percent in 2019 to reach \$10.3 billion. As a result, the U.S. services trade surplus with South Korea increased by 5.2 percent, from \$12.0 billion in 2018 to \$12.7 billion in 2019.

Key developments in the U.S.-South Korea trade relationship in 2019 included South Korea providing country-specific access for the United States to South Korea's rice market and the passage of new South Korean legislation to curb the practice of illegal, unreported, and unregulated (IUU) fishing. The second development occurred after the United States requested consultations under the KORUS Environment Chapter regarding South Korea's commitments to implement its obligations under the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR).

Chapter 1

Introduction and Overview of U.S. Trade

Scope and Approach of the Report

This report provides information on the operation of the U.S. trade agreements program for calendar year 2019. Section 163(c) of the Trade Act of 1974 (19 U.S.C. 2213(c)) states that “the International Trade Commission shall submit to the Congress at least once a year, a factual report on the operation of the trade agreements program.” Section 1 of Executive Order 11846 defines the trade agreements program to include “all activities consisting of, or related to, the negotiation or administration of international agreements which primarily concern trade,” and section 163(a) of the Trade Act of 1974 sets out the types of information that the President is to include in his annual report to the Congress on the operation of the trade agreements program.¹²

This report provides information on the activities defined in the Executive Order and, to the extent appropriate and to the extent that there were developments to report and information was publicly available, the elements set out in section 163(a). This year marks the 71st edition of the report on the operation of the trade agreements program prepared by the U.S. International Trade Commission (Commission or USITC).

Organization of the Report

This first chapter gives an overview of the international economic and trade environment within which U.S. trade policy was conducted in 2019. It also provides a timeline of selected key trade activities. Chapter 2 covers the administration of U.S. trade laws and regulations in 2019, including tariff preference programs such as the Generalized System of Preferences. Chapter 3 focuses on U.S. participation in the World Trade Organization (WTO), including developments in major WTO dispute settlement cases during 2019. Chapter 4 covers 2019 developments at the Organisation for Economic

¹² Exec. Order No. 11846 of March 27, 1975, Administration of the Trade Agreements Program, 40 Fed. Reg. 14291, 3 C.F.R., 1971–1975 Comp., 971. Section 163(a)(2) of the Trade Act of 1974 states that the President’s report is to cover the following: “(A) new trade negotiations; (B) changes made in duties and nontariff barriers and other distortions of trade of the United States; (C) reciprocal concessions obtained; (D) changes in trade agreements (including the incorporation therein of actions taken for import relief and compensation provided therefor); (E) the extension or withdrawal of nondiscriminatory treatment by the United States with respect to the products of foreign countries; (F) the extension, modification, withdrawal, suspension, or limitation of preferential treatment to exports of developing countries; (G) the results of actions to obtain the removal of foreign trade restrictions (including discriminatory restrictions) against United States exports and the removal of foreign practices which discriminate against United States service industries (including transportation and tourism) and investment; (H) the measures being taken to seek the removal of other significant foreign import restrictions; (I) each of the referrals made under section 2171(d)(1)(B) of this title and any action taken with respect to such referral; and (J) other information relating to the trade agreements program and to the agreements entered into thereunder.”

Co-operation and Development (OECD) and the Asian-Pacific Economic Cooperation (APEC) forum, as well as developments involving trade and investment framework agreements. Chapter 5 describes U.S. negotiation of and participation in free trade agreements (FTAs) in 2019, and chapter 6 covers trade data and trade relations in 2019 with major U.S. trading partners.

Sources

This report is based on primary-source materials about U.S. trade programs and administrative actions pertaining to them. These materials chiefly encompass U.S. government reports, *Federal Register* notices, and news releases, including publications and news releases by the Commission and the Office of the United States Trade Representative (USTR). Other primary sources of information include publications of international institutions, such as the International Monetary Fund (IMF), World Bank, OECD, WTO, United Nations, and foreign governments. When primary-source information is unavailable, the report draws on professional journals, trade publications, and news reports for supplemental information.

Like past reports, *The Year in Trade 2019* relies on data from the U.S. Census Bureau (U.S. Census) of the U.S. Department of Commerce (USDOC) for the U.S. merchandise trade statistics presented throughout the report. Most tables in the report present U.S. merchandise trade statistics using “total exports” and “general imports” as measures, except for data on imports that have entered the United States with a claim of eligibility under trade preference programs and FTAs.¹³ Such data require an analysis of U.S. “imports for consumption”—the total of all goods that have been cleared by U.S. Customs and Border Protection (CBP) to enter the customs territory of the United States with required duties paid.¹⁴ Also, much of the trade data used in the report, including U.S. services and merchandise trade data, are revised over time, so the trade statistics for earlier years in this report may not always match the data presented in previous reports. New this year, a supplemental merchandise trade dataset reflecting the data used in this report will also be released.¹⁵

Chapters 1 and 6 also offer data on services trade. The information on services trade is based on data for cross-border trade in private services, which exclude government sales and purchases of goods and

¹³ “Total exports” measures the total physical movement of goods out of the United States to foreign countries, whether such goods are exported from the U.S. customs territory or from a U.S. Customs bonded warehouse or a U.S. foreign trade zone. The total exports measure is the sum of domestic exports and “foreign exports” (also known as re-exports). “General imports” measures the total physical arrivals of merchandise from foreign countries, whether such merchandise enters the U.S. customs territory immediately or is entered into bonded warehouses or foreign trade zones under U.S. Customs custody. These two measures—total exports and general imports—are the broadest measures of U.S. merchandise trade reported by the U.S. Census Bureau, and they are used by the U.S. Department of Commerce’s Bureau of Economic Analysis, with adjustments, to report on U.S. trade flows in official government balance of payment statistics. These are also the measures most commonly used internationally.

¹⁴ For more information about measures of U.S. merchandise exports and imports, see the “Trade Measure Definitions” section of USITC, *Shifts in U.S. Merchandise Trade, 2015*, September 2016.

¹⁵ Merchandise trade data used in this report can be accessed using DataWeb, the Commission’s trade data querying tool (<https://dataweb.usitc.gov>). Due to annual data revisions, data obtained from DataWeb may not always match the data presented in this report, even when these data are queried in the same year that the report is published.

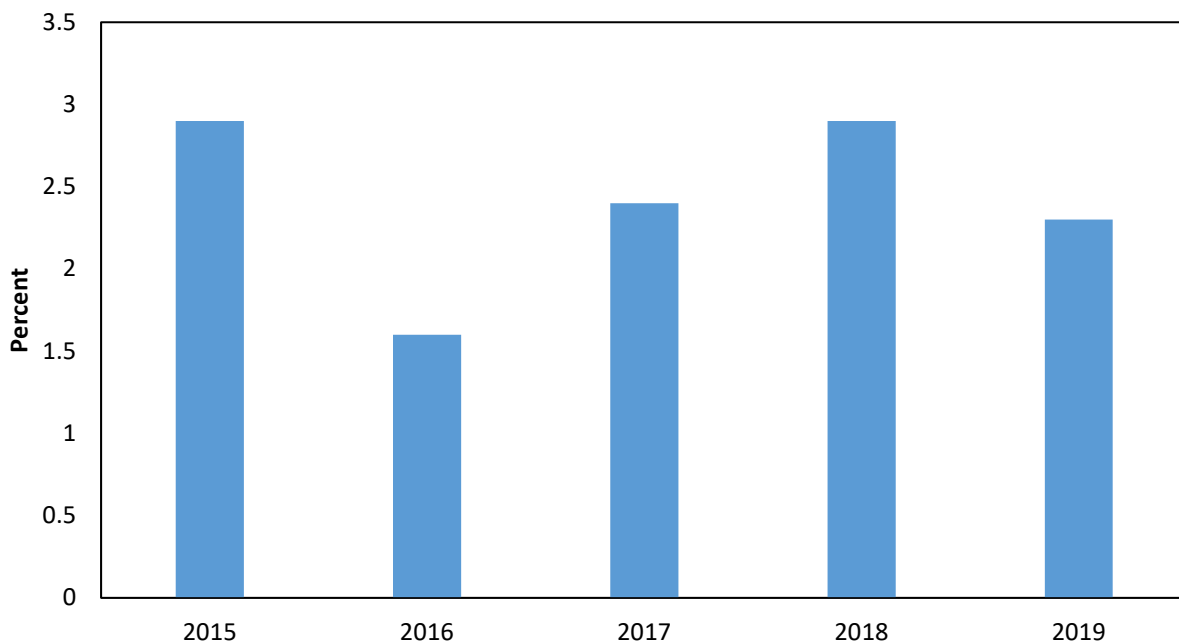
services not included elsewhere. The source of these data is the Bureau of Economic Analysis (BEA) of USDOC.

Overview of the U.S. and Global Economies in 2019

U.S. Economic Trends in 2019

The United States had a \$21.4 trillion economy in 2019.¹⁶ The U.S. economy grew at a robust rate in 2019 but more slowly than in 2018: U.S. real gross domestic product (GDP) increased by 2.3 percent in 2019, compared to 2.9 percent in 2018 (figure 1.1).¹⁷ The industries driving the 2019 growth rate were professional and business services, mining, retail trade, finance and insurance (in the first half of the year), and manufacturing (in the second half of the year).¹⁸

Figure 1.1 U.S. real gross domestic product, percentage change, 2015–19



Source: USDOC, BEA, Interactive data, National Data, National Income and Product Accounts, “Table 1.2.1, Percent Change from Preceding Period in Real Gross Domestic Product” (accessed March 19, 2020).

Note: Underlying data for this figure can be found in appendix table [B.4](#).

As discussed below, the U.S. economy in 2019 featured moderate-to-low inflation, low unemployment, and rising stock market indices, factors that are usually associated with higher demand for both

¹⁶ USDOC, BEA, “[National Income and Product Accounts, Table 1.1.5. Gross Domestic Product](#)” (accessed March 19, 2020).

¹⁷ Real GDP is a measure of the value of the goods and services produced by the nation’s economy less the value of the goods and services used up in production, adjusted for price changes.

¹⁸ USDOC, BEA, “[Contributions to Percent Change in Real Gross Domestic Product by Industry](#),” January 22, 2019.

domestic and imported goods and services. Similarly, Federal Reserve monetary policy stimulus also generally increased domestic demand.

Most broad economic indicators of the U.S. economy were positive in 2019. The U.S. unemployment rate fell from 3.9 percent in December 2018 to 3.5 percent in December 2019.¹⁹ Over the same period, total employment increased 1.4 percent to 152.0 million jobs, and average hourly earnings of private sector workers rose 3.0 percent to \$28.37.²⁰ Consumer confidence rose 1.0 percent.²¹ The Consumer Price Index rose 2.3 percent, while the Producer Price Index fell 0.9 percent.²² The S&P 500 index of the stock market rose 28.7 percent from January 2, 2019, to December 31, 2019, and consumer credit increased 4.5 percent.²³

However, a few indicators showed slight declines. Gross private investment declined 0.7 percent from the fourth quarter of 2018 to the fourth quarter of 2019.²⁴ Industrial production fell 0.9 percent from December 2018 to December 2019.²⁵

In 2019, the Federal Open Market Committee (FOMC), a committee within the Federal Reserve System, lowered interest rates three times, after having raised them four times in 2018. At the end of 2018, the target range for the Federal Funds rate was 2.25 to 2.5 percent. In July 2019, September 2019, and October 2019, the FOMC lowered its target by 0.25 percentage points each time, resulting in a range of 1.5 to 1.75 percent at the end of 2019. The FOMC described the U.S. unemployment rate as remaining low in 2019, although it cited low inflation as a reason it could reduce interest rates to fulfill its dual mandate of maximum employment and price stability. The FOMC also cited softening business investment, weaker exports, and the global economic outlook as reasons for lowering target rates.²⁶

Global Economic Trends in 2019

The global economic growth rate decelerated somewhat from 3.6 percent in 2018 to 2.9 percent in 2019 (figure 1.2).²⁷ Growth in the advanced economies slowed to 1.7 percent in 2019, down from 2.2 percent the previous year.²⁸ The IMF attributed this deceleration to a return to more normal expansion rates for

¹⁹ USDOL, BLS, "[Unemployment Rate \(UNRATE\)](#)" (accessed March 12, 2020)..

²⁰ USDOL, BLS, "[All Employees, Total Nonfarm \(PAYEMS\)](#)" (accessed March 12, 2020); USDOL, BLS, "[Average Hourly Earnings of All Employees, Total Private \(CES0500000003\)](#)" (accessed March 12, 2020).

²¹ University of Michigan, "[University of Michigan: Consumer Sentiment \(UMCSENT\)](#)" (accessed March 12, 2020).

²² USDOL, BLS, "[Consumer Price Index for All Urban Consumers: All Items in U.S. City Average \(CPIAUCSL\)](#)" and "[Producer Price Index for All Commodities \(PPIACO\)](#)" (accessed March 12, 2020).

²³ Federal Reserve, "[S&P 500 Index \[SP500\]](#)" and "[Total Consumer Credit Owned and Securitized, Outstanding \(TOTALNS\)](#)" (accessed March 12, 2020).

²⁴ USDOC, BEA, "[Gross Private Domestic Investment \(GPDI\)](#)" (accessed March 12, 2020).

²⁵ Federal Reserve, "[Industrial Production Index \(INDPRO\)](#)" (accessed March 12, 2020).

²⁶ Federal Reserve, "[Decisions Regarding Monetary Policy Implementation](#)" July 31, 2019; September 18, 2019; and October 30, 2019.

²⁷ IMF, [World Economic Outlook](#), October 2019, Table 1.1; [World Economic Outlook Update](#), January 2020, Table 1; [World Economic Outlook](#), April 2020, Table 1.1.

²⁸ Data on the advanced economies are presented by the IMF but not shown in figure 1.2. IMF, [World Economic Outlook](#), April 2020, Table 1.1. The IMF divides the world into two groups: advanced and emerging economies. There are 39 advanced economies and 155 emerging economies. Both groups are listed in IMF, [World Economic Outlook](#), October 2019, 127–30.

the United States (rates that the IMF described as continuing to be robust), as well as the rollout of new automotive emissions standards in Europe (which resulted in curbing German car production).²⁹ Except for Japan, all of the United States' top eight trading partners (based on two-way trade) showed slower growth rates in 2019 than in 2018 (figure 1.2).

The growth rate of emerging markets and developing economies also fell, decreasing 0.8 percentage point from 4.5 percent in 2018 to 3.7 percent in 2019.³⁰ This deceleration was broad-based across most regions of the emerging market world.³¹

Notably, growth in China weakened, a slowing which the IMF attributed both to U.S. tariffs and Chinese government efforts to rein in debt.³² Countries and regions with economies particularly tied to China, such as South Korea and Taiwan, saw slower growth due to their economic linkages with China. Still other major economies (including Brazil, India, Russia, and South Africa) experienced slow growth for reasons specific to their own economies.³³ For example, the IMF attributed India's growth deceleration to regulatory uncertainty and concerns over the health of the nonbank financial sector, and attributed Mexico's economic contraction to policy uncertainty and higher borrowing costs.³⁴ However, although growth was decelerating in China and India, economic growth in these two countries remained high compared to the rest of the world.

²⁹ IMF, [World Economic Outlook](#), October 2019, Table 1.1 and xiv-xvii, 9–13; [World Economic Outlook Update](#), January 2020, 2.

³⁰ IMF, [World Economic Outlook](#), April 2020, Table 1.1. As noted earlier, the IMF divides the world into two groups: advanced and emerging economies. There are 39 advanced economies and 155 emerging economies. Both groups are listed in IMF, [World Economic Outlook](#), October 2019, 127–30.

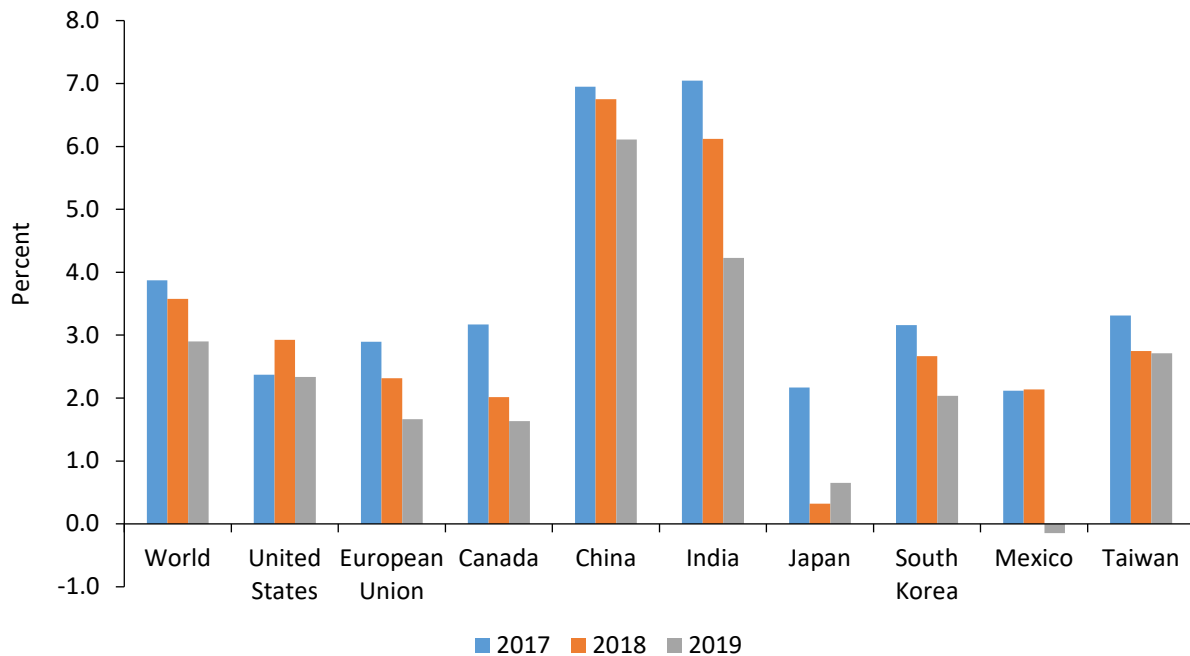
³¹ IMF, [World Economic Outlook](#), October 2019, Table 1.1; [World Economic Outlook Update](#), January 2020, Table 1; [World Economic Outlook](#), April 2020, Table 1.1.

³² IMF, [World Economic Outlook](#), October 2019, xiv–xvii, 8–10.

³³ IMF, [World Economic Outlook](#), October 2019, xiv–xvii, 8–10.

³⁴ IMF, [World Economic Outlook](#), October 2019, xvi, 14.

Figure 1.2 Economic growth (real GDP) trends in the world, the United States, and major trading partners, 2017–19



Source: IMF, World Economic Outlook Database, <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx> (accessed April 30, 2020).

Note: Underlying data for this figure can be found in appendix table [B.5](#).

Overall world trade volume for goods and services increased in 2019 by 0.9 percent, a substantially slower rate of growth than the 3.8 percent increase seen in 2018.³⁵ Advanced economies showed slower growth rates in imports and exports in 2019 than in 2018, while emerging economies showed a slower growth rate in exports, as well as an outright contraction in imports.³⁶

As has been the case for many years, the European Union (EU) and some East Asian countries and regions continued to run large current account surpluses, while North American countries ran current account deficits.³⁷

³⁵ IMF, *World Economic Outlook*, April 2020, Table 1.1.

³⁶ The slower growth rate is for combined trade in goods and services. See IMF, *World Economic Outlook*, April 2020, Table 1.1. The IMF divides the world into two groups: advanced and emerging economies. There are 39 advanced economies and 155 emerging economies. Both groups are listed in IMF, *World Economic Outlook*, October 2019, 127–30.

³⁷ The current account includes goods and services trade, as well as income and transfers. The EU ran a current account surplus equivalent to 2.0 percent of its GDP in 2019, with its largest economy, Germany, running a surplus of 7.0 percent. In East Asia, China ran a current account surplus equivalent to 1.0 percent of its GDP, Hong Kong 5.5 percent, Japan 3.3 percent, South Korea 3.2 percent, and Taiwan 11.4 percent. In North America, the United States ran a current account deficit of 2.5 percent of GDP, Canada 1.9 percent, and Mexico 1.2 percent. Data for the United States from USDOC, BEA, “[National Income and Product Accounts](#)” tables 1.1 and 1.1.5 (accessed March 26, 2020). Data for other countries are from IMF, *World Economic Outlook Database*, October 2019.

Exchange Rate Trends

Exchange rates can affect trade flows by making U.S. exports more expensive and U.S. imports less expensive (if the dollar appreciates), or by making U.S. exports less expensive and U.S. imports more expensive (if the dollar depreciates). Exchange rates can also reflect trade flows and other economic trends. The value of the U.S. dollar was relatively unchanged compared to the currencies in the broad dollar index, falling 0.5 percent between December 2018 and December 2019.³⁸ This relative flatness was preceded by a 4.5 percent appreciation in the same measure from December 2017 to December 2018.³⁹

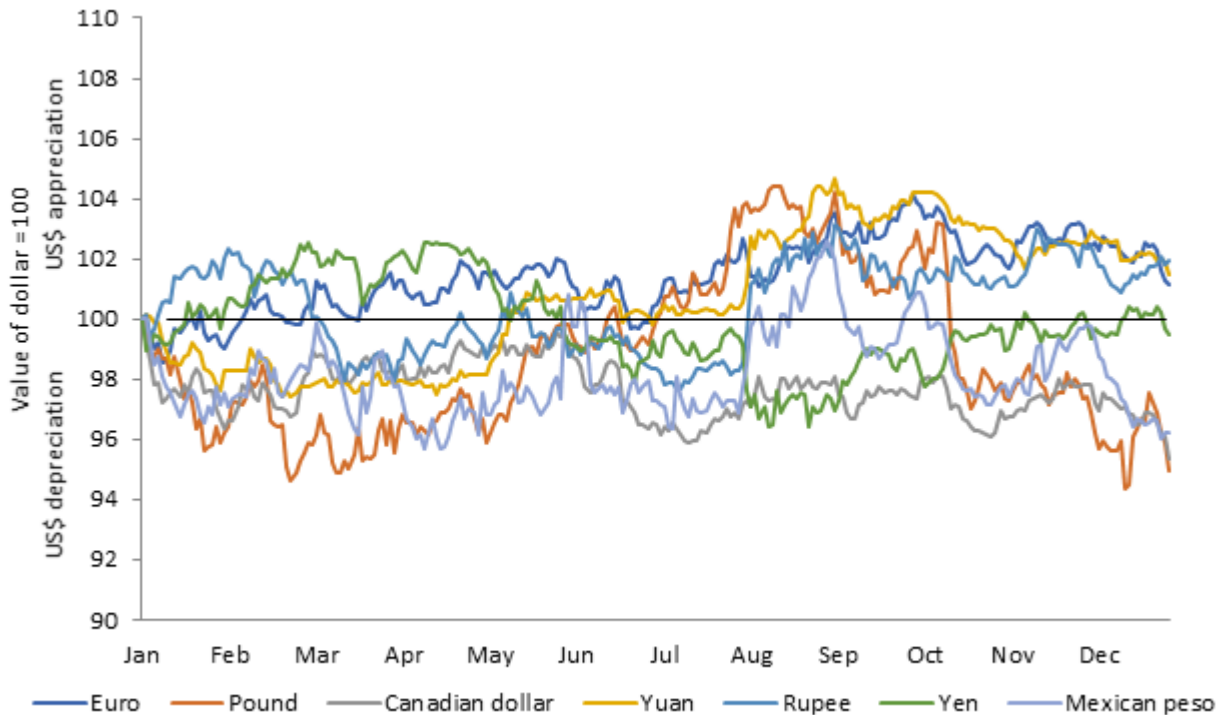
As shown in figure 1.3, some currencies of major U.S. trading partners rose against the dollar, while others fell, contributing to the relatively steady level of the broad dollar index over 2019. From January 2 to December 31, 2019, the U.S. dollar appreciated by 1.5 percent against the Chinese yuan, 1.2 percent against the Euro, and 1.9 percent against the Indian rupee. Over the same period, the dollar depreciated 4.6 percent against the Canadian dollar, 3.8 percent against the Mexican peso, 5.1 percent against the British pound sterling, and 0.5 percent against the Japanese yen.⁴⁰

³⁸ The broad dollar index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. In this study, dollar appreciation is measured as the increase in the broad dollar index from January 2019 to December 2019. Federal Reserve System, “[Real Trade Weighted U.S. Dollar Index: Broad](#)” (accessed March 17, 2020).

³⁹ These comparisons are for the entire year; some currencies showed fluctuations during the year.

⁴⁰ Data on exchange rates from the [Federal Reserve Bank of St. Louis](#) (accessed March 31, 2020).

Figure 1.3 Indexes of U.S. dollar exchange rates for selected major foreign currencies, daily, 2019



Source: St. Louis Federal Reserve, “[Foreign Exchange Rates](#)” (accessed March 31, 2020).

Note: This figure shows the units of the foreign currency per unit of the U.S. dollar. A decrease in the index represents a depreciation of the U.S. dollar relative to the foreign currency, and an increase in the index represents an appreciation of the U.S. dollar relative to the foreign currency.

U.S. Trade in Goods in 2019

The value of U.S. merchandise total exports was \$1.6 trillion in 2019, a 1.2 percent decrease from the 2018 level (figure 1.4 and the [interactive dashboard](#) in appendix A).⁴¹ The value of U.S. merchandise general imports totaled \$2.5 trillion over the same period, a 1.6 percent decrease from the 2018 level (figure 1.4 and the [interactive dashboard](#) in appendix A).⁴² U.S. exports decreased less than U.S. imports, leading to an \$21.1 billion decrease in the U.S. merchandise trade deficit to \$852.3 billion in 2019.⁴³ Ten of the 11 broad sectors that make up the U.S. merchandise trade experienced a trade deficit in 2019: these include agricultural products, forest products, chemicals, textiles and apparel, footwear, minerals and metals, machinery, transportation equipment, electronic products, and miscellaneous

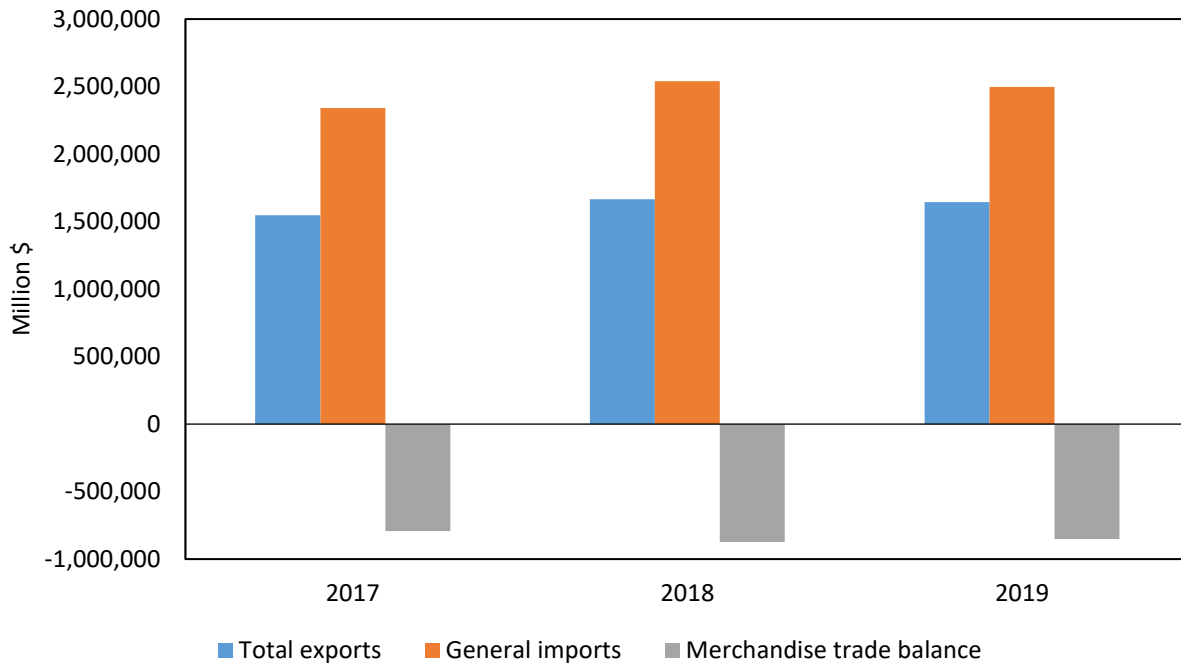
⁴¹ Source: Official trade statistics of USDOC as maintained by USITC (accessed February 14, 2020). The trade data in this section are reported as total exports and general imports. Both measures may include products that have been imported into the United States and then re-exported without any further U.S. manufacturing. See USITC, “A Note on Trade Statistics,” August 22, 2014.

⁴² Source: Official trade statistics of USDOC as maintained by USITC (accessed February 14, 2020).

⁴³ Source: Official trade statistics of USDOC as maintained by USITC (accessed February 14, 2020).

manufactures.⁴⁴ The remaining sector, energy-related products, experienced a trade surplus of \$2.3 billion in 2019 after having a trade deficit of \$36.4 billion in 2018.

Figure 1.4 U.S. merchandise trade with the world, 2017–19



Source: Official USDOC trade statistics as maintained by USITC (accessed February 14, 2020).

Note: Underlying data for this figure can be found in the [interactive dashboard](#) in appendix A and table [B.11](#).

Exports of energy-related products rose by \$7.5 billion from 2018 to 2019, while imports of those products fell by \$31.2 billion over the same period. Since 2007, the United States has increasingly produced natural gas and crude oil through shale drilling, resulting in the United States becoming the world's largest producer of natural gas (as of 2011) and of crude oil (as of 2018). These increases in U.S. production have also lowered natural gas and crude oil prices. The United States became a net exporter of natural gas in 2017 and a net exporter of crude oil in September 2019.⁴⁵ Nonetheless, along with

⁴⁴ These merchandise sectors are defined by the Commission. Each USITC digest sector encompasses a number of 8-digit subheadings in the [Harmonized Tariff Schedule of the United States](#) (HTS), which classifies tradable goods. The sectors are listed and defined in USITC, "[Frequently Asked Questions](#)," *Shifts in U.S. Merchandise Trade, 2018*, December 2019. "Special provisions" is not considered a merchandise sector; it represents trade under HTS chapters 98 and 99. Exports in this "special provisions" category primarily represent goods that have been returned with no value added abroad and articles that have been repaired. Imports in this category primarily represent goods that have been returned with no value added abroad, goods that have been repaired, and low-value imports.

⁴⁵ Council of Economic Advisers, [Economic Report of the President](#), February 2020, 138–40.

these increases in production, 2019 also saw increased concern about the profitability of shale production.⁴⁶

U.S. Merchandise Trade by Product Category

Exports

Transportation equipment continued to be the largest U.S. export sector in 2019, accounting for 20.6 percent of total U.S. exports—virtually the same share as in 2018. Other large export sectors included chemicals and related products (14.8 percent of total exports) and energy-related products (12.5 percent of total exports) (table 1.1 and the [interactive dashboard](#) in appendix A). Electronic products were a large share of total exports; however, 41.5 percent of these exports were re-exports rather than domestic exports.⁴⁷

The top export products (from total exports) were civil aircraft, engines, and parts; crude petroleum; petroleum oils other than crude; light oils; and electronic integrated circuits ([interactive dashboard](#) in appendix A).

Table 1.1 U.S. merchandise total exports to the world, by USITC digest sector, 2018–19

Sector	2018 (Million \$)	2019 (Million \$)	Change 2018–19 (Million \$)	Change 2018–19 (%)
Agricultural products	154,789	150,521	-4,267	-2.8
Forest products	40,860	36,837	-4,023	-9.8
Chemicals and related products	243,294	243,708	414	0.2
Energy-related products	198,846	206,327	7,481	3.8
Textiles and apparel	22,769	22,090	-678	-3.0
Footwear	1,562	1,635	73	4.7
Minerals and metals	146,476	137,738	-8,738	-6.0
Machinery	143,449	137,446	-6,003	-4.2
Transportation equipment	338,698	338,552	-145	0.0
Electronic products	277,069	272,970	-4,099	-1.5
Miscellaneous manufactures	52,028	48,912	-3,116	-6.0
Special provisions ⁴⁸	46,153	48,440	2,286	5.0
Total	1,665,992	1,645,174	-20,818	-1.2

Source: Official trade statistics of USDOC as maintained by USITC (accessed March 4, 2020).

Note: Because of rounding, figures may not add to totals shown. For a definition of special provisions, see footnote 47

U.S. total exports decreased by 1.2 percent (\$20.8 billion) in 2019 (table 1.1). Seven sectors reported decreases in total exports, with the largest decreases in minerals and metals (down \$8.7 billion) and machinery (down \$6.0 billion). Two sectors (chemicals and related products, and transportation

⁴⁶ Krauss, “[U.S. Oil Companies Find Energy Independence Isn’t So Profitable](#),” June 30, 2019; Elliott and Olson, “[A Leader of America’s Fracking Boom](#),” June 24, 2019; Crowley, “[The Permian Basin Is Facing Its Biggest Threat](#),” October 24, 2019.

⁴⁷ In 2019, re-exports were 15.2 percent of all U.S. total exports. For electronics products exports, about 73 percent of the decline in total exports in 2019 was a decline in re-exports.

⁴⁸ “Special provisions” is not considered a merchandise sector; it represents trade under HTS chapters 98 and 99. Exports in this category are primarily low-value goods and articles that have been repaired.

equipment) exported approximately the same amount in 2019 as in 2018. Four sectors (chemicals, footwear, energy-related products, and special provisions) had larger total exports in 2019 than 2018, led in value by energy-related products, exports of which grew \$7.5 billion.

At the product level, there were both increases and decreases in top exports between 2018 and 2019. The largest increases at the product level included exports of crude petroleum (up \$17.1 billion to \$65.3 billion), electronic integrated circuits (up \$4.5 billion to \$23.6 billion), and midsize passenger vehicles (up \$3.0 billion to \$20.4 billion). The largest decrease was in civil aircraft, engines, and parts, exports of which fell by \$5.2 billion to \$125.5 billion, a decline of 4.0 percent.⁴⁹ Other large decreases occurred in total exports included light oils (down \$5.1 billion to \$34.5 billion), petroleum oils other than crude (down \$3.3 billion to \$53.0 billion), and nonmonetary gold (down \$3.2 billion to \$16.3 billion) ([interactive dashboard](#) in appendix A).⁵⁰

Imports

Electronic products and transportation equipment continued to be the top two import sectors in 2019, accounting respectively for 19.4 percent and 18.9 percent of 2019 general U.S. imports (table 1.2 and the [interactive dashboard](#) in appendix A). Other large categories of general imports included crude petroleum (\$126.8 billion), midsize passenger motor vehicles (\$102.8 billion), medicaments (\$60.9 billion), cellphones (\$53.8 billion), and portable computers (\$40.4 billion) ([interactive dashboard](#) in appendix A).⁵¹

⁴⁹ USITC DataWeb/USDOC, HTS 8800.00 (accessed March 4, 2020).

⁵⁰ USITC DataWeb/USDOC, Light oils: HTS 2710.12 (accessed March 4, 2020). Light oils are classified in HTS 2710.12; petroleum other than crude, in HTS 2710.19; nonmonetary gold, in HTS 7108.12

⁵¹ USITC DataWeb/USDOC, Crude petroleum: HTS 2709.00 (accessed March 4, 2020). Midsize passenger vehicles are classified in USITC DataWeb/USDOC, HTS 8703.23 (accessed March 4, 2020). Counted broadly, passenger motor vehicles were the largest U.S. import product in value, valued at \$200.8 billion in 2019. USITC DataWeb/USDOC (accessed March 20, 2020). "Passenger motor vehicles" includes the following 15 HTS 6-digit lines: 8703.21, 8703.22, 8703.23, 8703.24, 8703.31, 8703.32, 8703.33, 8703.40, 8703.50, 8703.60, 8703.70, 8703.80, 8703.90, 8704.21, and 8704.31. Medicaments are classified in HTS 3004.90; cellphones: HTS 8517.12; portable computers, in HTS 8471.30. USITC DataWeb/USDOC (accessed March 4, 2020).

Table 1.2 U.S. merchandise general imports from the world, by USITC digest sector, 2018–19

Sector	2018 (Million \$)	2019 (Million \$)	Change 2018–19 (Million \$)	Change 2018–19 (%)
Agricultural products	156,518	159,833	3,315	2.1
Forest products	48,659	44,467	-4,192	-8.6
Chemicals and related products	310,357	320,090	9,733	3.1
Energy-related products	235,263	204,045	-31,219	-13.3
Textiles and apparel	127,512	127,688	177	0.1
Footwear	26,547	27,098	551	2.1
Minerals and metals	215,147	198,572	-16,575	-7.7
Machinery	214,393	212,839	-1,554	-0.7
Transportation equipment	459,544	472,020	12,475	2.7
Electronic products	505,835	485,271	-20,564	-4.1
Miscellaneous manufactures	138,840	133,141	-5,699	-4.1
Special provisions ⁵²	100,725	112,405	11,680	11.6
Total	2,539,339	2,497,468	-41,872	-1.6

Source: Official USDOC trade statistics as maintained by USITC.

Note: Because of rounding, figures may not add to totals shown. For a definition of special provisions, see footnote 453

The value of U.S. imports declined 1.6 percent in 2019 (table 1.2 and the [interactive dashboard](#) in appendix A). Five sectors declined; the largest decline was in energy-related products (down \$31.2 billion). Two sectors (machinery and textiles and apparel) showed little change. Five sectors showed increases, with the largest increases being in transportation equipment (up \$12.5 billion) and special provisions (up \$11.7 billion).

U.S. crude petroleum imports alone declined by \$30.0 billion to \$126.8 billion in 2019, nearly three-quarters of the total decline in U.S. general imports over the period.⁵³ A large decrease in imports was also recorded in machines for the reception of data (down \$8.1 billion to \$39.2 billion).⁵⁴ Large increases in imports were recorded in immunological products (up \$7.0 billion to \$20.9 billion in 2019) and medicaments (up \$5.0 billion to \$60.9 billion in 2019) ([interactive dashboard](#) in appendix A).⁵⁵

U.S. Merchandise Trade with Leading Partners

Table 1.3 shows U.S. trade with major trading partners, ranked by total trade (exports plus imports) in 2019. In 2019, the EU was the United States' top trading partner in terms of two-way merchandise trade, followed by Mexico, Canada, and China. Among the trading partners listed in table 1.3, the largest U.S. trade deficit was with China, followed by the EU and Mexico. Ranked by exports, the EU was the leading market for U.S. total exports at \$337.0 billion (20.5 percent of total exports), with Canada and Mexico following closely behind at \$292.4 billion (17.8 percent) and \$256.4 billion (15.6 percent) respectively (figure 1.5). Ranked by U.S. imports, the EU was the leading source of imports into the

⁵² The category "Special Provisions" represents trade under HTS chapters 98 and 99. Imports in this category are primarily goods that have been returned with no value added abroad, goods that have been repaired, and low-value imports.

⁵³ USITC DataWeb/USDOC, HTS 2709.00 (accessed March 4, 2020).

⁵⁴ USITC DataWeb/USDOC, HTS 8517.62 (accessed March 4, 2020).

⁵⁵ Immunological products are classified in HTS 3002.15; medicaments, in HTS 3004.90. USITC DataWeb/USDOC (accessed March 4, 2020).

United States at \$514.7 billion (20.6 percent of imports), followed by China at \$452.2 billion (18.1 percent), Mexico at \$358.1 billion (14.3 percent), and Canada at \$319.7 billion (12.8 percent) (figure 1.6).⁵⁶ In 2018, China had been the leading source of U.S. imports, but U.S. general imports from China fell 16.2 percent from 2018 to 2019. In 2019, the United States continued and expanded enforcement of section 301 duties on imports from China.

Table 1.3 U.S. merchandise trade with major trading partners and the world, 2019 (million dollars), ranked by two-way trade

Major trading partner	U.S. total exports	U.S. general imports	Trade balance	Two-way trade (exports plus imports)
European Union	337,020	514,692	-177,672	851,712
Mexico	256,374	358,108	-101,734	614,482
Canada	292,382	319,728	-27,346	612,110
China	106,627	452,240	-345,613	558,866
Japan	74,653	143,636	-68,983	218,289
South Korea	56,897	77,426	-20,528	134,323
India	34,410	57,499	-23,090	91,909
Taiwan	31,219	54,256	-23,037	85,475
Vietnam	10,883	66,680	-55,797	77,563
All others	444,710	453,204	-8,494	897,914
Total	1,645,174	2,497,468	-852,293	4,142,642

Source: Official USDOC trade statistics as maintained by USITC (accessed March 4, 2020).

Note: Because of rounding, figures may not add to totals shown.

U.S. total exports to the EU and much of Asia increased from 2018 to 2019, while U.S. exports to China, Japan, Canada, and Mexico decreased (table 1.4). The largest increase in exports by value was a \$18.6 billion (5.9 percent) increase in exports to the EU. The largest decline in U.S. exports by value was with China (down by \$13.5 billion or 11.3 percent). It was followed by a \$9.0 billion (3.4 percent) decrease in exports to Mexico and a \$7.4 billion (2.5 percent) decrease in exports to Canada. In percentage terms, the largest increase in exports between 2018 and 2019 was to Vietnam (12.5 percent), with the largest decrease to China (11.3 percent).

⁵⁶ For data on U.S. trade with the top 15 single-country U.S. trading partners, including the EU member states listed separately, see the [interactive dashboard](#) at appendix A.

Table 1.4 U.S. merchandise total exports to major trading partners and the world, 2018–19, ranked by 2019 total exports

Trading partner	2018 (Million \$)	2019 (Million \$)	Change 2018-19 (Million \$)	Change 2018-19 (%)
European Union	318,376	337,020	18,644	5.9
Canada	299,769	292,382	-7,387	-2.5
Mexico	265,443	256,374	-9,069	-3.4
China	120,148	106,627	-13,521	-11.3
Japan	75,229	74,653	-576	-0.8
South Korea	56,507	56,897	391	0.7
India	33,503	34,410	907	2.7
Taiwan	30,560	31,219	658	2.2
Vietnam	9,675	10,883	1,208	12.5
All others	456,782	444,710	-12,072	-2.6
Total	1,665,992	1,645,174	-20,818	-1.2

Source: Official USDOC trade statistics as maintained by USITC (accessed March 4, 2020).

Note: Because of rounding, figures may not add to totals shown.

U.S. imports increased from all major trading partners except China in 2019 (table 1.5). The largest rise in value was a \$27.8 billion increase in imports from the EU (a 5.7 percent increase), followed by a \$17.5 billion increase in imports from Vietnam (the largest percentage increase at 35.6 percent). As stated above, the only major trading partner experiencing a decrease in imports was China. China's imports declined by \$87.4 billion (16.2 percent), which alone more than offset the gains in imports from all other major trading partners. Imports from all other countries collectively fell \$29.2 billion, or 6.1 percent.

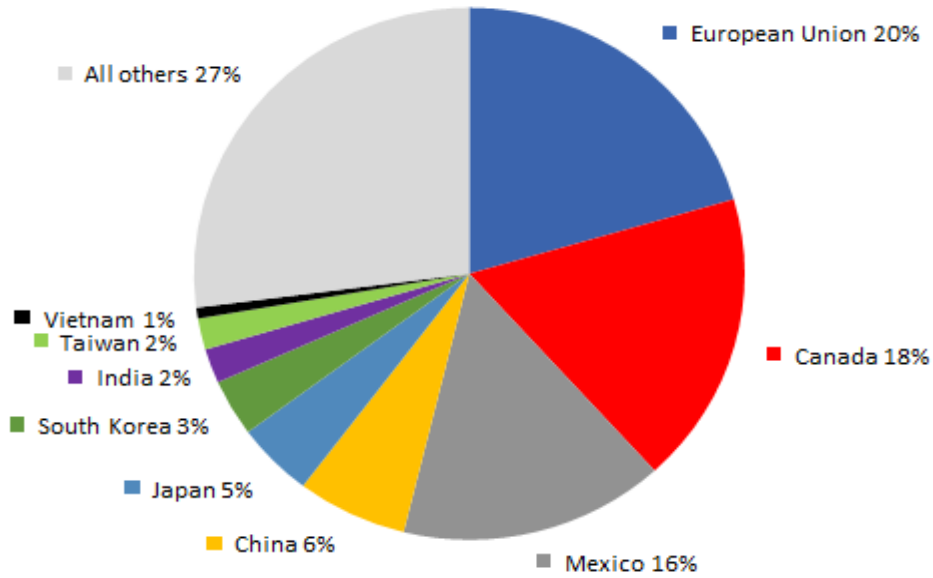
Table 1.5 U.S. merchandise general imports from major trading partners and the world, 2018–19, ranked by 2019 general imports

Trading partner	2018 (Million \$)	2019 (Million \$)	Change 2018-19 (Million \$)	Change 2018-19 (%)
European Union	486,874	514,692	27,818	5.7
China	539,667	452,240	-87,427	-16.2
Mexico	346,097	358,108	12,011	3.5
Canada	318,757	319,728	970	0.3
Japan	142,425	143,636	1,212	0.9
South Korea	74,197	77,426	3,229	4.4
India	53,948	57,499	3,551	6.6
Vietnam	49,172	66,680	17,508	35.6
Taiwan	45,756	54,256	8,500	18.6
All others	482,446	453,204	-29,242	-6.1
Total	2,539,339	2,497,468	-41,872	-1.6

Source: Official USDOC trade statistics as maintained by USITC (accessed March 4, 2020).

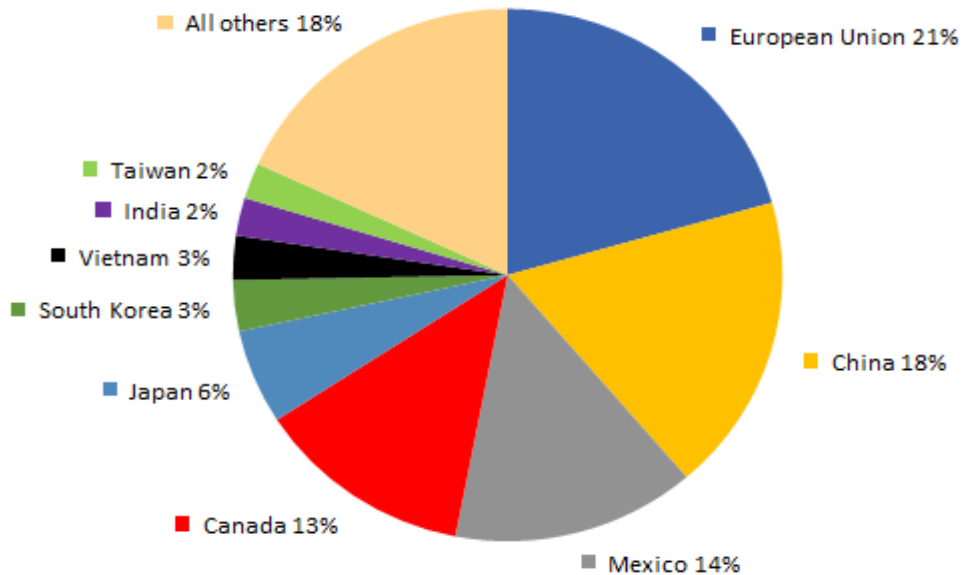
Note: Because of rounding, figures may not add to totals shown.

Figure 1.5 Leading U.S. export markets for merchandise trade, by share, 2019



Source: Official USDOC trade statistics as maintained by USITC (accessed March 4, 2020).
 Note: Underlying data for this figure can be found in appendix table [B.6](#).

Figure 1.6 Leading U.S. import sources for merchandise trade, by share, 2019



Source: Official USDOC trade statistics as maintained by USITC (accessed March 4, 2020).
 Note: Underlying data for this figure can be found in appendix table [B.6](#).

U.S. Trade with Free Trade Agreement Partners

In 2019, two-way merchandise trade (total exports plus general imports) between the United States and its FTA partners totaled \$1.6 trillion, the same as in 2018, accounting for 39.6 percent of total U.S. merchandise trade with the world (\$4.1 trillion).⁵⁷ This share in 2019 is higher than for 2018, when 39.1 percent of total U.S. merchandise trade was accounted for by FTA partners.

The value of U.S. imports for consumption entered under FTAs was \$408.3 billion in 2019, the same as in 2018.⁵⁸ These imports accounted for 46.7 percent of all imports from FTA partners in 2019 and for 16.3 percent of total U.S. imports from the world.

U.S. Imports under Trade Preference Programs

U.S. imports under trade preference programs decreased by 18.5 percent, from \$36.6 billion in 2018 to \$29.6 billion in 2019; they accounted for 1.1 percent of total U.S. imports during 2019, and 1.4 percent of total U.S. imports in 2018. Imports that claimed eligibility under the U.S. Generalized System of Preferences program totaled \$20.9 billion in 2019; imports under the African Growth and Opportunity Act totaled \$7.3 billion; imports under the Caribbean Basin Economic Recovery Act and the Caribbean Basin Trade Partnership Act totaled \$0.7 billion; imports under the Haiti initiatives totaled \$0.7 billion; and imports under the Nepal Trade Preference Program totaled \$0.003 billion (\$3.1 million).⁵⁹

U.S. Trade in Services in 2019

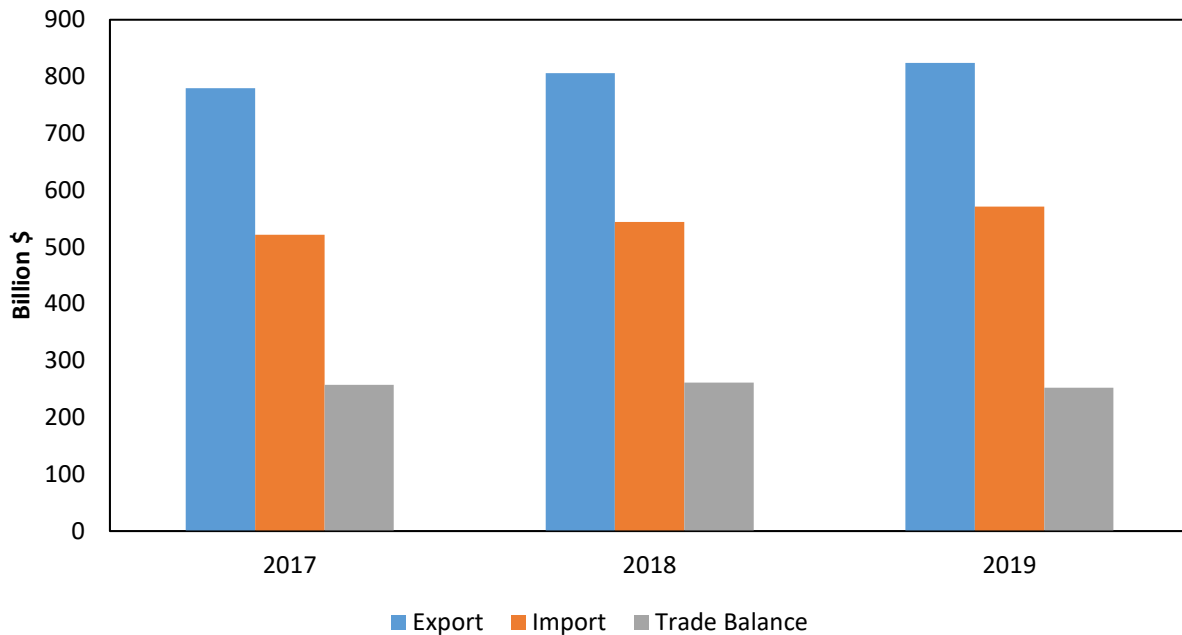
U.S. cross-border trade in private services increased 3.3 percent from 2018 to 2019.⁶⁰ U.S. private services exports increased by 2.2 percent, from \$805.7 billion to \$823.7 billion, while imports increased by 5.0 percent from \$544.3 billion to \$571.3 billion. From 2018 to 2019, the U.S. trade surplus in cross-border private services trade shrank by 3.4 percent from \$261.4 billion to \$252.4 billion (figure 1.7).

⁵⁷ U.S. trade with its FTA partners is discussed in chapter 5.

⁵⁸ Imports for consumption (sometimes called “special imports”) are merchandise that has physically cleared through Customs, either entering consumption channels immediately or entering for consumption after withdrawal from bonded warehouses or FTZs under Customs custody. For more information about measures of U.S. merchandise exports and imports, see the “Trade Measure Definitions 2018” section of USITC, [Shifts in U.S. Merchandise Trade, 2018](#), December 2019.

⁵⁹ U.S. imports under preferential trade programs are discussed in chapter 2. “Haiti initiatives” refer to the Haitian Hemisphere Opportunity through Partnership Encouragement Act of 2006 and 2008 (HOPE Acts), and the Haiti Economic Lift Program of 2010 (HELP Act).

⁶⁰ USDOC, BEA, International Transactions data, “[Table 3.1. U.S. International Trade in Services](#),” accessed March 19, 2020. U.S. cross-border trade in private services excludes data on trade in government goods and services. The General Agreement on Trade in Services (GATS) outlines four types of services trade, including cross-border trade (mode 1), consumption abroad (mode 2), commercial presence (mode 3), and presence of natural persons (mode 4). The data presented in this section correspond to modes 1, 2, and 4. Data on foreign affiliate transactions, which correspond to mode 3 services trade, are not covered in this report. For more information on the four modes of supply under GATS, see WTO, “Services: Basic Purpose and Concepts,” [GATS Training Module](#) (accessed March 26, 2020). For a detailed analysis of U.S. services trade, see the Commission’s annual [Recent Trends in U.S. Services Trade](#) report series.

Figure 1.7 U.S. cross-border exports and imports in private services with the world, 2017–19

Source: USDOC, BEA, International Transactions, table 3.1, “U.S. International Trade in Services” (accessed March 19, 2020).

Note: Data for 2019 are preliminary. Underlying data for this figure can be found in appendix table [B.7](#).

U.S. Services Trade by Product Category

Travel services exports represented the largest share of total services exports in 2019, with a total value of \$213.5 billion, or 25.9 percent of total exports.⁶¹ Other major U.S. services export categories included other business services (\$180.1 billion, or 21.9 percent of exports), charges for intellectual property n.i.e. (\$128.9 billion, or 15.7 percent of exports), and financial services (\$111.3 billion, or 13.5 percent of exports).⁶² The fastest-growing services export category from 2018 to 2019 was telecommunications, computer, and information services, which saw a 10.7 percent increase in total exports from 2018 to

⁶¹ Travel services comprise purchases of goods and services by U.S. residents traveling abroad (U.S. imports of travel services) and by foreign travelers in the United States (U.S. exports of travel services). These goods and services include food, lodging, recreation, gifts, entertainment, local transportation in the country of travel, and other items incidental to business or personal travel by a foreign visitor. USDOC, BEA, “[U.S. International Trade in Goods and Services, January 2020: Additional Information](#),” March 6, 2020.

⁶² Other business services include research and development, legal, accounting, management consulting, managerial, public relations, advertising, market research, architectural, engineering, construction, audiovisual, waste treatment, operation leasing, trade-related, and other business services. U.S. exports of charges for the use of intellectual property “not included elsewhere” (n.i.e.) include “charges for the use of proprietary rights, such as patents, trademarks, and copyrights, and charges for licenses to use, reproduce, distribute, and sell or purchase intellectual property.” U.S. exports of financial services include “financial intermediary and auxiliary services, except insurance services.” USDOC, BEA, “[U.S. International Trade in Goods and Services, January 2020: Additional Information](#),” March 6, 2020.

2019. Other business services also saw strong growth at 8.6 percent.⁶³ Transport services, financial services, and travel services all saw small declines in exports from 2018 to 2019 (by 1.6 percent, 0.7 percent, and 0.6 percent, respectively). In 2020, exports of travel services, in particular, are likely to see a sharp decline due to the COVID-19 pandemic.⁶⁴

Travel services was also the largest category of services imports in 2019, representing 26.7 percent of all imports, or \$152.3 billion. Other major categories of imports are other business services (\$117.6 billion, or 20.6 percent of imports) and transport services (\$110.1 billion, or 19.3 percent of imports). Imports of services increased in every services category between 2018 and 2019, with the greatest growth seen in insurance services (14.3 percent), financial services (7.6 percent), and travel services (5.4 percent). More information on services exports and imports by product category is available in the [interactive dashboard](#) in appendix A.

U.S. Services Trade with Leading Partners

The EU was the largest market for U.S. services exports, as well as the largest source of services imports in 2019 (table 1.6). U.S. services exports to the EU totaled \$265.6 billion in 2019, or 32.0 percent of total U.S. services exports, while U.S. imports from the EU totaled \$209.8 billion, or 36.7 percent of total U.S. services imports.⁶⁵ The United Kingdom (UK) was the largest single-country trading partner, both globally and within the EU, with \$74.3 billion in private services exports in 2019.⁶⁶ Following its departure from the EU in January 2020, the UK alone is likely to be the second-largest U.S. services trading partner in 2020, with the EU remaining the largest partner. Following the EU, the top export markets for U.S. services in 2019 were Canada, China, and Japan, while the largest sources of imports were Canada, Japan, and India.

Of the major trading partners presented in table 1.6, India is the only partner with which the U.S. has a services trade deficit. In 2018, the largest sector-level trade deficit between the U.S. and India was in computer services, for which the U.S. imported \$14.6 billion from India, contrasted with \$914 million in U.S. computer services exports to India.⁶⁷ This services trade deficit is in line with the export-oriented nature of the Indian information technology (IT) market. India exported 75.7 percent of the IT services

⁶³ Telecommunications services include “the broadcast or transmission of sound, images, data, or other information by electronic means,” while computer services include “hardware- and software-related services and data processing services,” as well as sales of custom software, licenses to use noncustomized software, and any electronically delivered software. Information services include news agencies, database services, and web search portals. USDOC, BEA, “[U.S. International Trade in Goods and Services, January 2020: Additional Information](#),” March 6, 2020.

⁶⁴ Statista, “[COVID-19](#),” March 24, 2020.

⁶⁵ U.S. trade with the EU includes government goods and services.

⁶⁶ USDOC, BEA, International Transactions, table 1.3, “[U.S. International Transactions, Expanded Detail by Area and Country](#)” (accessed March 19, 2020).

⁶⁷ USDOC, BEA, International Services, table 2.3, “[U.S. Trade in Services, by Country or Affiliation and by Type of Service](#)” (accessed October 17, 2019).

the country supplied in 2019, representing a total value of \$137 billion globally.⁶⁸ In contrast, U.S. global exports of computer services in 2019 were \$28.6 billion.⁶⁹

Table 1.6 U.S. cross-border trade in private services with top 10 trading partners, 2019 (billion dollars)

Major trading partner	U.S. exports	U.S. imports	Trade balance	Two-way trade (exports plus imports)
European Union ^a	265.6	209.8	55.7	475.4
Canada	64.3	37.2	27.0	101.5
China	56.3	18.7	37.6	74.9
Japan	48.1	31.3	16.8	79.4
Mexico	33.4	27.2	6.2	60.6
South Korea	23.0	10.3	12.7	33.2
India ^a	26.4	30.3	-3.9	56.7
Singapore	22.6	9.7	12.9	32.3
Taiwan	10.2	8.0	2.2	18.2
Brazil	26.1	6.1	20.0	32.3
All others	247.8	182.6	65.2	430.5
Total	823.7	571.3	252.4	1,395.0

^a U.S. trade with the EU and India includes government goods and services.

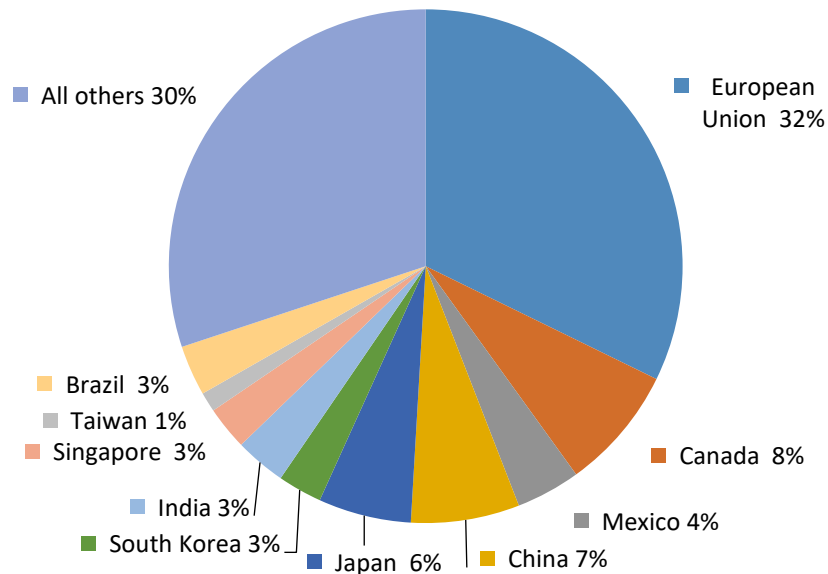
Source: USDOC, BEA, International Transactions, table 1.3, "U.S. International Transactions, Expanded Detail by Area and Country" (accessed March 19, 2020).

Note: Due to rounding and data limitations, individual trade flows may not sum to total.

⁶⁸ Statista, "[IT Industry in India](#)," 2019.

⁶⁹ USDOC, BEA, International Transactions, table 3.1, "[U.S. International Trade in Services](#)" (accessed March 19, 2020).

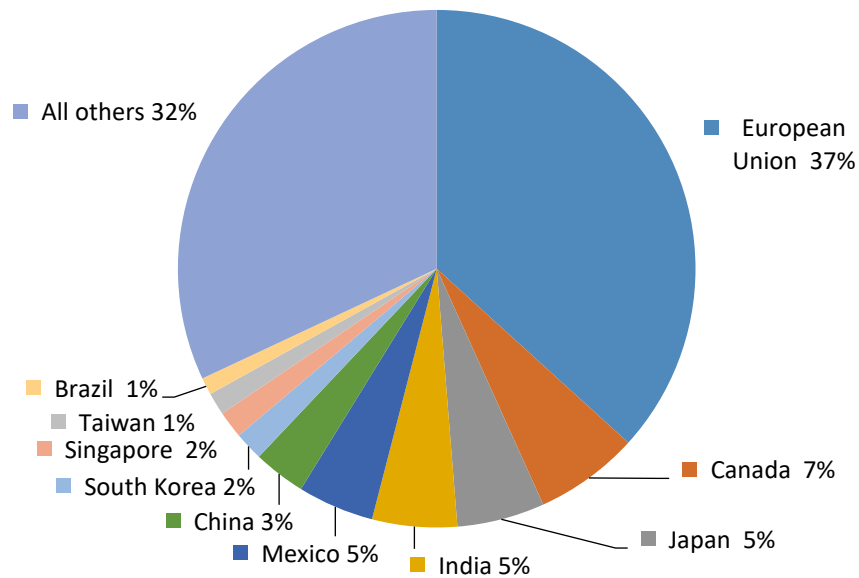
Figure 1.8 Leading U.S. export markets for private services, by share, 2019



Source: USDOC, BEA, International Transactions, table 1.3, "U.S. International Transactions, Expanded Detail by Area and Country" (accessed March 19, 2020).

Note: U.S. trade with the EU and India includes government goods and services. Data are preliminary. Underlying data for this figure can be found in appendix table [B.8](#).

Figure 1.9 Leading U.S. import markets for private services, by share, 2019



Source: USDOC, BEA, International Transactions, table 1.3, "U.S. International Transactions, Expanded Detail by Area and Country" (accessed March 19, 2020).

Note: U.S. trade with the EU and India includes government goods and services. Data are preliminary. Underlying data for this figure can be found in appendix table [B.8](#).

Timeline of Selected Key Trade Activities in 2019

The following timeline presents selected key trade events between the United States and its trading partners in 2019. Some of these developments are presented in more detail in chapters 2 through 6.

January

1: Modifications of the U.S.-Korea Free Trade Agreement (KORUS) enter into force. The newly effective KORUS amendments include provisions on extending the phaseout of U.S. tariffs and the harmonization of testing practices for certain automotive products, and on changing customs procedures and commitments to nondiscriminatory treatment of U.S. pharmaceuticals by South Korea.

1: The eighth annual set of tariff reductions under the U.S.-Colombia Trade Promotion Agreement (TPA) take effect for industrial products with a 10-year phaseout period.

1: The eighth round of tariff reductions under the U.S.-Panama TPA take place.

4: The United States requests the “first-ever” environmental consultations under the U.S.-Peru TPA.

7: A U.S. delegation headed by Deputy USTR Jeffrey Gerrish and other senior Executive Branch officials visits Vice Premier Liu He in China’s Foreign Ministry to discuss IP rights protections, technology transfer issues, and nontariff barrier issues in China.

8–10: EU Commissioner for Trade Cecilia Malmström and USTR Robert Lighthizer meet in Washington, DC, under the framework of the U.S.-EU Executive Working Group. Discussions focus on implementing the U.S.-EU trade agenda set forth by President Donald Trump

and European Commission President Jean-Claude Juncker in their July 2018 joint statement.

9: USTR Lighthizer meets with the Japanese Minister of Economy, Trade and Industry Hiroshige Seko and EU Commissioner for Trade Malmström in Washington, DC, in the third trilateral meeting between the nations. Ministers continue talks on developing stronger rules on industrial subsidies and state-owned enterprises, technology transfer policies and practices, and the maintenance of market-oriented conditions in global trade.

11: The United States publishes its negotiating objectives for a U.S.-EU trade agreement. Objectives address tariff and nontariff barriers in the trade of goods and services, and seek agreement provisions ensuring effective implementation and enforcement of fair trade practices.

16: A WTO panel is composed at the request of the United States in the dispute China—Certain Measures Concerning the Protection of Intellectual Property Rights (DS542).

23: Following negotiations between the United States and Chile, Chile agreed not to impose tariffs on imports of milk powder from the United States valued over \$21 million and certain cheese valued at over \$34.4 million.

25: A WTO panel is composed at the request of India in the dispute United States—Certain

Year in Trade

Measures on Steel and Aluminum Products (DS547).

25: A WTO panel is composed at the request of the United States in the dispute China—Additional Duties on Certain Products from the United States (DS558).

28: A WTO panel is established at the request of the United States in the dispute Turkey—Additional Duties on Certain Products from the United States (DS561).

28: A WTO panel is established at the request of China in the dispute United States—Tariff Measures on Certain Goods from China (DS543).

29: The EU requests WTO dispute settlement consultations with the United States in United States—Anti-dumping and Countervailing Duties on Ripe Olives from Spain (DS577).

31: The United States and the UK sign two mutual recognition agreements on wine and on spirits to ensure that trade in these products is not disrupted when the UK leaves the EU.

February

8: The decision of an arbitrator is circulated relating to South Korea’s proposed level of suspension of concessions in United States—Anti-Dumping and Countervailing Measures on Large Residential Washers from Korea (DS464).

10–11: A meeting of the WTO Committee on Trade and Development and an informal open-ended meeting on the WTO Work Program on Electronic Commerce take place in Geneva, Switzerland. Participants view the draft work program for 2020–21 and attend presentations on Aid for Trade member activities. A workshop

focused on rural development and transformation is held.

14: The United States and the UK sign two mutual recognition agreements on marine equipment and on pharmaceuticals to ensure that trade in these products is not disrupted when the UK leaves the EU.

21: The United States and Peru jointly hold the eighth Environmental Affairs Council meeting to review progress made under other TPA environment chapter obligations.

27: Paraguay accedes to the WTO’s Agreement on Government Procurement (GPA) as an observer.

28: A WTO panel circulates its report on the dispute filed by the United States in China—Domestic Support for Agricultural Producers (DS511).

28: The United States publishes its negotiating objectives for a U.S.-UK Trade Agreement. Objectives address tariff and nontariff barriers in the trade of goods and services, and seek agreement provisions ensuring effective implementation and enforcement of fair trade practices.

March

2: WTO’s Least-Developed Countries Member Group Retreat takes place in Montreux, Switzerland. WTO Director-General Roberto Azevêdo speaks at a panel on current challenges and perspectives for the 12th ministerial conference as part of the WTO’s Sustainable Development Goals agenda.

4: USTR announces that the United States intends to terminate India’s and Turkey’s participation in the Generalized System of

Preferences (GSP) program because they no longer meet the statutory eligibility criteria. The termination of India's participation is announced for India's failure to provide the United States with equitable and reasonable access to its markets in numerous sectors. Turkey's removal from GSP is announced based on a finding that it is sufficiently economically developed.

4: The U.S. Department of Commerce (USDOC) initiates an investigation to determine the effects on the national security of imports of titanium sponge under section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. §1862), based on industry petition.

6: EU Commissioner for Trade Malmström and USTR Lighthizer meet in Washington, DC, under the framework of the U.S.-EU Executive Working Group.

7-8: The Asia-Pacific Economic Cooperation (APEC) First Senior Officials' Meeting is held in Santiago, Chile.

11-15: The United States and Israel hold the second round of negotiations on a successor agreement to the 2004 U.S.-Israel Agreement on Trade in Agricultural Products.

14: At the request of the USTR, the U.S. International Trade Commission (USITC) institutes Investigation No. FTA-103-032, *U.S.-Korea Free Trade Agreement (FTA): Advice on Modifications to Certain Textile and Apparel Rules of Origin*, to provide advice on modifications to the KORUS rules of origin for certain textile and apparel goods.

14: The Committee for the Implementation of Textile Agreements receives a request on behalf of a Moroccan swimwear firm to modify the rules of origin for women's and girls' swimwear made from certain knit fabric.

15: USTR requests consultations with the South Korea under Chapter 16 (Competition-Related Matters) of KORUS, the first consultations held since the KORUS agreement entered into force on January 1, 2012.

16: One hundred countries/jurisdictions agree to respond to a Group of Twenty (G20)/ Organisation for Economic Co-operation and Development (OECD) mandate to work on the implications of the international tax system on digitalization for taxation.

19-21: WTO meetings for the Council for Trade in Services, the Working Party on Domestic Regulation, and Committee on Specific Commitments take place. Topics discussed at these meetings include electronic commerce, cybersecurity, and scheduling issues related to mode 4 services trade (presence of natural persons in a foreign territory).

19-21: The United States and Singapore convene a FTA Joint Committee meeting to discuss issues ranging from digital trade to sanitary and phytosanitary (SPS) measures, agriculture, and geographical indications (GIs).

25-26: The 86th Session of the OECD Steel Committee takes place with a focus on steelmaking capacity, steel trade and policy developments, and state-owned enterprises.

26: USDOC invites the general public and other federal agencies to comment on the Commercial Availability Provision of the U.S.-Panama TPA before the Committee for the Implementation of Textile Agreements.

27-29: The WTO Informal Open-ended Negotiating Group on Rules (Fisheries Subsidies) meets in Geneva, Switzerland. The group advances four draft texts on eliminating subsidies that contribute to illegal, unreported, and unregulated (IUU) fishing.

28: The WTO Appellate Body circulates its report on ongoing compliance proceedings in United States—Measures Affecting Trade in Large Civil Aircraft (Second Complaint) (DS353).

April

April: Representatives of USTR and the U.S. Department of Labor (USDOL) travel to Peru to discuss and review progress made to address reported labor concerns.

2: The United States and the EU hold the second joint meeting of the Bilateral Agreement on Prudential Measures Regarding Insurance and Reinsurance (the U.S.-EU Covered Agreement) in Washington, DC.

9: The United States and Egypt convene the Trade and Investment Framework Agreement (TIFA) Council in Washington, DC, to discuss improving bilateral trade and investment in goods and services.

9: The United States and Peru successfully resolve concerns raised in first-ever environment consultations under the U.S.-Peru TPA. As a result, the Peruvian government cancels a previous decision to make the Agency for the Supervision of Forest Resources and Wildlife (OSINFOR) a subordinate organization within Peru's Ministry of Environment rather than an independent agency as called for under the U.S.-Peru TPA.

9: A WTO panel circulates its report on the dispute filed by Canada in United States—Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada (DS534).

12: USTR announces the initiation of an investigation under section 301 of the Trade Act of 1974 to enforce U.S. rights in a long-running

WTO dispute, European Communities and Certain Member States—Measures Affecting Trade in Large Civil Aircraft (DS316). In the notice of initiation, USTR sought written comments on several aspects of the investigation, as well as comments on a list of products with a value of \$21 billion being considered for additional duties of up to 100 percent.

15–16: USTR Lighthizer and Japan's Economic Revitalization Minister Toshimitsu Motegi meet in Washington, D.C. to continue negotiations on the U.S.-Japan Trade Agreement.

18: A WTO panel circulates its report on the dispute filed by the United States in China—Tariff Rate Quotas for Certain Agricultural Products (DS517).

24: The United States and Mongolia TIFA Council meets in Washington, DC, with a focus on promoting and broadening bilateral trade and investment.

25: The 175th Plenary Session of the OECD Trade Committee takes place with a focus on Ministerial Council Meeting and Group of Seven (G7)/G20 Summits, trade policy, digital trade, agricultural subsidies, and export credits.

25: USTR releases its annual Special 301 Report. The report identifies trading partners that do not adequately or effectively protect and enforce intellectual property (IP) rights or otherwise deny market access to U.S. innovators and creators that rely on protection of their IP rights. Trading partners that currently present the most significant concerns regarding IP rights are placed on the Priority Watch List or Watch List. USTR identifies 36 such countries for these lists in the 2019 Special 301 Report. USTR removes Canada from this Watch List, citing provisions in the United States-Mexico-Canada

Agreement (USMCA) that address issues regarding the enforcement of IP rights in Canada.

26: President Trump and Prime Minister Shinzo Abe meet in Washington, DC, reaffirming their commitment to accelerate trade agreement discussions.

26: The 175th Confidential Session of the OECD Trade Committee takes place.

29: A meeting of the WTO Committee on Trade and Development's Dedicated Session on Small Economies takes place. Participants focus on the challenges facing small, vulnerable economies, such as export performance, competitiveness, and climate change.

30: Members of the United States-Australia FTA Joint Committee, including those from USTR and the U.S. Departments of Commerce, Treasury, and State, meet with their Australian counterparts to discuss IP, investment, and digital trade issues.

May

7: A North American Free Trade Agreement (NAFTA) dispute settlement panel convenes a hearing on the United States' softwood lumber Antidumping and Countervailing Duties (AD/CVD) determination.

14: Meeting of the WTO Committee of Participants on the Expansion of Trade in Information Technology Products takes place. Participants focus on implementation issues concerning India, China, and Indonesia.

15–16: The APEC Second Senior Officials' Meeting and related meetings are held in Valparaiso-Viña del Mar, Chile.

15–16: In connection with its proposed determination on EU subsidies for large civil

aircraft under section 301 of the Trade Act of 1974, USTR holds a hearing on proposed duties of up to 100 percent on about \$21 billion of imports from the EU.

Mid-May: Pursuant to commitments made under a 2013 U.S.-Jordan Implementation Plan Related to Working and Living Conditions of Workers in Jordan, Jordan passes multiple amendments to the labor law prohibiting wage discrimination on the basis of gender and creates accommodations for workers with children.

16: The United States and Tunisia hold a meeting in Washington, DC, under the bilateral TIFA. Officials discuss expanding trade and investment opportunities and creating jobs.

16: At the urging of USTR and other U.S. government agencies, Guatemala implements a policy change allowing corrections to the CAFTA-DR Certifications of Origin.

16: Turkey's GSP eligibility is removed.

17: U.S. Secretary of Agriculture Sonny Perdue announces that the United States and Japan have agreed on new terms and conditions that eliminate Japan's longstanding restrictions on U.S. beef exports. The new terms allow U.S. products from all cattle, regardless of age, to enter Japan for the first time since 2003.

17: USTR publishes a Tranche 4 list of Chinese imported items that would be subject to an additional tariff of up to 25 percent on the basis of section 301 actions. The list of goods affected accounts for approximately \$300 billion in U.S. imports from China the year before.

17: President Trump proclaims motor vehicle and parts imports a national security threat under section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. §1862), and directs the USTR to negotiate with EU, Japan, and others to resolve the issue.

19: President Trump exempts Canada and Mexico from section 232 steel and aluminum duties. Canada, Mexico, and United States announce a process for reinstating tariffs should imports surge.

22–23: The 2019 OECD Ministerial Council Meeting takes place in Paris, France. Ministers focus on digitalization and addressing its disruptive effects.

22: EU Commissioner for Trade Malmström and USTR Lighthizer meet in Paris under the framework of the U.S.-EU Executive Working Group.

23: USTR Lighthizer meets with the Japanese Minister of Economy, Trade and Industry Seko, and EU Commissioner for Trade Malmström in Paris. This gathering is the fourth trilateral meeting between the nations. Ministers continue discussions on issues related to third countries' non-market-oriented policies and practices, forced technology transfers, WTO reform, digital trade, and industrial subsidies and state-owned enterprises, with an emphasis on the latter topic.

23: The U.S. Senate introduces the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act, which among other things calls for the United States and Taiwan to restart talks aimed at reaching a bilateral free trade agreement.

27: The United States removes section 232 tariffs on steel and aluminum from Mexico and Canada, and Canada lifts its countermeasures. At about the same time, the United States, Canada, and Mexico inform the WTO Dispute Settlement Body (DSB) that they have resolved, by mutual agreement, their respective disputes in DS550, DS551, DS557, and DS560 regarding the U.S. measures and Canadian and Mexican countermeasures.

30: President Trump's administration submits a letter to Congress to initiate the USMCA approval process. The President announces his intent to invoke the International Emergency Economic Powers Act authorities to impose a 5 percent tariff on all imports from Mexico, starting June 10, 2019. The tariff is to increase by 5 percent monthly to 25 percent in response to concerns over Mexico's immigration policies affecting the United States.

June

June: The U.S.-Morocco FTA Agriculture and Sanitary and Phytosanitary (SPS) Subcommittee meeting yields an agreement to increase tenders and improve the administration of the FTA's tariff-rate quota on wheat.

4: Canada notifies the WTO DSB of its decision to appeal some of the panel's findings on the United States' softwood lumber AD/CVD determinations.

5: India's GSP eligibility is removed.

7: President Trump announces that the United States has reached an agreement with Mexico on certain immigration policies and that he has indefinitely suspended the tariffs proposed on May 30.

13: The United States and Uruguay meet in Washington, DC, for the eighth session under their TIFA. Representatives from both countries discuss current trade and investment issues and their respective trade agenda.

14: The United States and Iraq hold the second session of the Trade and Investment Council in Washington, DC, to discuss bilateral trade issues and integrating Iraq into the global economy.

17: India imposes retaliatory tariffs on 28 U.S. products following the revocation of its GSP preferences.

17: The 108th Session of the OECD Working Party No. 1 on Tax Conventions and Related Questions takes place. The focus is on digital service taxes levied by European countries.

17: An informal meeting of the WTO Work Program on Electronic Commerce takes place. Members consider a joint submission by India and South Africa's submission to rethink the moratorium on the imposition of customs duties on electronic transmissions.

19: Mexico ratifies the USMCA agreement.

23: Delegations from the United States and the Republic of Maldives meet in Malé, Maldives, under the U.S.-Maldives TIFA for a dialogue on reciprocal trade and private sector engagement.

24: A WTO panel is established at the request of the EU in the United States—Anti-dumping and Countervailing Duties on Ripe Olives from Spain (DS577) dispute.

24: The 81st Session of Working Party of the OECD Trade Committee takes place. The focus is on foreign direct investment and trade in agriculture and agrifood global value chains.

26: Ecuador and the Philippines accede to the WTO Agreement on Government Procurement (GPA) as observers.

27: A WTO panel circulates its report on the dispute filed by India in United States—Certain Measures Relating to the Renewable Energy Sector (DS510).

July

July: In a 2019 Coordinator Committee meeting, the CAFTA-DR countries approved U.S. requests that U.S. Food and Drug Administration-approved food additives be added to the Central American Technical Regulation.

3: The United States requests WTO dispute settlement consultations with India regarding additional duties imposed on U.S. products in India—Additional Duties on Certain Products from the United States (DS585).

3–5: The Monitoring and Evaluation Exercise for the WTO's Aid for Trade Global Review takes place in Geneva, Switzerland. Members conduct the exercise to survey Aid for Trade priorities and support for economic empowerment.

5: Russia requests WTO dispute settlement consultations with the United States regarding certain U.S. antidumping measures in United States—Anti-Dumping Measures on Carbon-Quality Steel from Russia (DS586).

7: In accordance with the Labor Rights Monitoring and Action Plan (MAP) instituted as a result of a 2012 public submission under CAFTA-DR, the government of Honduras issues an implementing regulation for a 2017 labor inspection law related to implementation of its CAFTA-DR obligations.

7: Officials from the United States and Thailand meet in Bangkok, Thailand, under the TIFA to discuss their trade relationship and reducing the U.S. deficit on trade in goods.

8: The government of British Columbia makes regulatory changes ending the province's longstanding prohibition on offering imported wine for sale alongside British Columbia wine in response to a side letter that is part of USMCA.

This prohibition was also the subject of a WTO dispute brought by the United States, Canada—Measures Governing the Sale of Wine in Grocery Stores (Second Complaint) (D531).

9: The fourth meeting of the U.S.-UK Small and Medium-Sized Enterprise (SME) Dialogue is held in Bristol, UK. Obstacles faced by SMEs engaging in bilateral U.S.-UK trade, opportunities for enhancing services and digital trade through the use of emerging technologies, and best business practices for SMEs working in the fields of artificial intelligence, virtual reality, and mobile applications are discussed.

9: USTR leads formal consultations with South Korea regarding the practices of the Korea Fair Trade Commission (KFTC), calling for KFTC’s immediate compliance with the provisions in Chapter 16 (Competition-Related Matters) of KORUS. This meeting marks the first time consultations have been held under the Competition chapter of KORUS. Consultations take place in Seoul, South Korea.

10–11: The sixth meeting of the U.S.-UK Trade and Investment Working Group is convened in London, with discussions focusing on strengthening the trade and investment relationship between the two economies.

11: WTO panels circulate a report stating that a solution has been reached in disputes filed by the United States regarding increased duties imposed by Canada (DS557) and Mexico (DS560) on certain products of U.S. origin.

11: WTO panels circulate reports stating that a solution has been reached in disputes filed by Canada (DS550) and Mexico (DS551) regarding certain U.S. measures on steel and aluminum products.

12: President Trump does not concur with USDOC findings that “uranium imports threaten to impair national security” and declines to impose quotas or other trade measures under section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. §1862), but establishes U.S. Nuclear Fuel Working Group to develop recommendations to revive the domestic industry.

16: The WTO Appellate Body circulates a report on the findings of a compliance panel in a dispute originally filed by China in United States—Countervailing Duty Measures on Certain Products from China (DS437).

16: The U.S. and Morocco hold the sixth meeting of the FTA Joint Committee, with discussions centered on multiple agriculture and SPS issues, geographical indications (GIs), IP protection, and certain textile and apparel cases.

17: At the U.S.-Jordan Joint Committee meeting, the U.S. urges Jordan to (1) lift a ban on U.S. genetically modified food products, (2) prioritize international over EU industrial standards, (3) adopt EU GIs, and (4) host a consultative FTA subcommittee meeting to address government procurement commitments.

24: USITC transmits its report to the President in Investigation No. FTA-103-032, advising that the proposed modifications to KORUS rules of origin are likely to have a negligible effect on U.S. imports and U.S. exports, while potentially impacting the U.S. industry that produces some of the affected articles.

25: An informal open-ended meeting of the WTO’s Work Program on Electronic Commerce takes place in Geneva, Switzerland. Members consider South Africa’s submission on the need

to rethink the moratorium on imposing customs duties on electronic submissions.

25: The U.S. Department of Agriculture announces the details of its \$16 billion support package for American farmers who have been adversely affected by deteriorated U.S.-China trade conditions.

26: The United States blocks future timber imports from a Peruvian exporter on behalf of the Interagency Committee on Trade in Timber Products from Peru (Timber Committee) after the exporter's supply chain is found to contain illegally harvested timber.

August

2: USTR Lighthizer announces the signing of an agreement to give duty-free EU market access to U.S. beef exports of 18,500 metric tons annually under a tariff-rate quota, which will increase to 35,000 metric tons annually over the course of seven years.

4–6: The 18th African Growth and Opportunity Act (AGOA) Forum takes place in Abidjan, Côte d'Ivoire, with government officials, civil society leaders, and business representatives in attendance.

5: In connection with its proposed determination on EU subsidies on large civil aircraft under section 301 of the Trade Act of 1974, USTR holds a hearing on proposed duties of up to 100 percent on approximately \$4 billion of imports from the EU.

5: The U.S. Treasury Department designates China a "currency manipulator" under the provisions of the Omnibus Trade and Competitiveness Act of 1988.

15: The WTO establishes a panel at the request of China in a dispute relating to certain U.S. safeguard measures in United States—Safeguard Measure on Imports of Crystalline Silicon Photovoltaic Products (DS562).

15: U.S. notifies the DSB it will appeal to the Appellate Body certain issues of law and legal interpretations in the panel report in United States—Certain Measures Relating to the Renewable Energy Sector (DS510).

20: In line with their TIFA, Taiwan implements an amendment to its Pharmaceutical Affairs Act, which creates a system for registering patent linkages. Producers of newly approved drugs can list in the system any patent protecting their products and assert those against generic drug applicants, which can support early resolution of patent disputes.

20: The United States modified the tariff rate on the Tranche 4 list of Chinese products by imposing an additional 10 percent tariff. The products subject to the additional tariffs are separated into two groups with different implementation dates: September 1 and December 15, 2019.

25: President Trump and UK Prime Minister Boris Johnson release a joint statement establishing a Special Relationship Economic Working Group which will develop market-oriented principles for economic growth and increase bilateral cooperation between the two economies.

29–30: APEC's Third Senior Officials' Meeting and related meetings are held in Puerto Varas, Chile.

30: The United States modified the tariff rate on the Tranche 4 list by imposing an additional 15 percent tariff.

September

September: The United States and Panama meet to discuss various issues concerning labor law enforcement, with a dedicated focus on child labor and inspection laws.

20: The first group of Tranche 4 tariffs on imports from China goes into effect.

2: China requests WTO dispute settlement consultations with the United States regarding tariff measures imposed on goods from China: United States—Tariff Measures on Certain Goods from China III (DS587).

4: The NAFTA dispute settlement panel issues its interim decision and order to remand the USITC’s findings regarding the United States’ softwood lumber AD/CVD determinations.

17: USITC publishes its 10th and final report on the U.S. Earned Import Allowance Program for Dominican Republic textiles.

18: Taiwan signs a letter of intent to buy \$3.6 billion worth of U.S. agriculture products between 2020 and 2021, including purchases of \$1.1 billion of corn, \$1.1 billion of soybeans, \$960 million of beef products, and \$576 million in wheat products.

18–19: The 10th U.S.-EU Workshop for SMEs is held in Little Rock, AR. Discussions focus on SME participation in transatlantic supply chains and local SME workforce training for global competitiveness.

19: USTR announces its intention to request “first-ever” consultations under the KORUS Environment Chapter regarding South Korea’s commitments under KORUS to implement its obligations under the Commission for the Conservation of Antarctic Marine Living

Resources (CCAMLR) related to illegal, unreported, and unregulated (IUU) fishing.

25: President Trump and Prime Minister Abe announce they have reached a final agreement on the U.S.-Japan Trade Agreement (USJTA) and the U.S.-Japan Digital Trade Agreement (USJDTA).

26–27: The 87th Session of the OECD Steel Committee takes place with a focus on steelmaking capacity, steel trade and policy developments, and state-owned enterprises.

October

October: The U.S. Federal Mediation and Conciliation Services lead a USDOL-funded training with labor inspection supervisors at the Guatemalan Ministry of Labor and Social Welfare, which includes monitoring compliance of CAFTA-DR labor obligations.

2: A WTO arbitrator issues its decision that the level of U.S. countermeasures commensurate with the degree and nature of adverse effects from European subsidies to Airbus is up to \$7.50 billion annually in the dispute European Communities and Certain Member States—Measures Affecting Trade in Large Civil Aircraft (DS316)).

7: The United States and Japan sign USJTA and USJDTA, with the agreements to enter into force on January 1, 2020.

7: World Cotton Day is held in Geneva, Switzerland, in collaboration with the Food and Agriculture Organization of the United Nations, United Nations Conference on Trade and Development, International Trade Centre, and International Cotton Advisory Committee, emphasizing the need for increased assistance

to developing countries on cotton and cotton-related products.

14: The WTO DSB authorizes the United States to suspend concessions in the amount set by the arbitrator in its decision of October 2 involving European Communities and Certain Member States—Measures Affecting Trade in Large Civil Aircraft (DS316).

17: USTR leads formal consultations with South Korea regarding South Korea’s commitments under the KORUS Environment Chapter to implement its obligations under CCAMLR related to IUU fishing. Consultations take place in Seoul, South Korea.

18: A 10 percent tariff on U.S. imports of aircraft and aircraft parts from France, Germany, Spain, or the UK, as well as a 25 percent tariff on U.S. imports of certain food, alcohol, machinery, and textiles and apparel products from some or all EU member states, go into effect under section 301 of the Trade Act of 1974, in accordance with the arbitrator’s decision in European Communities and Certain Member States—Measures Affecting Trade in Large Civil Aircraft (DS316).

21: The United States meets with governments of several Central Asian countries under the U.S.-Central Asia TIFA. Topics discussed include expanding trade and private sector development.

23–24: The 2019 OECD Global Forum on Trade, titled “Levelling the Playing Field: Measuring and Addressing Trade-distorting Government Support,” takes place. The focus is on digital trade, agriculture, aluminum, high-technology sectors, and the “Osaka track” agreements to promote and protect cross-border data flows.

23: The 176th Plenary Session of the OECD Trade Committee takes place with a focus on the G20 Summit, trade policy, digital trade, agricultural subsidies, and export credits.

24: The 176th Confidential Session of the OECD Trade Committee takes place.

24: The 2019 Report of the Working Party Chair to the OECD Trade Committee is released. Topics covered include the Services Trade Restrictiveness Index’s country coverage, the OECD Trade Union Advisory Committee, and intersessional activities and reports.

26: The 2019 Ministerial Meeting on the Global Forum on Steel Excess Capacity takes place in Tokyo, Japan, with participation from 33 economies.

28: The WTO establishes a panel at the request of the United States concerning India—Additional Duties on Certain Products from the United States (DS585).

30: The Chilean government canceled the 27th APEC Leaders’ Week Meetings scheduled in mid-November due to ongoing social unrest and protest in the country.

31: The U.S.-Rwanda TIFA Council is convened in Washington, DC, to discuss matters relating to strategic objectives for maximizing growth, reducing trade barriers, and strengthening cooperation.

31: A WTO panel circulates its report in the dispute filed by the United States in India—Export Related Measures (DS541).

November

November: In a Coordinator Committee meeting, the CAFTA-DR countries jointly

establish the Agricultural Review Commission to exchange data and review CAFTA-DR's impact on member countries' agricultural trade.

1: With regard to a dispute brought by China, United States—Certain Methodologies and Their Applications to Anti-Dumping Proceedings Involving China (DS471), a WTO arbitrator circulates a decision stating that the level of nullification and impairment was \$3.579 billion, approximately half the amount requested by China. The decision states that China may request authorization from the DSB to suspend concessions or other obligations in an amount not to exceed that amount.

1: The 2019 Global Forum on Steel Excess Capacity expires.

6: The United States and New Zealand meet in Washington, DC, under the U.S.-New Zealand TIFA to discuss enhancing their trade relationship.

7: USDOL posts a Notice of Proposed Rulemaking to the *Federal Register* that would expand worker access to support opportunities, such as apprenticeships, as well as making it easier for states to administer the Trade Adjustment Assistance Program. The Final Rule is expected to be issued in FY 2020.

11: The WTO concludes the verification process for South Korea's rice tariff regime. The new tariff regime sets a U.S.-specific quota for South Korean rice imports of at least 132,304 metric tons on an annual basis and will go into effect on January 1, 2020.

13: Period for Auto 232 expires without action.

13–14: The CAFTA-DR Environmental Affairs Council convenes in Miami, FL, to discuss its continued work toward commitments made under the CAFTA-DR Environment Chapter.

15: A WTO compliance panel circulates its report in United States—Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India (DS436).

19: India notifies the DSB of its decision to appeal to the Appellate Body certain issues of law and legal interpretations in the panel report in India—Export Related Measures (DS541).

December

December: A USDOL evaluation reveals outstanding weaknesses in the functioning of Guatemala's labor laws. The evaluation results in the establishment of the Office of the Prosecutor for Crimes against Justice Operators and Trade Unionists by the Guatemalan Attorney General's office.

2: A second WTO compliance panel, requested by the EU, issues its report on the dispute European Communities and Certain Member States—Measures Affecting Trade in Large Civil Aircraft (DS316). The panel finds that the EU continues to be in breach of certain articles in the Agreement on Subsidies and Countervailing Measures (SCM Agreement). The EU notifies the DSB four days later of its decision to appeal certain findings of the compliance panel.

2: USTR releases a report on the investigation of France's digital services tax under section 301 of the Trade Act of 1974.

2: The 82nd Session Working Party of the OECD Trade Committee takes place, with a focus on foreign direct investment and trade in agriculture as well as on agrifood global value chains.

6: USTR determines that France's digital services tax, covered in the investigation under section 301 of the Trade Act of 1974, is

unreasonable or discriminatory and burdens or restricts U.S. commerce. USTR requests comments and announces a public hearing on additional tariffs of up to 100 percent on a proposed list of approximately \$2.4 billion of French products.

10: The year-end formal meeting of the WTO General Council takes place in Geneva, Switzerland. Members vote to extend the existing moratoriums related to customs duties on electronic transmissions and to nonviolation and situation complaints under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement until the WTO's 12th Ministerial Conference in June 2020. South Africa and India oppose the further extension of this moratorium in the WTO, citing concerns about loss of government revenue for developing countries.

10: The United States, Mexico, and Canada sign a protocol of amendment to USMCA.

12: The Mexican Senate approves the USMCA protocol of amendments

13: The Trump Administration submits to Congress the proposed USMCA implementing legislation, which also reflects the recent amendments.

13: The United States and China reach a "Phase One" Economic and Trade Agreement.

17: The USMCA Implementation Act, which approves the Agreement and includes implementing legislation, is reported out by the U.S. House of Representatives Ways and Means Committee.

18: The United States notifies the WTO DSB of its decision to appeal issues of law covered by the compliance panel and legal interpretations developed by the compliance panel in the dispute United States—Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India (DS436).

18: The USTR suspends indefinitely the imposition of the 15 percent additional duties on imports from China that were scheduled to take effect December 15, 2019.

19: The USMCA Implementation Act is passed by the full U.S. House of Representatives.

26: The President terminates Cameroon's AGOA eligibility effective January 1, 2020, because it has been determined that Cameroon engages in gross violations of internationally recognized human rights.

Source: Compiled from official and private sources, including the U.S. Department of Agriculture, U.S. Department of Treasury, Office of the U.S. Trade Representative, U.S. Congress, White House, *Federal Register*, Asia-Pacific Economic Cooperation, Organization for Economic Co-operation and Development, World Trade Organization, European Commission, Government of UK, Government of Japan, Singapore Ministry of Trade and Industry, NAFTA Dispute Settlement, Commission for Environmental Cooperation, *Inside U.S. Trade*, Reuters, Bloomberg, *Washington Post*, *Fortune*, Mondaq, CBC Canada, and Ogletree Deakins.

Chapter 2

Administration of U.S. Trade Laws and Regulations

This chapter surveys activities related to the administration of U.S. trade laws during 2019, covering import relief laws, laws against unfair trade practices, national security investigations, trade adjustment assistance programs, and tariff preference programs. Tariff preference programs encompass the U.S. Generalized System of Preferences, the Nepal Trade Preferences Act, the African Growth and Opportunity Act, and the Caribbean Basin Economic Recovery Act, including initiatives aiding Haiti.

Import Relief Laws

Safeguards Actions

This section covers safeguard actions under statutes administered by the Commission, including the global safeguard provisions in sections 201–204 of the Trade Act of 1974, and statutes implementing safeguard provisions in various free trade agreements involving the United States.⁷⁰ The Commission conducted no new safeguard investigations during 2019 under section 202 of the Trade Act of 1974 (the U.S. global safeguard provision), or under any of the provisions that implement safeguard provisions in free trade agreements involving the United States. However, two safeguard measures were in place during 2019, on certain large residential washers (washers) and on certain crystalline silicon photovoltaic cells, whether or not partially or fully assembled into other products (CSPV cells and modules). During 2019, the Commission conducted and completed a monitoring investigation under section 204(a)(2) of the Trade Act of 1974 with respect to the safeguard measure on washers, and had underway at yearend a monitoring investigation and an advice investigation with respect to the safeguard measure on CSPV cells and modules.⁷¹

⁷⁰ 19 U.S.C. §§ 2251-2254. Under the section 201 of the Trade Act of 1974, if the Commission determines that an article is being imported into the United States in such increased quantities as to be a substantial cause of serious injury or threat of serious injury to a domestic industry producing an article like or directly competitive with the imported article, it recommends to the President relief that would remedy the injury and facilitate industry adjustment to import competition. The President makes the final decision concerning whether to provide relief and the type and duration of relief. Relief is temporary and for the purpose of providing time for the industry to adjust to import competition. Relief may take the form of increased tariffs, tariff-rate quotas, quotas, adjustment measures (including trade adjustment assistance), and negotiation of agreements with foreign countries. In making its determination, the Commission is not required to find an unfair trade practice. USITC, [“Global and Special Safeguard Investigations”](#) (accessed August 14, 2019).

⁷¹ USITC, [Investigation No. TA-204-013, Large Residential Washers: \(Monitoring\) Developments in the Domestic Industry](#). August, 2019. The Commission published notice of its investigation in the Federal Register of February 22, 2019 (84 Fed. Reg. 5715). USITC, [Investigation No. TA-201-75 \(Monitoring\), Crystalline Silicon Photovoltaic Cells, Whether or not Partially or Fully Assembled into Other Products: Monitoring Developments in the Domestic Industry](#). The Commission published notice of its investigation in the *Federal Register* of August 1, 2019 (84 Fed.

The President imposed the global safeguard measures on washers and on CSPV cells and modules in separate proclamations effective on February 7, 2018, following affirmative determinations by the Commission in late 2017.⁷² The measure on washers was imposed for a period of three years and one day, and the measure on CSPV cells and modules was imposed for a period of four years.⁷³ In accordance with section 204(a)(1) of the Trade Act of 1974, which requires that the Commission monitor developments with respect to the domestic industry so long as any measure is in effect, and in accordance with section 204(a)(2) of the Trade Act of 1974, which requires the Commission to submit a report regarding this monitoring at the midpoint of a remedy measure whenever the measure exceeds three years, the Commission submitted its monitoring report on the washers measure to the President and the Congress on August 7, 2019.⁷⁴ The Commission's monitoring report on CSPV cells and modules was still in preparation at the end of 2019.⁷⁵

In accordance with section 204(a)(4) of the Trade Act of 1974, the U.S. Trade Representative, on December 6, 2019, acting under authority delegated by the President, asked the Commission to provide advice to the President on the probable economic effect of increasing the level of the tariff-rate quota on CSPV cells.⁷⁶ This report was also in preparation as of the end of 2019.⁷⁷

Laws against Unfair Trade Practice

Section 301

Section 301 of the Trade Act of 1974 is the principal U.S. statute for addressing unfair foreign practices affecting U.S. exports of goods or services.⁷⁸ Section 301 may be used to enforce U.S. rights under bilateral and multilateral trade agreements or to respond to unjustifiable, unreasonable, or discriminatory foreign government practices that burden or restrict U.S. commerce.⁷⁹ Interested

Reg. 37674). USITC, [Investigation No. TA-201-75 \(Modification\), Crystalline Silicon Photovoltaic Cells, Whether or not Partially or Fully Assembled into Other Products: Advice on the Probable Economic Effect of Certain Modifications to the Safeguard Measure](#). The Commission published notice of the investigation in the [Federal Register](#) of December 23, 2019 (84 Fed. Reg. 70565).

⁷² USITC, [Crystalline Silicon Photovoltaic Cells \(Whether or not Partially or Fully Assembled into Other Products\)](#), November 2017; USITC, [Large Residential Washers](#), December 2017.

⁷³ Proclamation 9694, published in the *Federal Register* of January 25, 2018 (83 Fed. Reg. 3553). Proclamation 9693, published in the *Federal Register* of January 25, 2018 (83 Fed. Reg. 3541).

⁷⁴ 19 U.S.C. § 2254(a)(1). 19 U.S.C. § 2254(a)(2). USITC, [Large Residential Washers](#), December 2017.

⁷⁵ USITC, [“USITC Releases Report Concerning Developments within the Industry Producing Crystalline Silicon Photovoltaic Products since Imposition of Global Safeguard Remedies,”](#) February 7, 2020.

⁷⁶ 19 U.S.C. § 2254(a)(4). In his request for advice, the U.S. Trade Representative specifically asked that the Commission provide advice to the President regarding the probable economic effect of increasing the level of the tariff-rate quota applicable to CSPV cells from the current 2.5 gigawatts (GW) to 4, 5, or 6 GW, without other changes to the remedy.

⁷⁷ The report was delivered on March 6, 2020. USITC, [“USITC Releases Report on the Effect of Increasing the Tariff-Rate Quota on Imports of Crystalline Silicon Photovoltaic Cells,”](#) March 6, 2020.

⁷⁸ Section 301 refers to sections 301–310 of the Trade Act of 1974, as amended (19 U.S.C. §§ 2411–2420).

⁷⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 42.

persons may petition the Office of the U.S. Trade Representative (USTR) to investigate foreign government policies or practices, or USTR may initiate an investigation itself.⁸⁰

If the investigation involves a trade agreement and consultations do not lead to a mutually acceptable resolution, section 303 of the Trade Act of 1974 requires USTR to use the dispute settlement procedures available under the agreement in question. If the matter is not resolved by the conclusion of the consultations, section 304 of the Trade Act of 1974 requires USTR to determine whether the practices in question fulfill any of three conditions: (1) they deny U.S. rights under a trade agreement; (2) they are unjustifiable and burden or restrict U.S. commerce; or (3) they are unreasonable or discriminatory, and burden or restrict U.S. commerce. If the practices fulfill either of the first two conditions, USTR must take action.⁸¹ If the practices fulfill the third condition—that is, if they are unreasonable or discriminatory, and they burden or restrict U.S. commerce—USTR must determine whether action is appropriate.⁸² In either case, the USTR must determine the appropriate action to take in response to the practice. The time period for making these determinations varies according to the type of practices alleged.⁸³

Section 301 Investigations

Meat Hormones and European Union (EU) Directives. A section 301 investigation related to a longstanding dispute about EU measures concerning meat and meat products was resolved in 2019. The investigation concerned various meat hormone directives of the EU, which prohibit the use of certain hormones that promote growth in farm animals. The United States had successfully challenged the EU measures at the World Trade Organization (WTO), and in 1999 had imposed additional ad valorem duties of 100 percent on about \$117 million in imports from the EU in retaliation for the EU measures.⁸⁴

After a series of consultations aimed at resolving the dispute, on May 13, 2009, the United States and the EU signed a memorandum of understanding (MOU).⁸⁵ Under the first phase of the MOU, the EU agreed to establish a tariff-rate quota (TRQ) with an in-quota tariff rate of zero for high-quality beef in the amount of 20,000 metric tons (mt).⁸⁶ Given the successful operation of the MOU in providing increased EU market access to U.S. beef producers, the United States agreed to remove all additional

⁸⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 42.

⁸¹ Section 301(a) of the Trade Act of 1974, as amended (19 U.S.C. § 2411(a)).

⁸² Section 301(b) of the Trade Act of 1974, as amended (19 U.S.C. § 2411(b)).

⁸³ 19 U.S.C. § 2411 et seq.

⁸⁴ Ad valorem duties or tariffs are taxes that are levied as a percentage of the value of the imported goods. 64 Fed. Reg. 40638 (July 27, 1999), 19 U.S.C. § 2481(3); WTO, [“Dispute Settlement: DS26; European Communities—Measures Concerning Meat and Meat Products”](#) (accessed April 1, 2020). A tariff-rate quota (TRQ) is a trade restriction that typically imposes a relatively low “in-quota” tariff on imports until the quota level (sometimes an annual allocation) is met. Any imports beyond the quota level are subject to a higher over-quota tariff.

⁸⁵ USTR, [Memorandum of Understanding between the United States of America and the European Commission Regarding the Importation of Beef from Animals Not Treated with Certain Growth-Promoting Hormones and Increased Duties Applied by the United States to Certain Products of the European Communities](#), May 13, 2009.

⁸⁶ Article VI of the U.S.-EU Beef MOU defines “high-quality beef.” All beef sold in the EU, including high-quality beef imports, must be produced without the use of growth-promoting hormones. U.S.-EU Beef MOU, Art. II(1).

duties on the EU products in May 2011.⁸⁷ The United States and EU entered into the second phase of the MOU in August 2012, which implemented a TRQ for high-quality beef in the amount of 45,000 mt, open to the United States and other qualifying suppliers.⁸⁸ The MOU was later revised in 2013, extending the duration of the second phase for an additional two years to August 2015.⁸⁹ The EU maintained the 45,000 mt TRQ for high-quality beef following the conclusion of phase 2 of the MOU.⁹⁰

In February 2016, Congress amended section 301 to authorize USTR to reinstate any additional duties that had been previously imposed under section 301 and then terminated.⁹¹ The 2016 amendment provides that USTR may reinstate a section 301 action following receipt of a written request from a petitioner or any representative of the domestic industry. It requires that USTR, following the receipt of such a request, consult with the petitioner and representatives of the domestic industry and provide an opportunity for public comments. In addition, it requires that USTR review the effectiveness of the reimposed additional duties. The amendment also allows USTR to suspend concessions in the meat hormone dispute with the EU.⁹²

On December 9, 2016, representatives of the U.S. beef industry filed a request with USTR asking that the additional duties be reinstated.⁹³ In 2017, USTR held a hearing and engaged in discussions with the EU about possible modifications of the TRQ for high-quality beef.⁹⁴ In September 2018, the European Commission requested a mandate from the European Council to negotiate with the United States, suggesting that the United States be allocated a part of the existing quota that is also available to other qualifying exporting countries.⁹⁵ The EU Council adopted the mandate in October 2018, enabling formal negotiations to begin.⁹⁶

⁸⁷ These duties were scheduled to be suspended upon entry into phase 2 of the MOU. However, a 2010 decision of the United States Court of Appeals for the Federal Circuit had affirmed an earlier decision of the U.S. Court of International Trade that the 1999 duties terminated as a matter of law after eight years due to a lack of written request for continuation of the action; therefore, the Trade Representative determined to terminate the remaining additional duties in advance of the August 2012 second phase start date. 76 Fed. Reg. 30987 (May 27, 2011); *Gilda Industries, Inc. v. United States*, 622 F.3d 1358 (Fed. Cir. 2010).

⁸⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 45.

⁸⁹ WTO, "[European Communities—Measures Concerning Meat and Meat Products \(Hormones\) —Joint Communication from the European Union and the United States](#)," WTO/DS26/29, April 17, 2014.

⁹⁰ 81 Fed. Reg. 95724 (December 28, 2016).

⁹¹ Section 602 of the Trade Facilitation and Trade Enforcement Act of 2015 (Pub. L. 114-125) (19 U.S.C. 2416(c), as amended).

⁹² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 45–46.

⁹³ Kendal Frazier, CEO, National Cattlemen’s Beef Association; Barry Carpenter, CEO, North American Meat Institute; and Philip M. Seng, President and CEO, U.S. Meat Export Federation, "[Letter to the Honorable Michael Froman, Ambassador, Office of the U.S. Trade Representative](#)," December 9, 2016. Ultimately, the duties were not reinstated. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 46.

⁹⁴ 81 Fed. Reg. 95724 (December 28, 2016). The public hearing was held February 15–16, 2017, in Washington, DC. USTR, [2018 Trade Policy Agenda and 2017 Annual Report](#), March 2018, 43.

⁹⁵ EC, "[EU-US Trade: European Commission Recommends Settling Longstanding WTO Dispute](#)," September 3, 2018.

⁹⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 45-46; EC, "[European Commission Welcomes Member States’ Support to Settle WTO Dispute with the United States](#)," October 19, 2018.

In June 2019, the United States and the EU reached an agreement setting a country-specific quota for U.S. high-quality beef.⁹⁷ On August 2, 2019, the EU and the United States signed the Agreement on the Allocation to the United States of a Share in the Tariff Rate Quota for High-Quality Beef Referred to in the Revised MOU Regarding the Importation of Beef from Animals Not Treated with Certain Growth-promoting Hormones and Increased Duties Applied by the United States to Certain Products of the European Union.⁹⁸ Under the agreement, U.S. beef producers will initially have duty-free access to the EU market under the TRQ of 18,500 mt annually, valued at approximately \$220 million. After a seven-year phase-in period, U.S. duty-free access to the EU beef market under the TRQ will grow to 35,000 mt annually, valued at approximately \$420 million.⁹⁹

A revised MOU between the United States and the EU was issued on October 21, 2019, incorporating the provisions of the new agreement.¹⁰⁰ The agreement was adopted by the European Parliament on November 28, 2019.¹⁰¹ In light of the successful negotiations with the EU to resolve U.S. concerns about beef market access under the EU's TRQ regime, USTR published a notice in the *Federal Register* of its determination not to reinstate action in connection with the European Union's measures; the proceeding was terminated effective January 1, 2020, the date the EU applied the U.S.-specific TRQ allocation.¹⁰²

Subsidies for Large Civil Aircraft by the EU and Certain Member States. On April 12, 2019, USTR published a notice in the *Federal Register* announcing the initiation of a section 301 investigation to enforce U.S. rights in the WTO dispute against the EU and certain EU member states regarding EU subsidies on large civil aircraft. USTR proposed that the WTO determine that the EU and certain member states have denied U.S. rights under the WTO Agreement and have failed to implement WTO Dispute Settlement Body (DSB) recommendations from previous years. USTR proposed to take action in the form of additional duties on products of the EU or certain member states, to be drawn from the preliminary list annexed to the notice of investigation. As part of the notice, USTR announced that the interagency

⁹⁷ USDA, FAS, [EU-28 Livestock and Products: Annual EU Pork Exports Will Reach a New Record](#), September 6, 2019; EC, ["The European Union and the United States Reach an Agreement on Imports of Hormone-free Beef,"](#) June 14, 2019.

⁹⁸ Government of the United States and Government of the EU, [Agreement on the Allocation to the United States of a Share in the Tariff Rate Quota for High Quality Beef](#), August 2, 2019.

⁹⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 46; USTR, ["United States and European Union Sign Breakthrough Agreement on U.S. Beef Access to the EU,"](#) August 2, 2019.

¹⁰⁰ Government of the United States and Government of the EU, [Revised Memorandum of Understanding with the United States of America Regarding the Importation of Beef from Animals Not Treated with Certain Growth-Promoting Hormones and Increased Duties Applied by the United States to Certain Products of the European Union](#), October 21, 2019.

¹⁰¹ European Council, ["Imports of Hormone-Free Beef: EU-US Agreement Confirmed,"](#) July 15, 2019; European Parliament, [EU/USA Agreement on the Allocation of a Share in the Tariff Rate Quota for Imports of High-quality Beef \(Resolution\)](#), November 28, 2019.

¹⁰² 84 Fed. Reg. 68286 (December 13, 2019); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 46. Section 306 of the Trade Act of 1974 requires USTR to monitor a trading partner's compliance with measures that are the basis for resolving an investigation under section 301. USTR may apply sanctions if a country fails to implement such measures satisfactorily and may remove sanctions when it finds the measures to be satisfactorily implemented.

Section 301 Committee was seeking public comments and had scheduled a public hearing in connection with the proposed determinations.¹⁰³

The WTO proceedings in this dispute (DS316) dated back to October 6, 2004, when USTR requested consultations with the EU on this matter under section 303 of the Trade Act of 1974. Following the panel determination that the EU, with additional subsidies from France, Spain, Germany, and the UK, all provided Airbus subsidized financing (“launch aid”), which resulted in lost sales and displaced exports of U.S. large civil aircraft, the EU notified the WTO’s DSB in December 2011 that it had brought its measures into compliance by the end of the implementation period. The United States disagreed with the EU’s notification, however, and USTR requested consultations with the EU again in April 2012 after the dispute’s compliance proceedings were initiated.¹⁰⁴ For more on this dispute see chapter 3 of this report.¹⁰⁵

As part of the section 301 investigation, USTR proposed additional ad valorem duties of up to 100 percent on certain products from the EU totaling approximately \$21 billion.¹⁰⁶ A public hearing on these proposed duties was held on May 15–16, 2019.¹⁰⁷ In response to hearing comments and public submissions, USTR proposed additional ad valorem duties of up to 100 percent for a second list of products totaling approximately \$4 billion, and sought comment through written submissions and a public hearing held on August 5, 2019.¹⁰⁸

After considering the work products of the WTO proceedings throughout the dispute, as well as public comment and the advice of the Section 301 Committee, USTR announced its determination that U.S. rights had been violated under the WTO agreement, that EU large civil aircraft subsidies were inconsistent with the WTO agreement, and that the EU had failed to implement the recommendation of the DSB to rectify the issue. The DSB authorized retaliation against the EU on October 14, 2019.¹⁰⁹ As a result, USTR finalized the list of products from the EU subject to countermeasures.¹¹⁰ Duties on EU goods took effect on October 18, 2019, with U.S. imports of aircraft and aircraft parts from France, Germany, Spain, or the UK subject to an additional 10 percent tariff, and certain food, alcohol, machinery, and textiles and apparel products from some or all EU member states subject to an additional 25 percent tariff. U.S. imports of these products were estimated to have an annual trade

¹⁰³ USTR, [Initiation of Investigation; Notice of Hearing and Request for Public Comments: Enforcement of U.S. WTO Rights in Large Civil Aircraft Dispute](#), 84 Fed. Reg. 15028 (April 12, 2019).

¹⁰⁴ 84 Fed. Reg. 15028 (April 12, 2019).

¹⁰⁵ See also WTO, [“Dispute Settlement: DS316; European Union and Certain Member States—Measures Affecting Trade in Large Civil Aircraft”](#) (accessed March 25, 2020).

¹⁰⁶ The value was approximated from the reported value of U.S. imports from the EU of these products in 2018. 84 Fed. Reg. 15028 (April 12, 2019).

¹⁰⁷ USTR, [“Section 301 Hearing on Proposed Countermeasures,”](#) May 15, 2019; USTR, [“Section 301 Hearing on Proposed Countermeasures,”](#) May 16, 2019.

¹⁰⁸ The value was approximated from the reported value of U.S. imports from the EU of these products in 2018. 84 Fed. Reg. 32248 (July 5, 2019); USTR, [“Section 301 Hearing on Proposed Countermeasures,”](#) August 5, 2019.

¹⁰⁹ WTO, [“Dispute Settlement: DS316; European Union and Certain Member States—Measures Affecting Trade in Large Civil Aircraft”](#) (accessed July 14, 2020).

¹¹⁰ 84 Fed. Reg. 54245 (October 9, 2019); 84 Fed. Reg. 55998 (October 18, 2019).

value of \$7.5 billion, consistent with the appropriate level of countermeasures as established in the WTO arbitration proceedings.¹¹¹

On December 12, 2019, USTR published a notice seeking comment on whether products subject to additional duties should be removed or remain on the final list, whether the rate of additional duty on specific products should be increased up to 100 percent, and whether additional duties should be imposed on some products which had been subject to public comment but were not included in the final list of products subject to the October 18 tariff action (e.g., whiskies and cognac). Public comments on the review were due by January 13, 2020.¹¹²

French Digital Services Tax. USTR conducted a section 301 investigation into a French law taxing the revenues of digital services companies earned from French users. Despite repeated prior U.S. requests to French officials not to enact the tax and to work with the United States to develop a fair and appropriate multilateral tax solution, the French digital services tax (DST) was signed into law on July 24, 2019.¹¹³ Under the French DST law, companies exceeding a threshold global revenue of €750 million and a threshold French revenue of €25 million are subject to a 3 percent tax levied on revenue generated from certain “digital interface” services (e.g., online marketplaces for goods and services) and certain internet advertising services.¹¹⁴ The DST was applied retroactively on revenues of covered companies back to January 1, 2019, with the initial payment due by November 25, 2019.¹¹⁵

To determine whether the DST constituted an actionable matter under section 301 of the Trade Act of 1974, USTR initiated an investigation on July 10, 2019, shortly after the tax legislation language was agreed upon by the French parliament. On the same day the investigation was initiated, the United States requested consultations with the French government pursuant to section 303 of the Trade Act of 1974.¹¹⁶ A public hearing was held on August 19, 2019, and U.S. consultations with France on the matter were held on November 14, 2019.¹¹⁷

¹¹¹ These include reciprocal goods of the affected industry in accordance with section 306(b)(2) of the Trade Act of 1974. 84 Fed. Reg. 54245 (October 9, 2019); 84 Fed. Reg. 55998 (October 18, 2019).

¹¹² 84 Fed. Reg. 67992 (December 12, 2019). Based on its review of public comments, USTR determined to increase duties on certain large civil aircraft from 10 to 15 percent, and to change the composition of the list of products subject to additional duties of 25 percent. All new duty rates took effect by March 18, 2020. 85 Fed. Reg. 10204 (February 21, 2020). The final list was later modified on to correct a ministerial error. 85 Fed. Reg. 14518 (March 12, 2020).

¹¹³ These requests were delivered as far back as November 2018. USTR, [Report on France’s Digital Services Tax Prepared in the Investigation under Section 301 of the Trade Act of 1974](#), December 2, 2019, 7.

¹¹⁴ Certain services that would otherwise be covered under these categories, including digital interfaces for the delivery of digital content,” are excluded. 84 Fed. Reg. 34042 (July 16, 2019). The U.S.-EU (USD-euro) exchange rate on June 9, 2020 is 1 to 0.8856, respectively. Market Insider, “[Currencies](#)” (accessed June 9, 2019).

¹¹⁵ Government of France, [Law No. 2019-759](#) (in French), July 24, 2019; USTR, [Report on France’s Digital Services Tax Prepared in the Investigation under Section 301 of the Trade Act of 1974](#), December 2, 2019, 24–25.

¹¹⁶ USTR, [Report on France’s Digital Services Tax Prepared in the Investigation under Section 301 of the Trade Act of 1974](#), December 2, 2019, 8.

¹¹⁷ USTR, “[Section 301 Hearing in the Investigation of France’s Digital Services Tax Transcript](#),” August 19, 2019; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 46.

Based on information obtained during the investigation and the advice of the Section 301 Committee, USTR issued its findings in a report on December 2, 2019.¹¹⁸ The report listed five major findings concerning the DST:

- Its intent and enactment are discriminatory against U.S. digital companies, due to reasons including the selection of services covered and the revenue thresholds.
- Its retroactive application is unusual and inconsistent with prevailing tax principles and renders the tax particularly burdensome for U.S. companies covered under the law.
- Its application to revenue rather than income contravenes prevailing tax principles and is particularly burdensome for U.S. companies covered under the law.
- Its application to revenues unconnected to a physical presence in France contravenes prevailing international tax principles and is particularly burdensome for U.S. companies covered under the law.
- Its application to a small group of digital companies contravenes international tax principles, which advise against targeting the digital economy for special, unfavorable tax treatment.¹¹⁹

Concluding that the DST was “unreasonable or discriminatory and burdens or restricts U.S. commerce,” USTR proposed duties of up to 100 percent on approximately \$2.4 billion of imports of food, beverages, cosmetics, and other products from France on December 6, 2019.¹²⁰ As of yearend 2019, these tariffs had not been enacted. USTR requested public comment on the action and convened a hearing on the matter in early 2020.¹²¹ The United States remains engaged in the OECD process to reach international consensus on the issue of digital taxation, and remains supportive of efforts to arrive at a multilateral solution.¹²²

China Technology Transfer. In a memorandum dated August 14, 2017, the President directed USTR to determine, consistent with section 302(b) of the Trade Act of 1974, whether to investigate any of China’s laws, policies, practices, or actions that might be unreasonable or discriminatory and might be harming American intellectual property rights (IPRs), innovation, or technology development.¹²³ USTR initiated an investigation on August 18, 2017,¹²⁴ and published the findings of the investigation on March 22, 2018.¹²⁵

¹¹⁸ USTR, [Report on France’s Digital Services Tax Prepared in the Investigation under Section 301 of the Trade Act of 1974](#), December 2, 2019.

¹¹⁹ USTR, [Report on France’s Digital Services Tax Prepared in the Investigation under Section 301 of the Trade Act of 1974](#), December 2, 2019, 2–5.

¹²⁰ 84 Fed. Reg. 66956 (December 6, 2019).

¹²¹ A public hearing on the proposed tariff action was held on January 7 and 8, 2020, with representatives from the food, beverage, and other sectors in attendance. USTR, [“Section 301 Hearing on Proposed Action to France’s Digital Services Tax,”](#) January 7, 2020; USTR, [“Section 301 Hearing on Proposed Action to France’s Digital Services Tax,”](#) January 8, 2020. On July 10, 2020, USTR determined that it would take action on section 301 investigation findings in the form of additional duties of 25 percent on approximately \$1.3 billion of imports from France. The 21 products covered under this action include certain cosmetics, soap, handbags, and beauty products. Duties are set to be applied at the end of a 180-day suspension period on January 6, 2021. 85 Fed. Reg. 43292 (July 16, 2020).

¹²² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 47.

¹²³ 82 Fed. Reg. 39007 (August 17, 2017).

¹²⁴ 82 Fed. Reg. 40213 (August 24, 2017).

¹²⁵ USTR, [Findings of the Investigation into China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974](#), March 22, 2018.

USTR's findings concerned four categories of acts, policies, and practices, as follows:

1. China uses foreign ownership restrictions, such as joint venture requirements and foreign equity limitations, and various administrative review and licensing processes, to require or pressure technology transfer from U.S. companies.
2. China's regime of technology regulations forces U.S. companies seeking to license technologies to Chinese entities to do so on non-market-based terms that favor Chinese recipients.
3. China directs and unfairly facilitates the systematic investment in, and acquisition of, U.S. companies and assets by Chinese companies to obtain cutting-edge technologies and intellectual property and generate the transfer of technology to Chinese companies.
4. China conducts and supports unauthorized intrusions into, and theft from, the computer networks of U.S. companies to access their sensitive commercial information and trade secrets.¹²⁶

On March 23, 2018, the United States initiated a dispute under the WTO Dispute Settlement Understanding with respect to the second category of acts, policies, and practices (involving technology-licensing regulations) and requested consultations with China.¹²⁷ At the request of the United States, the WTO Dispute Settlement Body (DSB) established a panel on November 21, 2018, and also at the request of the United States, the WTO Director-General composed the panel on January 16, 2019. On June 3, 2019, the United States requested the panel to suspend its proceedings until December 31, 2019, and on June 4, 2019, China agreed with the U.S. request. On December 23, 2019, the United States requested the panel to further suspend its work until February 29, 2020.¹²⁸

With respect to the other three categories of acts, policies, and practices, the USTR, at the direction of the President, determined to impose additional duties on certain products of China. The additional duties were imposed in two tranches following public comment and hearings.¹²⁹ In July 2018, an additional duty was imposed on the first tranche of goods, known as "List 1" goods, covering 818 tariff subheadings with an approximate annual trade value of \$34 billion.¹³⁰ In August 2018, an additional 25 percent duty was imposed on "List 2" goods, which covered 279 tariff subheadings, with an approximate annual trade value of \$16 billion.¹³¹ The USTR also established exclusion processes by which stakeholders may request that particular products classified within a covered tariff subheading be excluded from the additional duties.¹³²

In September 2018, the USTR, at the direction of the President, determined to modify the prior action in the investigation by imposing additional duties on products of China ("List 3" products) classified under

¹²⁶ 83 Fed. Reg. 14906 (April 6, 2018).

¹²⁷ WTO, "[DS542: China—Certain Measures Concerning the Protection of Intellectual Property Rights](#)" (accessed June 25, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 43.

¹²⁸ All dates from WTO, "[DS542: China—Certain Measures Concerning the Protection of Intellectual Property Rights](#)" (accessed June 25, 2020). Two further suspensions followed through May 31, 2020. *Ibid.*

¹²⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 43.

¹³⁰ 83 Fed. Reg. 28710 (June 20, 2018); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 43.

¹³¹ 83 Fed. Reg. 40823 (August 16, 2018); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 43.

¹³² 83 Fed. Reg. 32181 (July 11, 2018); 83 Fed. Reg. 47236 (September 18, 2018); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 43.

5,733 tariff subheadings with an approximate annual trade value of \$200 billion.¹³³ The rate of the additional duty on these List 3 products was initially set at 10 percent ad valorem, and it was later increased to 25 percent ad valorem in May 2019, following public comment and hearing.¹³⁴ USTR also established an exclusion process for products of China covered under List 3, and received approximately 30,000 exclusion requests.¹³⁵ As of February 14, 2020, USTR had approved approximately 730 requests.

In August 2019, the USTR, at the direction of the President, and following public comment and hearings, determined to modify the prior action in the investigation by imposing additional 10 percent ad valorem duties on products of China classified under approximately 3,805 tariff subheadings with an approximate annual trade value \$300 billion.¹³⁶ The tariff subheadings subject to the 10 percent additional duties were separated into two lists, with different effective dates: September 1, 2019, for the list in Annex A (“List 4A”), and December 15, 2019, for the list in Annex C (“List 4B”). Subsequently, at the direction of the President, the USTR determined to increase the rate of the additional duties from 10 percent to 15 percent.¹³⁷

On December 18, 2019, following an announcement on December 13 of the Phase One trade deal with China, and at the direction of the President, the USTR determined to suspend indefinitely the imposition of the 15 percent additional duties on products of China covered by List 4B, which otherwise would have been effective on December 15, 2019.¹³⁸ Also, in light of the Phase One deal, and at the direction of the President, the USTR determined to reduce the rate of additional duties on products of China covered by List 4A, from 15 percent to 7.5 percent, effective February 14, 2020.¹³⁹ USTR also developed an exclusion process for the imported goods in List 4A, with a deadline for submitting requests of January 31, 2020.¹⁴⁰

Special 301

The Special 301 law requires that the USTR annually identify and issue a list of foreign countries that deny adequate and effective protection of IPRs, or deny fair and equitable market access to U.S. persons who rely on IPR protection.¹⁴¹ Under the statute, a country denies adequate and effective IPR protection

¹³³ 83 Fed. Reg. 47974 (September 21, 2018); 83 Fed. Reg. 49153 (September 28, 2018); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁴ 84 Fed. Reg. 20459 (May 9, 2019); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44; 84 Fed. Reg. 29576 (June 24, 2019).

¹³⁶ 84 Fed. Reg. 43304 (August 20, 2019); [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁷ 84 Fed. Reg. 45821 (August 30, 2019); [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁸ 84 Fed. Reg. 69447 (December 18, 2019); [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁹ 84 Fed. Reg. 45821 (August 30, 2019); [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹³⁹ 84 Fed. Reg. 3741 (January 22, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹⁴⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

¹⁴¹ The Special 301 law is set forth in section 182 of the Trade Act of 1974, as amended (19 U.S.C. § 2242). “Persons who rely on IPR protection” means persons involved in “(A) the creation, production or licensing of works of

if the country does not allow foreign persons “to secure, exercise, and enforce rights relating to patents, process patents, registered trademarks, copyrights, trade secrets and mask works.”¹⁴² A country denies fair and equitable market access if it denies access to a market for a product that is protected by a copyright or related right, patent, trademark, mask work, trade secret, or plant breeder’s right using laws and practices that violate international agreements or that constitute discriminatory nontariff trade barriers.¹⁴³ A country may be found to deny adequate and effective IPR protection even if it is in compliance with its obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).¹⁴⁴

In addition, the Special 301 law directs the USTR to identify so-called “priority foreign countries.”¹⁴⁵ Priority foreign countries are countries that have the most onerous or egregious acts, policies, or practices with the greatest adverse impact (actual or potential) on the relevant U.S. products.¹⁴⁶ Such countries must be designated as priority foreign countries unless they are entering into good-faith negotiations, or they are making significant progress in bilateral or multilateral negotiations to provide adequate and effective IPR protection.¹⁴⁷ The identification of a country as a priority foreign country triggers a section 301 investigation, unless the USTR determines that the investigation would be detrimental to U.S. economic interests.¹⁴⁸

The USTR has adopted a practice of naming countries to a “watch list” or a “priority watch list” when the countries’ IPR laws and practices fail to provide adequate and effective IPR protection, but the deficiencies do not warrant listing the countries as priority foreign countries.¹⁴⁹ The priority watch list identifies countries with significant IPR concerns that warrant close monitoring and bilateral consultation. If a country on the priority watch list makes progress, it may be moved to the watch list or removed from any listing. On the other hand, a country that fails to make progress may be raised from the watch list to the priority watch list or from the priority watch list to the list of priority foreign countries.

In February 2016, Congress enacted amendments to the Special 301 statute that provided that USTR should develop an action plan for each country that has been identified as a priority watch list country and that has remained on the priority watch list for at least one year.¹⁵⁰ The action plan should contain

authorship . . . that are copyrighted, or (B) the manufacture of products that are patented or for which there are process patents.” Section 182(d)(1) of the Trade Act of 1974, as amended (19 U.S.C. § 2242(d)(1)).

¹⁴² A “mask work” is a “series of related images, however fixed or encoded—(A) having or representing the predetermined, three-dimensional pattern of metallic, insulating, or semiconductor material present or removed from the layers of a semiconductor chip product; and (B) in which series the relation of the images to one another is that each image has the pattern of the surface of one form of the semiconductor chip product.” Section 182(d)(2) of the Trade Act of 1974, as amended (19 U.S.C. § 2242(d)(2)). Section 901(a)(2) of the Semiconductor Chip Protection Act (17 U.S.C. § 901(a)(2)) defines “mask work.”

¹⁴³ Section 182(d)(3) of the Trade Act of 1974, as amended (19 U.S.C. § 2242(d)(3)).

¹⁴⁴ Section 182(d)(4) of the Trade Act of 1974, as amended (19 U.S.C. § 2242(d)(4)).

¹⁴⁵ Section 182(a)(2) of the Trade Act of 1974, as amended (19 U.S.C. § 2242(a)(2)).

¹⁴⁶ Section 182(b)(1) of the Trade Act of 1974, as amended (19 U.S.C. § 2242(b)(1)).

¹⁴⁷ Section 182(b)(1) of the Trade Act of 1974, as amended (19 U.S.C. § 2242(b)(1)).

¹⁴⁸ Section 302(b)(2)(A) of the Trade Act of 1974, as amended (19 U.S.C. § 2412(b)(2)(A)). Section 302(b)(2)(B) of the Trade Act of 1974, as amended (19 U.S.C. § 2412(b)(2)(B)).

¹⁴⁹ USTR, [2019 Special 301 Report](#), April 2019, Annex 1.

¹⁵⁰ Section 610(b) of the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125) (19 U.S.C. 2242(g)), as amended (accessed March 30, 2020).

benchmarks designed to assist the country to achieve, or make significant progress toward achieving, adequate and effective protection of IPRs and fair and equitable market access for U.S. persons that rely on IPR protection.

In the 2019 Special 301 review, USTR examined the adequacy and effectiveness of IPR protection in more than 100 countries.¹⁵¹ In conducting the review, USTR focused on a wide range of issues and policy objectives, including inadequate IPR protection and enforcement worldwide, compulsory technology licensing and transfer, and the unauthorized use of unlicensed software by foreign governments.¹⁵²

Although no country was identified as a priority foreign country in the *2019 Special 301 Report*, the report identified 11 countries on the priority watch list: Algeria, Argentina, Chile, China, India, Indonesia, Kuwait, Russia, Saudi Arabia, Ukraine, and Venezuela.¹⁵³ In addition, the report identified 23 countries on the watch list.¹⁵⁴

In keeping China on the priority watch list, the report highlighted serious challenges with respect to adequate and effective IPR protection in that country, as well as fair and equitable market access for U.S. persons that rely on IPR protection.¹⁵⁵ The report cites many longstanding concerns, such as coercive technology transfer requirements; structural impediments to effective IPR enforcement; widespread infringing activity, including trade secret theft; rampant online piracy and counterfeiting; and high levels of pirated and counterfeit exports. India remained on the priority watch list in 2019 due to a lack of measurable improvement to its IPR regime, particularly with respect to patents, copyrights, trade secrets, and enforcement.¹⁵⁶ Indonesia and Saudi Arabia were also specifically mentioned in the report's Executive Summary.

As part of the annual Special 301 process, USTR usually also issues a separate report on so-called notorious markets. USTR defines notorious markets as online or physical marketplaces that are reported to engage in or facilitate commercial-scale copyright piracy and trademark counterfeiting. The report highlights those markets where the scale of this activity is such that it can cause significant harm to U.S. IPR holders.¹⁵⁷ The USTR listed 38 online markets and 34 physical markets throughout the world in the 2019 review.¹⁵⁸

The "issue focus" section of the *Notorious Markets List* highlights an issue related to the facilitation of substantial counterfeiting or piracy.¹⁵⁹ Past issue focuses highlighted free trade zones (2018), illicit

¹⁵¹ USTR, [2019 Special 301 Report](#), April 2019, 9.

¹⁵² USTR, [2019 Special 301 Report](#), April 2019, 7.

¹⁵³ USTR, [2019 Special 301 Report](#), April 2019, 10.

¹⁵⁴ The countries on the 2019 watch list were Barbados, Bolivia, Brazil, Bulgaria, Canada, Colombia, Costa Rica, the Dominican Republic, Ecuador, Egypt, Greece, Guatemala, Jamaica, Lebanon, Mexico, Pakistan, Peru, Romania, Switzerland, Turkey, Turkmenistan, Uzbekistan, and Vietnam. USTR, [2019 Special 301 Report](#), April 2019, 10.

¹⁵⁵ USTR, [2019 Special 301 Report](#), April 2019, 40-49.

¹⁵⁶ USTR, [2019 Special 301 Report](#), April 2019, 6. For more information on IPR in China and India, see Section II, Country Reports. Accessed March 30, 2020.

¹⁵⁷ The most recent report was issued April 2020. USTR, [USTR Releases Annual Special 301 Report on Intellectual Property Protection and Review of Notorious Markets for Counterfeiting and Piracy](#), April 2020. Accessed April 30, 2020.

¹⁵⁸ The most recent report was issued April 2020. USTR, [USTR Releases Annual Special 301 Report on Intellectual Property Protection and Review of Notorious Markets for Counterfeiting and Piracy](#), April 2020.

¹⁵⁹ USTR, [2020 Special 301 Report](#), April 29, 2020.

streaming devices (2017), stream ripping (2016), emerging marketing and distribution tactics in Internet-facilitated counterfeiting (2015), and domain name registrars (2014). The report's issue focus for 2019 explored the nexus between online piracy and malware, which is tied to financial incentives.

Cybercriminals who create and operate malware benefit as the malware spreads among infected devices: they sell stolen personal and financial information, mine for cryptocurrency, collect ransoms, rent botnets, and sell cyberattack capabilities.¹⁶⁰ These bad actors pay piracy websites and applications (apps) to deliver malware to those who visit the websites or use the apps—between \$50–\$200 per 1,000 malware installations, according to a 2015 study. This study estimated that 229 piracy websites, including notorious online markets identified by USTR in its 2015 *Notorious Markets List*, generated roughly \$3.3 million that year by delivering malware to their visitors.¹⁶¹ The nexus between online piracy and malware can also encompass the pirated content itself. Websites—such as cyberlockers or BitTorrent sites—that require users to download rather than stream the infringing content may contain malware-infected content, including software, games, movies, music, and books.¹⁶²

The 2019 review process also highlighted a growing concern about the proliferation of counterfeiting and piracy facilitated by social media platforms, as well as e-commerce and third-party marketplace platforms. For example, submissions by right holders emphasized a growing trend of counterfeit products being offered for sale on e-commerce features related to large platforms worldwide, and the difficulties of combating them. Among the examples cited are several foreign e-commerce platforms owned by Amazon, including amazon.ca in Canada, amazon.de in Germany, amazon.fr in France, amazon.in in India, and amazon.co.uk in the United Kingdom.¹⁶³

USTR stated that it will further study and monitor these concerns. In the 2019 review, it recommended that platforms begin to address these concerns by establishing industry-standard IP enforcement policies, increasing transparency and collaboration with right holders to quickly address complaints, and working with law enforcement to identify IP violators.

Antidumping and Countervailing Duty Investigations and Reviews

Antidumping Investigations

The U.S. antidumping law is found in Title VII of the Tariff Act of 1930, as amended.¹⁶⁴ This law offers relief to U.S. industries that are materially injured by imports that are dumped—that is, sold at “less

¹⁶⁰ A botnet is “a network of computers that have been linked together by malware.” Merriam-Webster, “[Botnet](#)” (accessed May 21, 2020).

¹⁶¹ Digital Citizens Alliance & RiskIQ, *Digital Bait: How Content Theft Sites and Malware Are Exploited by Cybercriminals to Hack into Internet Users’ Computers and Personal Data*, December 2015, cited in USTR, *2019 Out-of-Cycle Review of Notorious Markets*.

¹⁶² BitTorrent is a “peer-to-peer protocol designed to transfer files.” BitTorrent, “[Download](#)” (accessed May 20, 2020). Cyberlockers are “web services that allow a user to upload and store files on dedicated, always-on servers, and then share those files with other users through a URL.” Marx, “[Storage Wars](#),” 2013; USTR, *2020 Special 301 Report*, April 2020.

¹⁶³ See American Apparel & Footwear Association (AAFA), submission in response to *2019 Special 301 Out-of-Cycle Review of Notorious Markets*, September 30, 2019.

¹⁶⁴ 19 U.S.C. § 1673 et seq.

than fair value” (LTFV). The U.S. government provides a remedy by imposing an additional duty on LTFV imports.

Antidumping duties are imposed when (1) the U.S. Department of Commerce (USDOC) has determined that imports are being, or are likely to be, sold at LTFV in the United States, and (2) the Commission has determined that a U.S. industry is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of such imports. Such a conclusion is called an “affirmative determination.” Investigations are generally initiated in response to a petition filed with USDOC and the Commission by or on behalf of a U.S. industry, but can be self-initiated by USDOC. USDOC and the Commission each make preliminary determinations and, if the Commission’s preliminary determination is affirmative, then each agency will make final determinations during the investigation process.

In general, imports are considered to be sold at LTFV when a foreign firm sells merchandise in the U.S. market at a price that is lower than the “normal value” of the merchandise.¹⁶⁵ Generally, normal value is the price the foreign firm charges for a comparable product sold in its home market.¹⁶⁶ Under certain circumstances, the foreign firm’s U.S. sales price may also be compared with the price the foreign firm charges in other export markets or with the firm’s cost of producing the merchandise, taking into account the firm’s “selling, general, and administrative expenses” and its profit. Under the law, this latter basis for comparison is known as “constructed value.”¹⁶⁷ Finally, when the producer is located in a nonmarket economy, a comparison is made between average U.S. prices and a “surrogate” normal value (its factors of production, as valued by use of a “surrogate” country).¹⁶⁸ A nonmarket-economy country means any foreign country that the administering authority determines does not operate on market principles of cost or pricing structures, so that prices paid on sales of merchandise in such a country do not reflect the fair value of the merchandise.¹⁶⁹

In all three instances, the amount by which the normal value exceeds the U.S. sales price is the “dumping margin.” The duty specified in an antidumping duty order reflects the weighted average dumping margins found by USDOC, both for the specific exporters it examined and for all other exporters.¹⁷⁰ This rate of duty (in addition to any ordinary customs duty owed) will be applied to subsequent imports from the specified producers/exporters in the subject country, and may be adjusted if USDOC receives a request for an annual review.¹⁷¹

¹⁶⁵ 19 U.S.C. § 1677(35)(A); see also 19 U.S.C. § 1677a(a) (defining export price), § 1677a(b) (defining constructed export price).

¹⁶⁶ 19 U.S.C. § 1677b.

¹⁶⁷ 19 U.S.C. § 1677b(a)(4), § 1677b(e).

¹⁶⁸ 19 U.S.C. § 1677b(c). Some examples of factors of production include hours of labor required, quantity of raw materials employed, amount of energy and other utilities consumed, and representative capital cost, including depreciation. 19 U.S.C. § 1677b(c)(3).

¹⁶⁹ 19 U.S.C. § 1677(18)(A).

¹⁷⁰ 19 U.S.C. § 1677(35)(B); 19 U.S.C. § 1673d(c).

¹⁷¹ 19 U.S.C. § 1675(a).

The Commission instituted 37 new antidumping investigations and made 33 preliminary determinations and 33 final determinations in 2019.¹⁷² As a result of these affirmative final USDOC and Commission determinations, USDOC issued 33 antidumping duty orders on 20 products from 15 countries in 2019 (table 2.1). The status of all antidumping investigations active at the Commission during 2019—including, if applicable, the date of final action—is presented in the [interactive dashboard](#) in appendix A. A list of all antidumping duty orders and suspension agreements (agreements to suspend investigations) in effect as of the end of 2019 also appears in the [interactive dashboard](#) in appendix A.¹⁷³

¹⁷² Data reported here and in the following two sections (“Countervailing Duty Investigations” and “Reviews of Outstanding Antidumping and Countervailing Duty Orders/Suspension Agreements”) reflect the total number of investigations. In other Commission reports, these data are grouped by product because the same investigative team and all of the parties participate in a single grouped proceeding, and the Commission generally produces one report and issues one opinion containing its separate determinations for each investigation.

¹⁷³ An antidumping investigation may be suspended if exporters accounting for substantially all of the imports of the merchandise under investigation agree either to eliminate the dumping or to cease exports of the merchandise to the United States within six months. In extraordinary circumstances, an investigation may be suspended if exporters agree to revise prices to completely eliminate the injurious effect of exports of the merchandise in question to the United States. If USDOC determines that the suspension agreement has been violated, it may terminate the agreement and the original suspended investigation would resume, unless a party had already requested continuation of the original investigation following completion of the suspension agreement. In the latter case, an antidumping duty order would be imposed if the suspension agreement is terminated. See 19 U.S.C. § 1673c.

Table 2.1 Antidumping duty orders that became effective during 2019^a (alphabetical by trade partner)

Trade partner	Product	Range of dumping margins (%)
Austria	Strontium Chromate	25.90
Canada	Large Diameter Welded Pipe	12.32
China	Common Alloy Aluminum Sheet	49.85–59.72
China	Truck and Bus Tires	9.00–22.57
China	Rubber Bands	27.27
China	Large Diameter Welded Pipe	132.63
China	Plastic Decorative Ribbon	61.99–370.04
China	Cast Iron Soil Pipe	235.93
China	Steel Wheels	231.70
China	Quartz	265.81–336.69
China	Steel Propane Cylinders	25.52–108.60
China	Steel Trailer Wheels	38.27–44.35
China	Steel Racks	18.06–144.50
China	Aluminum Wire and Cable	58.51–63.47
China	Vertical Metal File Cabinets	198.50
China	Refillable Stainless Steel Kegs	77.13
China	Mattresses	57.03–1,731.75
France	Strontium Chromate	32.16
Germany	Refillable Stainless Steel Kegs	7.47
Greece	Large Diameter Welded Pipe	10.26
India	Large Diameter Welded Pipe	50.55
India	Glycine	10.86–13.61
Japan	Glycine	53.66–86.22
Mexico	Refillable Stainless Steel Kegs	18.48
Singapore	Acetone	66.42–131.75
South Korea	Large Diameter Welded Pipe	6.87–20.39
Spain	Acetone	137.39–171.81
Thailand	Rubber Bands	5.87
Thailand	Steel Propane Cylinders	10.77
Thailand	Glycine	201.59–227.17
Thailand	Carbon and Alloy Steel Threaded Rod	20.83
Turkey	Large Diameter Welded Pipe	2.57–5.11
Vietnam	Laminated Woven Sacks	109.46–292.61

Source: Compiled by USITC from *Federal Register* notices.

^a Antidumping duty orders become effective following final affirmative determinations by USDOC and the Commission. The rates in the table apply in addition to any ordinary customs duty owed.

^b See Federal Register notice [85 Fed. Reg. 35264](#) regarding the revocation of Antidumping duty order for Refillable Stainless Steel Kegs from Germany.

Countervailing Duty Investigations

The U.S. countervailing duty law is also set forth in Title VII of the Tariff Act of 1930, as amended. It provides for the imposition of additional duties to offset (“countervail”) foreign subsidies on products imported into the United States.¹⁷⁴ In general, procedures for such investigations are similar to those

¹⁷⁴ A subsidy is defined as a financial benefit given by an authority (a government of a country or any public entity within the territory of the country) to a person, in which the authority either (1) provides a financial contribution,

under the antidumping law. Petitions are filed with USDOC (the administering authority) and with the Commission. Before a countervailing duty order can be issued, USDOC must find that a countervailable subsidy exists. In addition, the Commission must make an affirmative determination that a U.S. industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, because of the subsidized imports.

The Commission instituted 21 new countervailing duty investigations and made 17 preliminary determinations and 21 final determinations during 2019. USDOC issued 20 countervailing duty orders on 16 products from 5 countries in 2019 as a result of affirmative USDOC and Commission determinations (table 2.2). The status of all countervailing duty investigations active at the Commission during 2019, and, if applicable, the date of final action, is presented in the [interactive dashboard](#) in appendix A. A list of all countervailing duty orders and suspension agreements in effect at the end of 2019 also appears in the [interactive dashboard](#) in appendix A.¹⁷⁵

(2) provides any form of income or price support within the meaning of Article XVI of the General Agreement on Tariffs and Trade 1994, or (3) makes a payment to a funding mechanism to provide a financial contribution, or entrusts or directs a private entity to make a financial contribution, if providing the contribution would normally be vested in the government and the practice does not differ in substance from practices normally followed by governments. See 19 U.S.C. § 1677(5)(B).

¹⁷⁵ A countervailing duty investigation may be suspended if the government of the subsidizing country or exporters accounting for substantially all of the imports of the merchandise under investigation agree to eliminate the subsidy, to completely offset the net subsidy, or to cease exports of the merchandise to the United States within six months. In extraordinary circumstances, an investigation may be suspended if the government of the subsidizing country or exporters agrees to completely eliminate the injurious effect of exports of the merchandise in question to the United States. A suspended investigation is resumed, assuming it had not previously been continued after issuance of the suspension agreement, if USDOC determines that the suspension agreement has been violated. See 19 U.S.C. § 1671c.

Table 2.2 Countervailing duty orders that became effective during 2019^a (alphabetical by trade partner)

Trade partner	Product	Range of countervailable subsidy rates (%)
China	Common Alloy Aluminum Sheet	46.48–116.49
China	Truck and Bus Tires	20.98–63.34
China	Large Diameter Welded Pipe	198.49
China	Plastic Decorative Ribbon	14.27–94.67
China	Cast Iron Soil Pipe	14.69–109.27
China	Steel Wheels	457.10
China	Quartz	45.32–190.99
China	Steel Propane Cylinders	37.91–142.37
China	Steel Trailer Wheels	386.45–388.31
China	Steel Racks	102.23
China	Vertical Metal File Cabinets	271.79
China	Aluminum Wire and Cable	33.44–165.63
China	Refillable Stainless Steel Kegs	16.21–145.23
China	Glycine	144.01
China	Rubber Bands	125.77
India	Glycine	3.03–6.99
India	Large Diameter Welded Pipe	541.15
South Korea	Large Diameter Welded Pipe	0.01–27.42
Turkey	Large Diameter Welded Pipe	0.92–3.72
Vietnam	Laminated Woven Sacks	3.02–198.87

Source: Compiled by the USITC from *Federal Register* notices.

^a Countervailing duty orders become effective following final affirmative determinations by USDOC and the Commission. The rates in the table apply in addition to any ordinary customs duty owed.

Reviews of Outstanding Antidumping and Countervailing Duty Orders/Suspension Agreements

Section 751(a) of the Tariff Act of 1930 requires USDOC, if requested, to conduct annual reviews of outstanding antidumping duty and countervailing duty orders to ascertain the amount of any net subsidy or dumping margin and to determine compliance with suspension agreements. Section 751(b) also authorizes USDOC and the Commission, as appropriate, to review certain outstanding determinations and agreements after receiving information or a petition that shows changed circumstances.¹⁷⁶ Where a changed circumstances review is directed to the Commission, the party that is asking to have an antidumping duty order or countervailing duty order revoked or a suspended investigation terminated has the burden of persuading the Commission that circumstances have changed enough to warrant revocation. On the basis of reviews from either USDOC or the Commission, USDOC may revoke an antidumping duty or countervailing duty order in whole or in part, or may either terminate or resume a suspended investigation.

Additionally, pursuant to section 751(c) of the Tariff Act of 1930, both USDOC and the Commission must conduct reviews of existing antidumping duty and countervailing duty orders and suspension agreements five years after their initial publication and five years after publication of any subsequent determination to continue them. This process of five-year reviews, referred to as sunset reviews, began in 1995. These reviews are intended to determine whether revoking an order or terminating a

¹⁷⁶ 19 U.S.C. § 1675(b). 19 U.S.C. § 1675(b)(3).

suspension agreement would be likely to lead to the continuation or recurrence of dumping or a countervailable subsidy and of material injury. If either USDOC or the Commission reach negative determinations, the order will be revoked or the suspension agreement terminated. During 2019, USDOC and the Commission instituted 83 sunset reviews of existing antidumping and countervailing duty orders or suspended investigations, and the Commission completed 60 reviews. As a result of affirmative determinations by USDOC and the Commission, 51 antidumping duty and countervailing duty orders were continued. The [interactive dashboard](#) in appendix A lists, by date and action, the reviews of antidumping duty and countervailing duty orders and suspended investigations completed in 2019.

Section 129 Investigations

Section 129 of the Uruguay Round Agreements Act sets out a procedure by which the Administration may respond to an adverse WTO panel or Appellate Body report concerning U.S. obligations under the WTO agreements on safeguards, antidumping, or subsidies and countervailing measures. Specifically, section 129 establishes a mechanism permitting USTR to request that the agencies concerned—USDOC and the Commission—issue a consistency or compliance determination, where such action is appropriate, to respond to the recommendations in a WTO panel or Appellate Body report.¹⁷⁷ Neither USDOC or the Commission made any determinations under section 129 during 2019, nor were any proceedings in process.¹⁷⁸

Section 337 Investigations

Section 337 of the Tariff Act of 1930, as amended, prohibits certain unfair practices in the import trade. In the context of patent infringement—the most commonly asserted unfair practice—section 337 prohibits the importation into the United States, the sale for importation, and the sale within the United States after importation of articles that infringe a valid and enforceable United States patent, provided that an industry in the United States, relating to articles protected by the patent concerned, exists or is

¹⁷⁷ 19 U.S.C. § 3538; see also the Statement of Administrative Action submitted to Congress in connection with the Uruguay Round Agreements Act, 353.

¹⁷⁸ As noted in last year's *Year in Trade* report, on March 29, 2018 India requested the establishment of a WTO compliance panel in *United States—Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India* (DS436). The compliance panel circulated its panel report on November 15, 2019. The compliance panel rejected the majority of India's claims that the United States failed to bring its countervailing duty determination and injury determination into compliance. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 83.

As noted in last year's *Year in Trade* report, on September 26, 2016, the DSB adopted the panel and Appellate Body reports in *United States—Anti-Dumping and Countervailing Measures on Large Residential Washers from Korea* (DS464). On December 18, 2017, USDOC initiated a section 129 proceeding at USTR's request, and completed that proceeding on June 4, 2018, with the issuance of a final determination in which USDOC revised certain aspects of its original determination. On May 6, 2019, USDOC published a notice in the *Federal Register* announcing the revocation of the antidumping and countervailing duty orders on imports of large residential washers from South Korea. The United States represented to the DSB that, with this action, the United States has completed implementation of the DSB recommendations concerning those antidumping and countervailing duty orders. 84 Fed. Reg. 19763 (May 6, 2019); WTO, "[United States—Anti-dumping and Countervailing Measures on Large Residential Washers from Korea](#)," June 14, 2019.

in the process of being established.¹⁷⁹ Similar requirements govern investigations involving infringement of other federally registered IPRs, including registered trademarks, registered copyrights, registered mask works, and registered vessel hull designs. In addition, the Commission has general authority to investigate other unfair methods of competition and unfair acts in the importation and sale of products in the United States (such as products manufactured abroad using stolen U.S. trade secrets), the threat or effect of which is to destroy or injure a U.S. industry, to prevent the establishment of a U.S. industry, or to restrain or monopolize trade and commerce in the United States.¹⁸⁰ The Commission may institute an investigation on the basis of a complaint or on its own initiative.¹⁸¹

If the Commission determines that a violation exists, it can issue an exclusion order directing U.S. Customs and Border Protection to block the imports in question from entry into the United States. The Commission can also issue cease and desist orders that direct the violating parties to stop engaging in the unlawful practices. The orders enter into force unless disapproved for policy reasons by USTR within 60 days of issuance.¹⁸²

During calendar year 2019, there were 128 active section 337 investigations and ancillary (secondary) proceedings, 59 of which were instituted that year. Of these 59 new proceedings, 47 were new section 337 investigations and 12 were new ancillary proceedings relating to previously concluded investigations. In 33 of the new section 337 investigations instituted in 2019, patent infringement was the only type of unfair act alleged. Of the remaining 14 investigations, 3 involved allegations of patent infringement and trademark infringement; 2 involved allegations of trademark infringement; 4 involved allegations of trade secret misappropriation; 1 involved allegations of trade secret misappropriation and unfair competition; 1 involved allegations of patent infringement and false advertising; 1 involved allegations of false advertising and unfair competition; 1 involved allegations of trade secret misappropriation, false advertising, and tortious interference; and 1 involved allegations of false designation of origin, false advertising, and unfair competition.

The Commission completed a total of 63 investigations and ancillary proceedings under section 337 in 2019, including 3 enforcement proceedings, 4 rescission proceedings, 1 proceeding relating to bond forfeiture and return, 2 remand proceedings, 3 modification proceedings, 1 advisory opinion

¹⁷⁹ 19 U.S.C. § 1337. Section 337 also applies to articles that are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent. 19 U.S.C. § 1337(a)(1)(B)(ii).

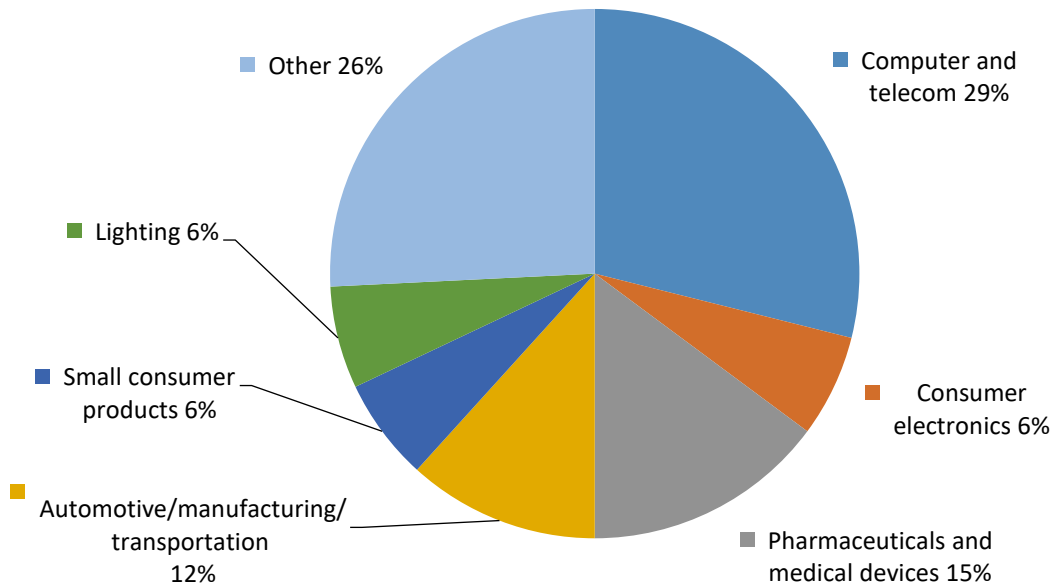
¹⁸⁰ Other unfair methods of competition and unfair acts have included common-law trademark infringement, trademark dilution, trade dress infringement, false advertising, false designation of origin, and antitrust violations. Unfair practices that involve the importation of dumped or subsidized merchandise must be pursued under antidumping or countervailing duty provisions, not under section 337.

¹⁸¹ 19 U.S.C. § 1337(b)(1).

¹⁸² 19 U.S.C. § 1337(j). Although the statute reserves the review for the President, since 2005 this function has been officially delegated to the USTR; 70 Fed. Reg. 43251 (July 26, 2005). Section 337 investigations at the Commission are conducted before an administrative law judge (ALJ) in accordance with the Administrative Procedure Act, 5 U.S.C. §§ 551 et seq. The ALJ conducts an evidentiary hearing and makes an initial determination, which is transmitted to the Commission for review. If the Commission finds a violation, it must determine the appropriate remedy, the amount of any bond to be collected while its determination is under review by USTR, and whether public-interest considerations preclude issuing a remedy.

proceeding, and 2 declassification proceedings.¹⁸³ In addition, the Commission issued 6 general exclusion orders, 9 limited exclusion orders, and 25 cease and desist orders during 2019. The Commission terminated 24 investigations without determining whether there had been a violation. Of these terminated investigations, 19 were terminated on the basis of settlement agreements and/or consent orders, 4 were terminated based on withdrawal of the complaint, and 1 was terminated for other reasons. Commission activities involving section 337 proceedings in 2019 are presented in the [interactive dashboard](#) in appendix A.¹⁸⁴

Figure 2.1 Product types at issue in active 337 proceedings, by percentage of active proceedings, 2019



Source: USITC calculations.

Note: Underlying data can be found in appendix table [B.9](#).

As in past years, the section 337 investigations active in 2019 involved a broad spectrum of products. Technology products remained the single largest category, with approximately 29 percent of the active proceedings involving computer and telecommunications equipment. The second-largest category was pharmaceuticals and medical devices, which were at issue in about 15 percent of the active proceedings. Automotive, manufacturing, and transportation products were at issue in about 12 percent of the active proceedings. Consumer electronics, small consumer items, and lighting products were each at issue about 6 percent of the proceedings. The remaining 26 percent of active proceedings involved a wide variety of other types of articles, including adjustable child carriers, botulinum toxin products, luxury

¹⁸³ A rescission proceeding is a proceeding to determine whether or not to rescind (cancel) a previously issued remedial order. A remand is a situation in which the U.S. Court of Appeals for the Federal Circuit has directed the Commission to conduct additional proceedings with respect to a previously concluded investigation.

¹⁸⁴ In Inv. No. 337-TA-1121, [Investigation of Certain Earpiece Devices and Components Thereof](#), the Commission found a violation as to certain causes of action and certain respondents, and the complainant subsequently withdrew the remaining allegations.

vinyl tiles, female fashion dresses, lithium-ion batteries, industrial food service equipment, toner cartridges, collapsible furniture, and pouch-type battery modules.

At the close of 2019, 65 section 337 investigations and related proceedings were pending at the Commission. As of December 31, 2019, there were 120 exclusion orders based on violations of section 337 in effect. The [interactive dashboard](#) in appendix A lists the investigations in which these exclusion orders were issued. Copies of the exclusion orders are available on the Commission’s website at https://www.usitc.gov/intellectual_property/exclusion_orders.htm. For additional detailed information about section 337 investigations instituted since October 1, 2008, see the Commission’s “337 Info” database, found at <https://pubapps2.usitc.gov/337external>.

National Security Investigations

USDOC completed two investigations during 2019 under the national security provisions in section 232 of the Trade Expansion Act of 1962: one on certain automobiles and parts, and the other on uranium.¹⁸⁵ USDOC also instituted one new investigation in 2019 under section 232, on titanium sponge.¹⁸⁶ Developments in all three of these investigations are described below.

No new section 232 measures were imposed by the President during 2019. Tariff increases imposed in 2017 under section 232 on certain steel and aluminum imports remained in place throughout 2019, with two adjustments: in May 2019, section 232 tariffs on steel and aluminum from Canada and Mexico were terminated, and section 232 tariffs on steel from Turkey were reduced from 50 percent ad valorem to 25 percent ad valorem.

Section 232 of the Trade Expansion Act requires the Secretary to submit a report to the President within 270 days of instituting an investigation. The report must include the Secretary’s findings “with respect to the effect of the importation of such article in such quantities or under such circumstances upon the national security” and his recommendations for action or inaction. The statute also provides that if the Secretary finds that the imported article “is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security,” he must so advise the President in his report.¹⁸⁷

Steel and Aluminum Tariffs

As explained in greater detail in the 2018 report, on March 8, 2018, the President issued two proclamations, Proclamation 9705¹⁸⁸ and 9704,¹⁸⁹ imposing additional tariffs on certain steel and aluminum products, respectively. The President issued the proclamations following receipt of reports and findings from the Secretary of Commerce under section 232 of the Trade Expansion Act of 1962

¹⁸⁵ 19 U.S.C. § 1862. As summarized in Proclamation 9888, 84 Fed. Reg. 23433 (May 21, 2019). White House, [“Memorandum on the Effect of Uranium Imports on the National Security and Establishment of the United States Nuclear Fuel Working Group,”](#) July 12, 2019.

¹⁸⁶ USDOC, [Notice of Request for Public Comments on Section 232 National Security Investigation on Imports of Titanium Sponge](#), 84 Fed. Reg. 35204 (March 8, 2019).

¹⁸⁷ 19 U.S.C. § 1862(b)(3)(A).

¹⁸⁸ Proclamation 9705, 83 Fed. Reg. 11625 (March 15, 2018).

¹⁸⁹ Proclamation 9704, 83 Fed. Reg. 11619 (March 15, 2018).

following the initiation of investigations in April 2017.¹⁹⁰ The additional tariffs—25 percent ad valorem on certain steel products, and 10 percent ad valorem on certain aluminum products—remained in effect for the duration of 2018 and through the end of 2019.¹⁹¹ The President modified the proclamations several times during 2018 to exempt certain countries and products, and further modified the proclamations in 2019. The most significant of the 2019 modifications was made in May 2019, when the President, as part of agreements reached with Canada and Mexico, terminated the section 232 tariffs imposed on imports of certain Canadian and Mexican steel¹⁹² and aluminum products.¹⁹³ At the same time, Canada and Mexico each agreed to terminate certain measures imposed on imports of certain U.S. goods in response to the U.S. section 232 tariffs, and all three countries agreed to withdraw WTO dispute litigation challenging each other's measures.¹⁹⁴

In a second adjustment in May 2019, the United States reduced the duty on imports of certain steel products from Turkey from 50 percent ad valorem to 25 percent ad valorem, effective May 21, 2019, following a decline in imports from Turkey.¹⁹⁵ The tariff on imports from Turkey had been increased effective August 13, 2018, to further reduce imports of certain steel products and increase U.S. steel producers' capacity utilization.¹⁹⁶

Automobiles and Automobile Parts

The Secretary of Commerce initiated his investigation on automobiles and automobile parts on May 23, 2018, to determine the effects on the national security of imports of automobiles, including cars, SUVs, vans and light trucks, and automobile parts. On February 17, 2019, the Secretary of Commerce transmitted his report to the President. The Secretary found and advised the President that imports of such automobiles and automobile parts threatened to impair the national security. One recommendation by the Secretary was to pursue negotiations to obtain agreements addressing the threatened impairment of national security. In the Secretary's judgment, successful negotiations could allow American-owned automobile producers to achieve long-term economic viability and increase research and development spending to develop cutting-edge technologies that are critical to the defense industry.¹⁹⁷

In Proclamation 9888 of May 17, 2019, the President announced that he concurred with the Secretary's finding and directed the U.S. Trade Representative, in consultation with other officials, to pursue negotiation of agreements to address the threatened impairment of national security due to imports of automobiles and automobile parts from the EU, Japan, and other trading partners.¹⁹⁸ The President

¹⁹⁰ USDOC, BIS, OTE, [The Effect of Imports of Steel on the National Security](#), January 11, 2018.

¹⁹¹ These higher tariffs were still in effect in 2020 when this report was prepared.

¹⁹² Proclamation 9794, 84 Fed. Reg. 23987 (May 19, 2019).

¹⁹³ Proclamation 9893, 84 Fed. Reg. 23983 (May 19, 2019).

¹⁹⁴ USTR, ["United States Announces Deal with Canada and Mexico to Lift Retaliatory Tariffs,"](#) May 2019, ["Joint Statement by the United States and Canada on Section 232 Duties on Steel and Aluminum,"](#) and ["Joint Statement by the United States and Mexico on Section 232 Duties on Steel and Aluminum,"](#) (May 17, 2019).

¹⁹⁵ Proclamation 9886, 84 Fed. Reg. 23421 (May 21, 2019).

¹⁹⁶ Proclamation 9772, 83 Fed. Reg. 40429 (August 15, 2018).

¹⁹⁷ As summarized in Proclamation 9888, 84 Fed. Reg. 23433 (May 21, 2019).

¹⁹⁸ Protected foreign markets like the EU and Japan were highlighted as exacerbating the negative effects of imports in the President's proclamation, as they limit entry of U.S. automotive exports, which prevents U.S. producers "from developing alternative sources of revenue for R&D in the face of declining domestic sales." Proclamation 9888, 84 Fed. Reg. 23433 (May 21, 2019).

further directed the Trade Representative to update him within 180 days and directed the Secretary to continue to monitor imports.¹⁹⁹ The President announced that if agreements were not reached within 180 days, the President would determine whether and what further action would need to be taken.²⁰⁰ As of the end of 2019, no agreements had been announced and no measures imposed.

Uranium

On April 14, 2019, the Secretary of Commerce transmitted his report to the President on his investigation into the effect of imports of uranium (uranium ore, uranium concentrate, uranium hexafluoride, enriched uranium, and enriched uranium in fuel assemblies) on the national security. The Secretary had initiated his investigation on uranium on July 18, 2018.²⁰¹ The Secretary reported that uranium is being imported into the United States in such quantities and under such circumstances as to threaten to impair the national security. He reported that the United States currently imports approximately 93 percent of its commercial uranium, compared to 85.8 percent in 2009, and attributed the increase to elevated production by foreign state-owned enterprises, which he said have distorted global prices and made it more difficult for domestic mines to compete.²⁰²

The President did not concur with the Secretary's finding. Although stating that the Secretary's findings raise significant concerns, the President concluded "that a fuller analysis of national security considerations with respect to the entire nuclear fuel supply chain is necessary at this time."²⁰³ He stated that domestic mining, milling, and conversion of uranium, while significant, "are only part of the nuclear supply chain necessary for national security."²⁰⁴ To address the concerns identified by the Secretary, the President directed that the Assistant to the President for National Security Affairs and the Assistant to the President for Economic Policy establish a United States Nuclear Fuel Working Group to develop recommendations for reviving and expanding domestic nuclear fuel production.²⁰⁵

Titanium Sponge

On March 4, 2019, in response to a petition, the Secretary of Commerce initiated an investigation to determine the effects on the national security of imports of titanium sponge.²⁰⁶ Titanium sponge is the

¹⁹⁹ Proclamation 9888, 84 Fed. Reg. 23433 (May 21, 2019).

²⁰⁰ White House, "[President Trump Signs Proclamation to Pursue Negotiations on Automobiles](#)," May 17, 2019.

²⁰¹ USDOC, "[Notice of Request for Public Comments on Section 232 National Security Investigation on Imports of Uranium](#)," 83 Fed. Reg. 35204 (July 25, 2018).

²⁰² White House, "[Memorandum on the Effect of Uranium Imports on the National Security and Establishment of the United States Nuclear Fuel Working Group](#)," July 2019.

²⁰³ White House, "[Memorandum on the Effect of Uranium Imports on the National Security and Establishment of the United States Nuclear Fuel Working Group](#)," July 2019.

²⁰⁴ White House, "[Memorandum on the Effect of Uranium Imports on the National Security and Establishment of the United States Nuclear Fuel Working Group](#)," July 2019.

²⁰⁵ White House, "[Memorandum on the Effect of Uranium Imports on the National Security and Establishment of the United States Nuclear Fuel Working Group](#)," July 2019.

²⁰⁶ USDOC, "[Notice of Request for Public Comments on Section 232 National Security Investigation on Imports of Titanium Sponge](#)," 84 Fed. Reg. 35204 (March 8, 2019).

primary form of titanium metal from which almost all other titanium products are made.²⁰⁷ The investigation was still underway at the end of 2019.²⁰⁸

Trade Adjustment Assistance

For several decades, the United States has provided trade adjustment assistance (TAA) to aid U.S. workers and firms adversely affected by import competition.²⁰⁹ Title IV of the Trade Preferences Extension Act (TPEA)—the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA 2015)—amended and reauthorized TAA for six years, until June 30, 2021.²¹⁰ The main TAA programs in effect in fiscal year (FY) 2019 were TAA for Workers, administered by the U.S. Department of Labor (USDOL), and TAA for Firms, administered by the U.S. Department of Commerce (USDOC). A third program, TAA for Farmers, administered by the U.S. Department of Agriculture (USDA), was reauthorized by Congress under the TPEA of 2015.²¹¹ However, the U.S. Congress did not appropriate funding for new participants in this program for FY 2019.²¹² As a result, USDA did not accept any new petitions or applications for

²⁰⁷ USDOC, “[U.S. Department of Commerce Initiates Section 232 National Security Investigation into Titanium Sponge Imports](#),” March 4, 2019.

²⁰⁸ In a memorandum issued on February 27, 2020, the President stated that the Secretary of Commerce had transmitted his report on November 29, 2019, in which the Secretary advised the President of his finding that titanium sponge is being imported into the United States in such quantities and under such conditions as to threaten to impair the national security. The Secretary stated that imports account for 68 percent of U.S. consumption of titanium sponge, that low-priced imports of titanium sponge and titanium scrap depress the price of U.S. titanium sponge, and that if the remaining domestic facility ceases operation, the United States will have no active domestic capacity to produce titanium sponge for national defense and critical infrastructure needs. The Secretary also found that 94.4 percent of titanium sponge imports in 2018 were from Japan.

The President concurred in the Secretary’s finding. He also agreed with the Secretary’s recommendation that actions to adjust imports under section 232 not be taken at this time, because measures other than the adjustment of imports are more likely to be effective to address the threatened impairment of the national security. Based on that recommendation, the President directed the Secretary of Defense and Secretary of Commerce to form a working group, including heads of other agencies, and invite their counterpart agencies in Japan to participate in discussions in order to agree upon measures to ensure access to titanium sponge in the United States for use for national defense and critical industries in an emergency. The President also directed the Secretary of Defense to take all appropriate action, including using delegated authorities under the Defense Production Act and seeking new appropriations as necessary, to increase access to titanium sponge for national defense and critical industries. White House, “[Memorandum on the Effect of Titanium Sponge Imports on the National Security](#),” February 27, 2020.

²⁰⁹ The Trade Adjustment Assistance (TAA) program was first established by the Trade Expansion Act of 1962 (Pub. L. 87-793) and subsequently expanded and reauthorized numerous times. For more background on its history, see Guth and Lee, “A Brief History,” January 2017. For recent history, see previous annual [Year in Trade](#) reports.

²¹⁰ Pub. L. 114-27, sect. 403. TAARA of 2015 contains sunset provisions similar to those in the Trade Adjustment Assistance Extension Act (TAAEA) of 2011, which took effect in 2014. Beginning July 1, 2021, the TAA program is scheduled to revert to a more limited set of eligibility and benefit provisions that are similar to the Reversion 2014 provisions (e.g., services firms will no longer be eligible for the program). These provisions are scheduled to remain in place for one year; the authorization is set to expire after June 30, 2022, on which date the program is scheduled to begin to be phased out. CRS, [Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015](#), August 14, 2018, 13.

²¹¹ The Trade Preferences Extension Act (TPEA) of 2015 reauthorized the TAA for Farmers Program for FY 2015 through FY 2021.

²¹² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 140.

benefits in FY 2019.²¹³ Table 2.3 provides information on the amount of funding allocated to TAA programs in recent years. Selected developments in the TAA programs for workers and firms during FY 2019 are summarized below.²¹⁴

Table 2.3 Funding by the TAA Program, FY 2015–19 (million dollars)

	TAA for Workers	TAA for Firms	TAA for Farmers
2015	507.4	20	0
2016	626.8	13	0
2017	716.4	13	0
2018	667.1	13	0
2019	582.1	13	0

Source: USITC, *Year in Trade 2015*; USITC, *Year in Trade 2016*; USITC, *Year in Trade 2017*; USITC, *Year in Trade 2018*; USTR, *2020 Trade Policy Agenda and 2019 Annual Report*, February 2020, 139–40.

Assistance for Workers

The provisions relating to TAA for Workers are set out in chapter 2 of title II of the Trade Act of 1974.²¹⁵ The program provides federal assistance to eligible workers who have been adversely affected by import competition. The TAA program offers a variety of benefits and services to eligible workers, including training, help with healthcare premium costs, trade readjustment allowances, reemployment assistance, and employment and case management services.²¹⁶ Current information on provisions of the TAA for Workers program, as well as detailed information on program eligibility requirements, benefits, and available services, is available at USDOL’s Employment and Training Administration (ETA) website for TAA, <https://www.dol.gov/agencies/eta/tradeact>.

For petitioning workers to be eligible to apply for TAA, the Secretary of Labor must determine that they meet certain criteria relating to the reasons they were separated from their firm, including declining sales or production at their firm and increased imports of like or directly competitive articles.²¹⁷ (Workers often apply in groups based on their former firms.) Workers at firms that are or were suppliers to or downstream users of the output of TAA-certified firms may also be eligible for TAA benefits.²¹⁸

In 2019, \$582.1 million was allocated to state governments to fund different aspects of the TAA for Workers program. Funding of \$401.0 million for “Training and Other Activities” included funds for training, job search allowances, relocation allowances, employment and case management services, and related state administration; \$161.8 million for Trade Readjustment Allowance benefits; and \$19.3

²¹³ USTR, *2020 Trade Policy Agenda and 2019 Annual Report*, February 2020, 140.

²¹⁴ FY 2019 ran from October 1, 2018, to September 30, 2019.

²¹⁵ 19 U.S.C. § 2271 et seq.

²¹⁶ Trade Readjustment Allowances (TRAs) provide income support to eligible workers who participate in training. Reemployment TAA provides a wage supplement to eligible workers age 50 or older when they accept new employment at a lower wage. USDOL, ETA, “[TAA Program Benefits and Services under the 2015 Amendments](#)” (accessed April 9, 2020).

²¹⁷ See 19 U.S.C. § 2272.

²¹⁸ 19 U.S.C. § 2272.

million for Alternative Trade Adjustment Assistance/ Reemployment Trade Adjustment Assistance benefits.²¹⁹

Groups of workers submitted 1,235 petitions for TAA in FY 2019, a slight decline from the 1,273 petitions filed in FY 2018. USDOL certified 799 petitions covering 88,001 workers as eligible for TAA, and denied 316 petitions covering 21,881 workers.²²⁰ The largest number of petitions certified in FY 2019 was in the South census region, followed by the West, Northeast, and Midwest (table 2.4).²²¹ By state, California had the most workers certified (10,555 workers), followed by Virginia (6,354), Georgia (5,400), and Illinois (5,303).²²²

Table 2.4 TAA certifications, by region, FY 2019

Census region	No. of petitions certified	No. of workers covered
Midwest	170	24,066
South	237	30,249
Northeast	179	14,007
West	212	19,399
Other	1	280

Source: USDOL, ETA, email message to USITC staff, March 4, 2020.

The majority (53.1 percent, 424 petitions) of the TAA petitions certified during FY 2019 were in the manufacturing sector, covering 51,693 workers. Petitions in this category were followed by those in the professional, scientific, and technical services sector (14.3 percent, 114 petitions) and the finance and insurance sector (9.0 percent, 72 petitions) (figure 2.2).²²³

²¹⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 139.

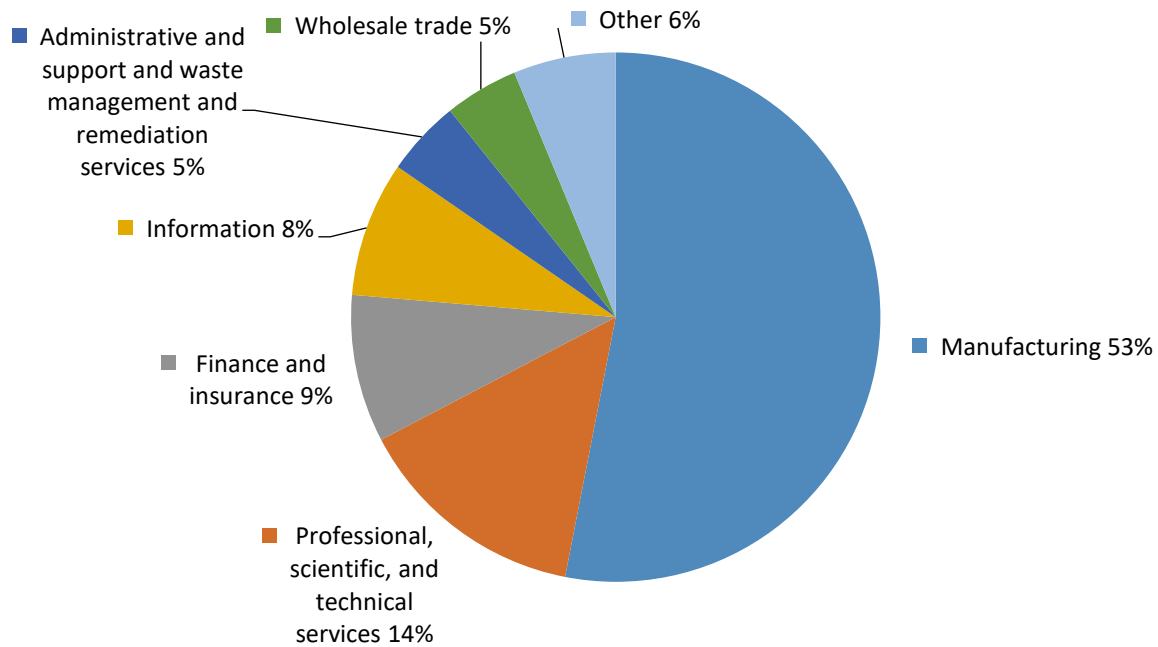
²²⁰ USDOL, ETA, email message to USITC staff, March 4, 2020.

²²¹ The regional classification is based on definitions from the U.S. Census Bureau. See [U.S. Census website](#) (accessed April 10, 2020).

²²² USDOL, ETA, email message to USITC staff, March 4, 2020.

²²³ USDOL, ETA, email message to USITC staff, March 4, 2020.

Figure 2.2 Share of TAA petitions certified by industry sector in FY 2019



Source: USDOL, ETA, email message to USITC staff, March 4, 2020.

^a “Other” includes all industry sectors where less than 30 petitions were certified in FY 2019.

Note: Underlying data can be found in appendix table [B.10](#).

On November 7, 2019, the USDOL posted a Notice of Proposed Rulemaking to the *Federal Register* that would both expand worker access to support opportunities, such as apprenticeships, and make it easier for states to administer the TAA Program.²²⁴ This is the first proposed regulatory update to the TAA Program in more than two decades. The public comment period closed on December 11, 2019, and the final rule is expected to be issued some time in FY 2020.²²⁵

Assistance for Firms

The TAA for Firms program provides technical assistance to help U.S. firms experiencing a decline in sales and employment to become more competitive in the global marketplace.²²⁶ The program provides cost-sharing technical assistance to help eligible businesses create and implement targeted business recovery plans. The program pays up to 75 percent of the costs of developing the recovery plans, with firms also contributing a share of the cost of creating and implementing their recovery plans.²²⁷ Current information on provisions of the TAA for Firms program, as well as detailed information on program eligibility requirements, benefits, and available services, is available at USDOC’s Economic Development Administration (EDA) website for TAA, <http://www.taacenters.org/index.html>.

²²⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 140.

²²⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 140.

²²⁶ Trade Act of 1974, 19 U.S.C. § 2341 et seq.; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 140.

²²⁷ USDOC, EDA, “[Trade Adjustment Assistance for Firms](#)” (accessed April 12, 2020).

To be eligible for the program, a firm must show that an increase in imports of like or directly competitive articles “contributed importantly” to the decline in sales or production and to the separation or threat of separation of a significant portion of the firm’s workers.²²⁸ The program supports a nationwide network of 11 nonprofit or university-affiliated Trade Adjustment Assistance Centers to help firms to apply for a certification of eligibility and to implement a business recovery plan or adjustment proposal.²²⁹ Historically, most firms that apply for Trade Adjustment Assistance for Firms certification are in the manufacturing sector.²³⁰

In FY 2019, EDA awarded a total of \$13 million in TAA for Firms Program funds to its national network of 11 Trade Adjustment Assistance Centers.²³¹ During FY 2019, EDA certified 67 petitions for eligibility and approved 66 adjustment protocols.²³²

Tariff Preference Programs

Tariff preference programs allow the United States to assist beneficiary countries by providing greater access to the U.S. market.²³³ U.S. imports under preference programs have declined in recent years; from 2018 to 2019, the preference program share of total U.S. general imports fell to 1.1 percent (down from 1.4 percent). Total preference program imports declined by 21.0 percent, and the share of country imports entered under the African Growth and Opportunity Act (AGOA), Caribbean Basin Economic Recovery Act (CBERA)/Caribbean Basin Trade Partnership Act (CBTPA), and U.S. Generalized System of Preferences (GSP) declined by at least 15.8 percent (see table 2.5). Sharp reductions in AGOA imports for consumption from Angola (72.1 percent), Chad (99.1 percent), Côte d’Ivoire (99.2 percent), and Gabon (99.9 percent) ([interactive dashboard](#) in appendix A), were driven, in part, by a reduction in imports of petroleum oils (41.9 percent) and passenger motor vehicles (37.2 percent) ([interactive dashboard](#) in appendix A).²³⁴ Reductions in CBERA/CBTPA imports from Trinidad and Tobago (65.8 percent) ([interactive dashboard](#) in appendix A), were driven, in large part, by an overall reduction of methanol imports (20.6 percent) and complete disappearance of methanol imports under CBERA (100 percent).²³⁵ Reductions in GSP imports from India (54.9 percent) and Turkey (59.0 percent) were driven, in large part, by their loss of GSP eligibility at the end of May 2019.

²²⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 140.

²²⁹ USDOC, EDA, [Fiscal Year 2018 Annual Report to Congress: Trade Adjustment Assistance for Firms Program](#) (accessed April 12, 2020), 2.

²³⁰ USDOC, EDA, [Fiscal Year 2018 Annual Report to Congress: Trade Adjustment Assistance for Firms Program](#) (accessed April 12, 2020), 2.

²³¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 140.

²³² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 140.

²³³ USTR, [“Preference Programs”](#) (accessed May 11, 2020).

²³⁴ “Petroleum oils” refers to HTS 2709.00, petroleum oils and oils from bituminous minerals, crude; “passenger motor vehicles” refers to HTS 8703.23, passenger motor vehicles with spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 1,500 cc but not over 3,000 cc.

²³⁵ Imports of methanol (HTS 290511) from Trinidad and Tobago fell to \$367.5 million in 2019, down from \$462.7 million in 2018. Imports of methanol that qualify for duty-free status under CBERA (HTS 2905112000) fell to \$0 in 2019, down from \$270.9 million in 2018. IHS Markit Global Trade Atlas database, (accessed May 12, 2020).

Table 2.5 Imports for specified tariff preference programs as a share of total program-eligible country imports, 2017–19.

Tariff preference program	Share of program-eligible country imports			
	2017	2018	2019	% change 2018–19
AGOA	80.0	77.4	64.2	-17.1
CBERA/CBTPA	41.7	40.4	27.7	-31.4
GSP (including GSP-LDBC) imports	50.7	49.9	42.0	-15.8
NPP	37.0	45.8	47.4	3.5

Source: USITC DataWeb/USDOC (accessed March 4, 2020).

Note: AGOA is the African Growth and Opportunity Act; CBERA is the Caribbean Basin Economic Recovery Act (CBERA); CBTPA is the Caribbean Basin Trade Partnership; GSP is the U.S. Generalized System of Preferences, and GSP-LDBC is U.S. Generalized System of Preferences for least-developed beneficiary developing countries; NPP is the Nepal Preference Program discussed later in this chapter. Percentages reflect the total imports for consumption under the specified program as a share of imports for consumption of products classified under eligible Harmonized Tariff Schedule 8-digit subheadings from program-eligible countries.

Generalized System of Preferences

The U.S. Generalized System of Preferences (GSP) program authorizes the President to grant duty-free access to the U.S. market for about 3,500 products that are imported from designated developing countries and territories.²³⁶ Certain additional products (about 1,500 products) are allowed duty-free treatment only when imported from countries designated as least-developed beneficiary developing countries (LDBDCs).²³⁷ The President’s authority to provide duty-free treatment under the GSP program expires on December 31, 2020.²³⁸

The goal of the GSP program is to accelerate economic growth in developing countries by offering unilateral tariff preferences for imports into the U.S. market.²³⁹ An underlying principle of the GSP program is that the creation of trade opportunities for developing countries encourages broader-based economic development and creates momentum for economic reform and liberalization.²⁴⁰

Countries are designated as “beneficiary developing countries” under the GSP program by the President, although they can lose this designation based on findings of country practices that violate the provisions of the GSP statute, including inadequate protection of IPRs or of internationally recognized worker rights.²⁴¹ Complaints about such violations (country practice allegations) are usually brought to the attention of the interagency GSP subcommittee by a petition process. Some beneficiary developing countries are also designated as LDBDCs and, as such, are eligible for GSP benefits for an additional list of about 1,500 products.

²³⁶ The program is authorized by Title V of the Trade Act of 1974, as amended, 19 U.S.C. § 2461 et seq. The list of current GSP beneficiaries can be found on the [USTR’s website](#).

²³⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 100.

²³⁸ 19 U.S.C. 2465. The President’s authority to provide duty-free treatment under the GSP program was last reauthorized on March 23, 2018, with retroactive coverage from January 1, 2018. The renewal also made technical modifications to procedures for competitive need limits (CNLs) and waivers.

²³⁹ USTR, [U.S. Generalized System of Preferences Guidebook](#), December 2019, 4.

²⁴⁰ USTR, [2018 Trade Policy Agenda and 2017 Annual Report](#), March 2018, 55.

²⁴¹ As of March 2020, there are eight ongoing country practice petitions under review by the GSP subcommittee. See USTR, [“Generalized System of Preferences \(GSP\)”](#) (accessed March 31, 2020).

The President also designates the articles that are eligible for duty-free treatment, but he is not permitted to designate any articles that he determines to be “import sensitive” in the context of GSP. In addition, certain goods (e.g., most footwear, textiles, and apparel) are designated by statute as “import sensitive” and thus not eligible for duty-free treatment under the GSP program.²⁴² The statute further provides that countries “graduate” from the program when they become “high income,” as defined by the World Bank’s per capita income tables.²⁴³ In addition, the statute allows for ending the eligibility of certain imports, or imports from specific countries, under certain conditions.

Competitive need limitations (CNLs) are another important part of the GSP program’s structure. CNLs are quantitative ceilings on GSP benefits for each product and beneficiary developing country.²⁴⁴ The GSP statute provides that a beneficiary developing country will lose its GSP eligibility with respect to a product if the CNLs are exceeded, though waivers may be granted under certain conditions.²⁴⁵ Two different measures for CNLs may apply to U.S. imports of a particular product from a beneficiary developing country during any calendar year. One CNL measure applies to imports from a beneficiary developing country that account for 50 percent or more of the value of total U.S. imports of that product. The other applies to imports that exceed a certain dollar value (\$190 million in 2019).²⁴⁶ The legislation to reauthorize the GSP program in 2006 provided that a CNL waiver in effect on a product for five or more years should be revoked if total U.S. imports from a beneficiary developing country exceed certain “super-competitive” value thresholds—that is, 75 percent of all U.S imports or 150 percent of the current year’s CNL dollar limit.²⁴⁷

The following developments with respect to the U.S. GSP program occurred in 2019:

- On May 16, 2019, the President issued Proclamation 9887 terminating Turkey’s designation as a beneficiary developing country, effective May 17, 2019, based on its level of economic development.²⁴⁸ Turkey was the fifth leading GSP beneficiary in 2018.
- On May 31, 2019, the President issued Proclamation 9902, terminating India’s designation as a beneficiary developing country, effective June 5, 2019, based on India’s failure to provide the United States with equitable and reasonable access to its markets.²⁴⁹ India was the leading GSP beneficiary country in 2018.
- On September 7, 2019, additional results of the 2018/2019 GSP Annual Review included the denial of two petitions to remove two polyethylene terephthalate (PET) products from GSP eligibility for Pakistan. A CNL waiver was granted for plastic spectacle lenses from Thailand, while a CNL waiver petition for stearic acid from Indonesia was denied. North Macedonia

²⁴² 19 U.S.C. § 2463(b).

²⁴³ 19 U.S.C. § 2462(e). New thresholds are determined at the start of the World Bank’s fiscal year in July and remain fixed for 12 months, regardless of subsequent revisions to estimates. As of July 1, 2019, the new threshold for high-income classification was \$12,375. World Bank, [“GDP Per Capita \(Current US\\$\)”](#) (accessed March 27, 2020).

²⁴⁴ CNLs do not apply to least-developed beneficiary developing countries (LDBDCs) or to developing countries that are beneficiaries of the African Growth and Opportunity Act (AGOA).

²⁴⁵ 19 U.S.C. § 2463(c)-(d).

²⁴⁶ USTR, [U.S. Generalized System of Preferences \(GSP\) Guidebook](#), December 2019. 19 U.S.C. § 2463(c)(2).

²⁴⁷ 19 U.S.C. § 2463(d)(4)(B)(ii).

²⁴⁸ Proclamation 9887, 84 Fed. Reg. 23425 (May 21, 2020).

²⁴⁹ Proclamation 9902, 84 Fed. Reg. 26323 (June 5, 2019).

exceeded the CNL for diesel engine motor vehicles designed to carry 16 passengers and no waiver petitioner was filed, so imports of that product from that country are no longer eligible for GSP benefits. De minimis CNL waivers were granted for 27 eligible products.²⁵⁰ Three products that had been excluded during prior GSP reviews, but for which import levels had dropped below the threshold amounts set for the current review, were redesignated as GSP eligible (fresh orchids from Thailand and two plywood veneer products from Indonesia).²⁵¹

- On October 25, 2019, USTR announced the suspension of \$1.3 billion in trade preferences under the GSP for Thailand (about a third of Thailand’s GSP benefits) based on its failure to adequately provide worker rights.²⁵²
- On October 25, 2019, USTR announced the partial restoration of Ukraine’s GSP benefits in recognition of Ukraine’s tangible progress on intellectual property rights. The restored benefits had been removed in 2017.²⁵³
- On October 25, 2019, USTR also announced it was opening new GSP-eligibility reviews for two countries: South Africa, based on IP protection and enforcement concerns, and Azerbaijan, based on worker rights concerns. USTR also closed GSP-eligibility reviews with no loss of GSP eligibility for three countries: the results for the first two, Bolivia and Iraq, were based on improvements in the protection of worker rights in those countries, and the result for the third, Uzbekistan, was based on improvements in its protection and enforcement of IP rights.²⁵⁴
- On November 19, 2019, USTR announced a GSP country practice review hearing to be held in January 2020. The announcement stated that the hearing would focus on country practices in Azerbaijan, Ecuador, Georgia, Indonesia, Kazakhstan, Thailand, South Africa, and Uzbekistan, and also would review the country eligibility of Laos.²⁵⁵

U.S. imports under GSP dropped 12.5 percent from \$23.8 billion in 2018 to \$20.9 billion in 2019 (table 2.6). GSP accounted for 8.9 percent of imports from all GSP-eligible countries, down from 10 percent in 2018.

Thailand was the leading source of imports entered under the GSP program in 2019, followed by India and Indonesia ([interactive dashboard](#) in appendix A). These three countries together accounted for about half of all U.S. imports under GSP in 2019, while the top five countries (including Brazil and Philippines) accounted for about three-fourths of GSP imports.

²⁵⁰ As defined by the GSP statute, a waiver may be given when total U.S. imports from all countries of a product are “de minimis” (a threshold value beneath which an import is entered with no duty). Like the dollar-value CNLs, the de minimis level is adjusted each year, in increments of \$500,000. The de minimis level in 2019 was \$24.5 million.

²⁵¹ A complete list of actions taken in the 2018/2019 annual review may be found at [Results of the 2019 GSP Annual Review](#).

²⁵² USTR, [“USTR Announces GSP Enforcement Actions and Successes for Seven Countries,”](#) October 25, 2019.

²⁵³ USTR, [“USTR Announces GSP Enforcement Actions and Successes for Seven Countries,”](#) October 25, 2019.

²⁵⁴ USTR, [“USTR Announces GSP Enforcement Actions and Successes for Seven Countries,”](#) October 25, 2019.

²⁵⁵ 84 Fed. Reg. 63955 (November 19, 2019).

Table 2.6 U.S. imports for consumption from GSP beneficiaries, 2017–19

Item	2017	2018	2019
Total imports from GSP beneficiaries (million \$)	214,488	237,301	234,682
Total imports under GSP (million \$)	21,608	23,837	20,869
Imports under LDBDC provisions (million \$) ^a	104	142	182
Imports under non-LDBDC provisions (million \$) ^b	21,504	23,695	20,686
Imports under GSP (as a share of all imports from GSP beneficiaries) ^c	10.1	10.0	8.9

Source: USITC DataWeb/USDOC (accessed March 23, 2020).

Note: Because of rounding, figures may not add to totals shown. LDBDC = least-developed beneficiary developing country. An alternative presentation of this table with additional data can be found in appendix table [C.1](#).

^a LDBDC-eligible products are those for which the rate of duty of “free” appears in the special rate column of the HTS, followed by the symbol “A+” in parentheses. The symbol “A+” indicates that all LDBDCs (and only LDBDCs) are eligible for duty-free treatment with respect to all articles listed in the designated provisions.

^b Non-LDBDC-eligible products are those for which a rate of duty of “free” appears in the special rate column of the HTS followed by the symbols “A” or “A*” in parentheses. The symbol “A” indicates that all beneficiary countries are eligible for duty-free treatment with respect to all articles listed in the designated provisions. The symbol “A*” indicates that certain beneficiary countries (specified in general note 4(d) of the HTS) are not eligible for duty-free treatment with respect to any article listed in the designated provision.

^c Not all products are eligible for GSP.

In 2019, imports under GSP declined in several leading sectors. The agricultural products sector was the top sector for imports claiming eligibility under GSP, but agricultural imports under GSP dropped 14.3 percent from their 2018 level ([interactive dashboard](#) in appendix A).²⁵⁶ Similarly, while forest products ranked second in 2019, imports under GSP of forest products dropped by 5.5 percent from 2018. The chemical sector ranked third, but imports under GSP of chemicals dropped 18.8 percent from 2018 levels. On the other hand, in the energy sector, which ranked fourth, GSP imports increased 12.5 percent over 2018. Among the leading product sectors, footwear accounted for the only other increase in GSP imports compared to 2018, ranking sixth overall by value and increasing 5.9 percent.

Among the top 15 U.S. imports under GSP by HTS ([interactive dashboard](#) in appendix A), luggage and flat goods were the leading GSP import by value, increasing 85 percent from 2018. Gold jewelry imports were the second-highest GSP import product by value.²⁵⁷ Those imports increased 15 percent from 2018. The third- and fourth-highest GSP imports by value were handbags imported under two different subheadings of the HTS.²⁵⁸ Those imports increased 70 percent and 39.3 percent over 2018 levels. The increase in the level of GSP imports of luggage, handbags, and flat goods is likely the result of the relatively recent addition of these products to GSP eligibility from all GSP beneficiary countries.²⁵⁹

Nepal Trade Preference Program

The Nepal Trade Preferences Act (NTPA) was established under section 915 of the Trade Facilitation and Trade Enforcement Act of 2015. This act entered into effect on December 30, 2016.²⁶⁰ The Nepal Trade

²⁵⁶ The USITC digest sectors are based on official USDOC trade statistics as maintained by the USITC.

²⁵⁷ Luggage and flat goods: HTS subheading 4202.92. Gold jewelry: HTS subheading 7113.19.

²⁵⁸ HTS subheadings 4202.22 and 4202.21.

²⁵⁹ Luggage and flat good were added to GSP for all beneficiary countries in June 2017. See USTR, [“USTR Announces New Trade Preference Program Enforcement Effort,”](#) June 26, 2017.

²⁶⁰ Proclamation 9555, 81 Fed. Reg. 92499 (December 20, 2016).

Preference Program, which was launched under the authority of NTPA, was designed to help Nepal's economic recovery following a 2015 earthquake.²⁶¹ It is scheduled to expire on December 31, 2025.²⁶²

NTPA authorizes the President to provide preferential treatment to articles imported directly from Nepal into the United States if the President determines that Nepal meets certain requirements set forth in NTPA, in the African Growth and Opportunity Act (AGOA), and in GSP statutes.²⁶³ NTPA originally gave Nepal duty-free access to the U.S. market for goods classified under 66 HTS 8-digit tariff lines, including certain luggage and flat goods in HTS chapter 42, certain carpets and floor coverings in chapter 57, some apparel in chapters 61 and 62, two non-apparel made-up textile articles in chapter 63, and various headwear items in chapter 65.²⁶⁴ Nepal is eligible for duty-free treatment on 77 tariff lines, 31 of which are also duty free under GSP.²⁶⁵ However, NTPA's rules of origin differ from GSP's—under NTPA, U.S. content may be counted toward part of the requirement for 35 percent value added.²⁶⁶

In 2019, total U.S. imports from Nepal were \$90.9 million; imports from Nepal under GSP were \$12.8 million; and imports under NTPA were \$3.1 million. Imports under NTPA represented 3.4 percent of total imports from Nepal, a slight rise from 3.2 percent in 2018 (table 2.7). U.S. imports under NTPA and GSP as a share of all imports from Nepal under HTS codes that were eligible for NTPA and GSP preferences rose from 62.8 percent in 2018 to 63.0 percent in 2019.

Table 2.7 U.S. imports for consumption from Nepal, 2017–19

Item	2017	2018	2019
Total imports from Nepal (thousand \$)	91,681	98,526	90,872
Imports under GSP (thousand \$)	8,567	9,256	12,783
Imports under NTPP (thousand \$)	2,368	3,127	3,061
Share of total imports from Nepal:			
Imports under GSP (%)	9.3	9.4	14.1
Imports under NTPP (%)	2.6	3.2	3.4
Imports under NTPP and GSP as a share of all NTPP-eligible imports (%) ^a	59.1	62.8	63.0

Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: An alternative presentation of this table with additional data can be found in appendix table C.2.

^a Nepal Trade Preference Program (NTPP)-eligible products are those for which a rate of duty of "free" appears in the special rate column of the HTS followed by the symbol "NP" in parentheses. The symbol "NP" indicates that Nepal is eligible for duty-free treatment with respect to all articles listed in the designated provisions. Includes imports for which preferential tariff treatment was claimed for NTPP-eligible goods by U.S. importers under GSP, for HTS rate lines with special duty symbols "A," "A*," or "A+."

²⁶¹ USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 37.

²⁶² Proclamation 9555, 81 Fed. Reg. 92499 (December 20, 2016).

²⁶³ In 2016, USITC conducted an investigation on whether certain textile and apparel articles from Nepal are import sensitive. USITC, [Nepal: Advice Concerning Whether Certain Textile and Apparel Articles Are Import Sensitive](#), October 2016.

²⁶⁴ 19 U.S.C. § 4454 (c)(2)(A)(iii).

²⁶⁵ USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 37; 81 Fed. Reg. 92499 (December 20, 2016). Nepal is an LDBDC under GSP. In 2018, it imported products under 129 of the over 5,000 HTS 8-digit tariff lines under which it is eligible to receive duty-free treatment under GSP.

²⁶⁶ The cost or value of the materials produced in either Nepal or the United States, plus the direct cost of processing performed in Nepal or the United States, must total at least 35 percent of the appraised customs value of the product at the time of entry.

African Growth and Opportunity Act

Enacted in 2000, the African Growth and Opportunity Act (AGOA) gives tariff preferences to eligible sub-Saharan African (SSA) countries pursuing political and economic reform.²⁶⁷ In particular, AGOA provides duty-free access to the U.S. market for all GSP-eligible products, and for more than 1,800 additional qualifying HTS 8-digit tariff-line items that are eligible under AGOA only. While AGOA's eligibility criteria and rules of origin are similar to those of the GSP program, AGOA beneficiary countries are exempt from the GSP competitive need limitations (CNLs).²⁶⁸ AGOA also provides duty-free treatment for certain apparel articles cut and sewn in designated beneficiary countries on the condition that additional eligibility criteria are satisfied.²⁶⁹ The current AGOA expiration date is September 30, 2025.²⁷⁰

Each year, the President must consider whether individual SSA countries are, or remain, eligible for AGOA benefits based on the eligibility criteria. USTR initiates this annual eligibility review with the publication of a notice in the *Federal Register* requesting comments and announcing a public hearing. In 2019, 39 SSA countries were eligible for AGOA benefits.²⁷¹ Of these countries, 27 were eligible for AGOA textile and apparel benefits for all or part of 2019.²⁷² Of the countries in the latter group, all but one (South Africa) were also eligible for additional textile and apparel benefits intended for least-developed beneficiary countries (LDBCs) for all or part of 2019.²⁷³ Notable among these extra benefits is the third-country fabric provision for LDBCs. This provision provides duty-free treatment for certain apparel articles cut and sewn in designated beneficiary countries from non-U.S., non-AGOA fabrics as long as

²⁶⁷ 19 U.S.C. § 2463 and 19 U.S.C. § 3722.

²⁶⁸ AGOA eligibility criteria are set forth in section 104 of AGOA (19 U.S.C. § 3703) and section 502 of the Trade Act of 1974 (19 U.S.C. § 2463). Countries must be GSP eligible as well as AGOA eligible in order to receive AGOA's trade benefits. The (non-apparel) rules of origin under GSP (and AGOA) are set forth in section 503 of the Trade Act of 1974 (19 U.S.C. § 2463 (a)(2)) and are reflected in HTS general notes 4 and 16. See also Section 111(b) of AGOA (19 U.S.C. § 2463 (c)(2)(D)). As noted earlier, the GSP program imposes quantitative ceilings called competitive need limitations (CNLs) on GSP benefits for all tariff items and beneficiary developing countries. Under certain circumstances, these ceilings may be waived. U.S. Customs, "[Generalized System of Preferences \(GSP\)](#)" (accessed March 18, 2020).

²⁶⁹ Section 113 of AGOA (19 U.S.C. § 3722). See HTS chapter 98, subchapter XIX, for applicable provisions.

²⁷⁰ The Trade Preferences Extension Act of 2015 extended the expiration date of AGOA from September 30, 2015, to September 30, 2025.

²⁷¹ USITC, *The Year in Trade 2018*, October 2019, 88. In 2019, the following 39 SSA countries were designated as beneficiary AGOA countries: Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Côte d'Ivoire, Djibouti, Ethiopia, Eswatini (formerly Swaziland), Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, and Zambia.

²⁷² Twenty-seven SSA countries were eligible for AGOA textile and apparel benefits for all or part of 2019. They were Benin, Botswana, Burkina Faso, Cameroon, Cabo Verde, Chad, Côte d'Ivoire, Eswatini (formerly Swaziland), Ethiopia, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, and Zambia. AGOA benefits for Mali were reinstated in 2014. However, textile and apparel benefits will not be reinstated for any of these countries until the country reapplies for its visa arrangement. Meanwhile, Cameroon's AGOA benefits were terminated effective January 1, 2020. See Presidential Proclamation 9974, December 26, 2019. USDOC, OTEXA, "Preferences: Country Eligibility, Apparel Eligibility, and Textile Eligibility (Category 0 and Category 9)" (accessed March 18, 2020).

²⁷³ USDOC, OTEXA, "Preferences: Country Eligibility, Apparel Eligibility, and Textile Eligibility (Category 0 and Category 9)" (accessed March 18, 2020).

additional eligibility criteria are satisfied.²⁷⁴ Meanwhile, as a result of the 2019 annual AGOA eligibility review, Cameroon’s AGOA eligibility was terminated effective January 1, 2020; 38 SSA countries remain eligible for AGOA benefits in 2020.²⁷⁵

In 2019, the value of U.S. imports that entered free of duty from beneficiary countries under AGOA (including imports under GSP) was \$8.4 billion, a 30.1 percent decline from 2018. These imports accounted for 40.5 percent of total imports from AGOA countries in 2019. In 2019, imports entering the United States exclusively under AGOA (excluding those entered under GSP) were valued at \$7.3 billion, accounting for 35.3 percent of U.S. imports from AGOA countries (table 2.8).

Table 2.8 U.S. imports for consumption from AGOA beneficiaries, 2017–19

Item	2017	2018	2019
Total imports from AGOA countries (million \$)	24,868	24,524	20,763
Total imports under AGOA (million \$) ^a	13,550	12,025	8,400
Imports under AGOA, excluding GSP (million \$)	12,235	10,791	7,328
Total imports under AGOA (as a share of all imports from AGOA countries)	54.5	49.0	40.5

Source: USITC DataWeb/USDOC (accessed March 18, 2020).

Note: An alternative presentation of this table with additional data can be found in appendix table C.3.

^a AGOA-eligible products are those for which a rate of duty of “free” appears in the special rate column of the HTS followed by the symbol “D” in parentheses. The symbol “D” indicates that all AGOA beneficiaries are eligible for duty-free treatment with respect to all articles listed in the designated provisions. In addition, provisions of subchapters II and XIX of chapter 98 of the HTS set forth specific categories of AGOA-eligible products, under the terms of separate country designations enumerated in subchapter notes. Includes imports for which preferential tariff treatment was claimed for AGOA-eligible goods by U.S. importers under GSP, for HTS rate lines with special duty symbols “A,” “A*” (unless the AGOA beneficiary country is excluded), or “A+.”

The decline in U.S. imports under AGOA in 2019 compared to 2018 mainly reflected a decline—affecting both price and quantity—in the value of imports of crude petroleum and refined petroleum products, as well as a decline in imports of passenger motor vehicles under the program.²⁷⁶ The value of U.S. crude petroleum imports under AGOA dropped 41.9 percent (\$3.2 billion) from 2018 to 2019, while the value of U.S. refined petroleum products imports under AGOA dropped by 50.5 percent (\$98.4 million).²⁷⁷ The value of U.S. imports of passenger motor vehicles under AGOA fell by 37.2 percent (\$198.8 million) from 2018 to 2019 ([interactive dashboard](#) in appendix A).²⁷⁸ Nigeria and Angola, two of the top petroleum-producing countries in SSA, both experienced declines in the value of their exports of crude petroleum to the United States under AGOA. Meanwhile, South Africa, the major SSA exporter of passenger motor vehicles to the United States, experienced considerable declines in the value and quantity of its exports of passenger motor vehicles to the United States under AGOA ([interactive dashboard](#) in appendix A).

²⁷⁴ USITC, [Harmonized Tariff Schedule of the United States \(2019\)](#), July 2019, chapter 98, subchapter XIX, U.S. note 2(a) through 2(e).

²⁷⁵ Cameroon’s AGOA eligibility was terminated mainly because it has been determined that the country engages in gross violations of internationally recognized human rights. These violations include extrajudicial killings, arbitrary and unlawful detention, and torture. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 104; Presidential Proclamation to take Certain Actions under the African Growth and Opportunity Act and for Other Purposes, December 26, 2019.

²⁷⁶ Crude petroleum refers to products classified under HTS 2709.00. Refined petroleum products refers to products classified under HTS 2710.12. Passenger motor vehicles here refers to products classified under HTS 8703.23.

²⁷⁷ USITC DataWeb/USDOC (accessed March 20, 2019).

²⁷⁸ USITC DataWeb/USDOC (accessed March 20, 2019).

The major suppliers of duty-free U.S. imports under AGOA in 2019 were Nigeria (42.7 percent of total AGOA imports), South Africa (16.7 percent), Angola (7.4 percent), Kenya (7.0 percent), Ghana (5.7 percent), and the Republic of the Congo (5.6 percent). These six countries accounted for 85.0 percent of total imports by value under AGOA in 2019 ([interactive dashboard](#) in appendix A).

Crude petroleum continued to be the leading import under AGOA. It accounted for 59.7 percent of the total value of AGOA imports in 2019, a 10.1 percentage point decline from 69.8 percent in 2017. The decline in value of U.S. crude petroleum imports under AGOA was mainly due to the decline of U.S. imports of such products from Nigeria and Angola under the program. Imports from Angola entering under AGOA declined by \$1.4 billion (to \$504 million in 2019) as the country's crude petroleum production fell, partly due to reduced foreign investment in the industry.²⁷⁹ U.S. imports from Nigeria entering under AGOA fell by \$1.2 billion from 2018 to 2019 (to \$3.1 billion), as a greater share of U.S. crude petroleum imports from Nigeria either did not apply or did not qualify for duty-free preferences under the program.²⁸⁰

Passenger motor vehicles and apparel products were two other major U.S. imports under AGOA. They accounted for 4.6 percent and 13.9 percent of the value of total AGOA imports in 2019, respectively ([interactive dashboard](#) in appendix A).²⁸¹ U.S. passenger motor vehicle imports under AGOA came exclusively from South Africa, and they declined in value by 37.2 percent, from \$534.5 million in 2018 to \$335.7 million in 2019. The decline was driven in part by a reallocation of imports—the United States imported more passenger motor vehicles from Japan and Canada in 2019 than in 2018, and therefore less from various other places.²⁸² Moreover, in 2018, BMW—the largest vehicle exporter in South Africa—shifted production from the 3-Series, which it previously had exported to the United States, to the X3 SUV, which is destined for Europe.²⁸³ This shift in production and export destination likely also contributed to the decline of U.S. imports of passenger motor vehicles under AGOA.

Section 105 of AGOA required the President to establish the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (also known as the AGOA Forum) to discuss trade, investment, and development at an annual ministerial-level meeting with AGOA-eligible countries.²⁸⁴ The 18th annual AGOA Forum was held in Abidjan, Côte d'Ivoire, on August 4–6, 2019.²⁸⁵ The theme of the forum was “AGOA and the Future: Developing a New Trade Paradigm to Guide U.S.-Africa Trade and Investment.” Participants from the U.S. side included senior government officials, members of Congress, and private sector and civil society representatives. Participants from the African side were mainly trade and

²⁷⁹ Petroleum Economist, “[Discoveries Boost Angola Upstream Mood](#),” August 27, 2019.

²⁸⁰ The U.S. “normal trade relations” (NTR) rates for crude petroleum imports are fairly low, ranging from 5.3 cents to 10.5 cents per barrel. This low duty rate means that benefits from AGOA preferences for U.S. imports of crude petroleum from SSA are relatively small, and some traders may not find the benefits to be worth the additional paperwork. USITC DataWeb/USDOC, HTS heading 2709 (accessed March 20, 2020).

²⁸¹ USITC DataWeb/USDOC (accessed March 20, 2020). Apparel products refers to products classified under HTS chapters 61 and 62; passenger motor vehicles here refer to products classified under HTS 8703.23.

²⁸² Total U.S. imports of motor vehicles from the world were fairly flat from 2018 to 2019 (\$102.8 billion in both years), but U.S. imports from Japan increased by almost \$1 billion (\$23.6 billion in 2018 and \$24.6 billion in 2019); those from Canada, by \$1.5 billion (from \$12.9 billion to \$14.4 billion). IHS Markit Global Trade Atlas database, (accessed March 20, 2020).

²⁸³ AGOA.info, “[Possible US Tariffs on Car Imports Might Mean Job Losses in South Africa](#),” March 1, 2019.

²⁸⁴ 19 U.S.C. § 3704.

²⁸⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 34.

commerce ministers from the AGOA-eligible countries, heads of African regional economic communities, and representatives from the private sector and civil society.²⁸⁶

During the forum, U.S. officials discussed the benefits of its model free trade agreement (FTA) initiative, indicating the advantages such a reciprocal agreement could offer compared to the current AGOA program, which provides unilateral trade preferences. U.S. officials stated that an FTA with the United States would signal a commitment to high standards of transparency and due process that is critical to attracting business investment. The long-term objective of the model FTA initiative is to have a network of agreements in place that could serve as building blocks for an eventual continental trade partnership between Africa and the United States.²⁸⁷ Meanwhile, USTR also cited the African Continental Free Trade Area (AfCFTA), which launched in May 2019, as a “remarkable achievement.” At the forum, USTR and the African Union (AU) Trade Commissioner signed a Joint Statement memorializing U.S. technical support for and partnership with the AU for the ongoing negotiation and implementation of the AfCFTA.²⁸⁸

Caribbean Basin Economic Recovery Act

The Caribbean Basin Economic Recovery Act (CBERA) was enacted in 1983 as part of the United States’ Caribbean Basin Initiative. Its goal is to encourage economic growth and development in the Caribbean Basin by using duty preferences to promote increased production and exports of nontraditional products.²⁸⁹

The Caribbean Basin Trade Partnership Act (CBTPA) amended CBERA in 2000 and expanded the list of qualified articles to include certain apparel.²⁹⁰ The CBTPA also extended rates of duty to a number of

²⁸⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 34–35.

²⁸⁷ During the 2018 AGOA Forum, U.S. Trade Representative Robert Lighthizer announced the administration’s intention to negotiate a model free trade agreement with an SSA country, and indicated that the administration’s thinking involves three core goals: (1) pursue a bilateral agreement with a willing partner; (2) ensure that this agreement is crafted so that it can serve as a model that can be rolled out to other willing partners in SSA in the future; and (3) ensure that the model agreement will reinforce regional and continental integration in Africa. USTR, “Statement of USTR Robert Lighthizer at the Opening Plenary of the 2018 U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (AGOAF Forum),” July 11, 2018. On February 6, 2020, President Trump announced the United States intends to initiate trade agreement negotiations with Kenya following a meeting at the White House with Kenyan President Uhuru Kenyatta. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 35.

²⁸⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 35.

²⁸⁹ For a more detailed description of CBERA, including country and product eligibility, see USITC, [Caribbean Basin Economic Recovery Act, 24th Report](#), September 2019. CBERA beneficiaries at the end of 2019 were Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Curaçao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago, and the British Virgin Islands.

²⁹⁰ Textiles and apparel that were not subject to textile agreements in 1983 are eligible for duty-free entry under the original CBERA provisions, which do not have an expiration date. This category includes only textiles and apparel of silk or non-cotton vegetable fibers, mainly linen and ramie. Textile and apparel goods of cotton, wool, or manmade fibers (“original MFA goods”) are not eligible under the original CBERA. “MFA” stands for the now-expired Multi-Fibre Arrangement.

other products previously excluded from CBERA.²⁹¹ These products include certain tuna; crude petroleum and petroleum products; certain footwear; watches and watch parts assembled from parts originating in countries not eligible for normal trade relations (NTR) rates of duty; and certain handbags, luggage, flat goods, work gloves, and leather wearing apparel.²⁹² Products that are still excluded from CBERA preferential treatment include textile and apparel products not otherwise eligible for preferential treatment under CBTPA (mostly textile products) and above-quota imports of certain agricultural products subject to tariff-rate quotas (primarily sugar, beef, and dairy products).

While the original CBERA has no expiration date, CBTPA preferential treatment provisions expire September 30, 2020.²⁹³ In the section that follows, the term CBERA refers to CBERA as amended by the CBTPA.

At the end of 2019, 17 countries and dependent territories were designated eligible for CBERA preferences, and 8 of those countries were designated eligible for CBTPA preferences.²⁹⁴ Several countries have asked to be designated as eligible for benefits under CBERA, CBTPA, or both, including Turks and Caicos Islands (which requested eligibility under CBERA); Aruba, The Bahamas, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, and Saint Vincent and the Grenadines (under CBTPA); and Sint Maarten and Suriname (under both CBERA and CBTPA).²⁹⁵

In 2019, the total value of U.S. imports from CBERA beneficiaries decreased by 7.7 percent to \$5.6 billion from \$6.0 billion in 2018 (table 2.9). The top five imports under CBERA in 2019—cotton T-shirts (HTS 6109.10), crude petroleum oils (HTS 2709.00), cotton sweaters (HTS 6110.20), polystyrene (HTS 3903.11), and yams (HTS 0714.30)—comprised 72.2 percent of imports under the program ([interactive dashboard](#) in appendix A). The largest increase in the value of U.S. imports under CBERA was in crude petroleum oils (subheading 2709.00), which rose by 296.2 percent to \$152.78 million. The next-largest increase in import value was raw cane sugar (HTS 1701.14), which increased by 659.6 percent to \$17.8 million. However, the value of all U.S. imports under the program declined in 2019 by 36.9 percent from \$1,031 million in 2018 to \$651 million in 2019. U.S. imports of products below the top 15 declined by \$479 million (88.3 percent), largely due to a decrease in methanol imports from CBERA of 20.6 percent (HTS 2905.11). U.S. imports of cotton sweaters (HTS 6110.20) declined by \$16 million (20.5 percent), and U.S. imports of melamine (subheading 2933.61) declined by \$5.0 million (25.5 percent) ([interactive dashboard](#) in appendix A).²⁹⁶

²⁹¹ Legislation introduced in the House of Representatives on February 6, 2019 (H.R. 991), and in the Senate on September 12, 2019 (S.2473), would extend CBTPA preferences until September 30, 2030.

²⁹² NTR rates of duty, also known as most-favored-nation (MFN) rates, are accorded to countries having NTR status in the United States and do not allow discrimination between trading partners.

²⁹³ Certain preferential treatment provisions have been extended to September 30, 2020. These provisions relate to import-sensitive textile and apparel articles from CBERA countries and to textile and apparel articles imported under special rules for Haiti (see section on Haiti below). The extension occurred on May 24, 2010, when the President signed the Haiti Economic Lift Program Act of 2010, Pub. L. 111-171, § 3.

²⁹⁴ Countries eligible for CBTPA preferences at the end of 2019 were Barbados, Belize, Curaçao, Guyana, Haiti, Jamaica, Saint Lucia, and Trinidad and Tobago.

²⁹⁵ 77 Fed. Reg. 61816 (October 11, 2012); 75 Fed. Reg. 17198 (April 5, 2010). Until 2010, Curaçao and Sint Maarten were members of the now-dissolved Netherlands Antilles.

²⁹⁶ For more information about these trade trends, see USITC, [Caribbean Basin Economic Recovery Act, 24th Report](#), September 2019.

Table 2.9 U.S. imports for consumption from CBERA/CBTPA beneficiaries, 2017–19

Item	2017	2018	2019
Total imports from CBERA countries (million \$)	5,800	6,020	5,559
Total imports under CBERA/CBTPA (million \$)	960	1,031	651
Imports under CBTPA (million \$) ^a	344	344	410
Imports under CBERA, excluding CBTPA (million \$) ^b	617	687	241
Imports under CBERA (as a share of all imports from CBERA countries) (%)	16.6	17.1	11.7

Source: USITC DataWeb/USDOC (accessed March 4, 2020).

Note: The data for U.S. imports under CBERA include U.S. imports under CBERA as amended by both CBTPA and the HOPE and HELP Acts. In previous Year in Trade reports, trade data under the HOPE and HELP Acts were reported and analyzed separately only in the “Haiti Initiatives” section. Thus, numbers from the previous report are not comparable to the numbers in the table above. USITC staff have tracked U.S. Census data of textile and apparel imports under HOPE/HELP at the shipment level. These data are cross-checked against aggregate figures from USDOC’s Office of Textiles and Apparel (OTEXA), which is part of the International Trade Administration, to ensure an accurate reporting of HOPE/HELP utilization rates. An alternative presentation of this table with additional data can be found in appendix table C.4.

^a CBTPA-eligible products are those for which a special duty rate appears in HTS’s special rate column, followed by the symbol “R” in parentheses. The symbol “R” indicates that all CBTPA beneficiary countries are eligible for special duty-rate treatment with respect to all articles listed in the designated provisions. In addition, subchapters II and XX of HTS chapter 98 set forth provisions covering specific products eligible for duty-free entry, under separate country designations enumerated in those subchapters (and including former CBTPA beneficiaries El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic, Costa Rica, and Panama).

^b CBERA (excluding CBTPA)-eligible products are those for which a special duty rate appears in HTS’s special rate column, followed by the symbols “E” or “E*” in parentheses. The symbol “E” indicates that all beneficiary countries are eligible for special duty rate treatment with respect to all articles listed in the designated provisions. The symbol “E*” indicates that certain articles, under HTS general note 7(d), are not eligible for special duty treatment with respect to any article listed in the designated provision.

U.S. imports under CBERA accounted for 11.7 percent of all U.S. imports from CBERA countries in 2019. Haiti was the leading supplier of U.S. imports under the program in 2019, accounting for 41.5 percent of the total value ([interactive dashboard](#) in appendix A). Haiti is the only supplier of apparel under CBERA. Trinidad and Tobago was the second leading supplier of U.S. imports under CBERA in 2019, accounting for 29.0 percent of the total value ([interactive dashboard](#) in appendix A). The country was the sole supplier of several top U.S. imports under CBERA, including petroleum products and melamine. Haiti and Trinidad and Tobago together supplied about 70.5 percent of U.S. imports under CBERA preferences. Jamaica and The Bahamas were the third and fourth leading suppliers, accounting for 14.3 and 9.3 percent of the total, respectively ([interactive dashboard](#) in appendix A).

Haiti Initiatives

Since 2006, several amendments to CBERA expanded and enhanced the trade benefits available to Haiti. These benefits give Haitian apparel producers more flexibility in sourcing yarns and fabrics beyond the preferences available under the Caribbean Basin Trade Partnership Act (CBTPA), which rely on the use of U.S. yarns only. The Haitian Hemisphere Opportunity through Partnership Encouragement Act of 2006 (HOPE Act) and of 2008 (HOPE II Act) (collectively referred to as HOPE or the HOPE Acts) amended CBERA to expand the rules of origin for inputs to apparel and wire harness automotive components assembled in Haiti and imported into the United States.²⁹⁷ The Haitian Economic Lift Program of 2010 (HELP Act) expanded existing U.S. trade preferences (especially duty-free treatment for certain qualifying apparel, regardless of the origin of inputs) for Haiti that were established under the CBTPA

²⁹⁷ Pub. L. 109-432, § 5001 et seq., the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006, 19 U.S.C. § 2703a; Pub. L. 110-234, § 15401 et seq., the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008. There were no U.S. imports of wiring harness automotive components (HTS 8544.30 and 9820.85.44) from Haiti during 2007–19.

and HOPE Acts through September 30, 2020.²⁹⁸ The Trade Preferences Extension Act of 2015 extended the HOPE/HELP Acts preferences through September 30, 2025.²⁹⁹ To date, there have been no other changes to the HOPE/HELP Acts.

Table 2.10 U.S. imports of textiles and apparel from Haiti, 2017–19

Item	2017	2018	2019
Total textile and apparel imports from Haiti (million \$)	862.1	923.9	1,005.7
Textile and apparel imports under a trade preference program (million \$)	853.8	896.0	974.7
CBERA/CBTPA (million \$)	276.8	254.3	254.7
HOPE and HELP Acts (million \$)	577.0	641.7	720.0
Share of total textile and apparel imports from Haiti:		(%)	
Textile and apparel imports under a trade preference program	99.0	97.0	96.9
CBERA/CBTPA (percent)	32.1	27.5	25.3
HOPE and HELP Acts (percent)	66.9	69.5	71.6

Source: USITC DataWeb/USDOC (accessed various dates).

Note: These data reflect detailed U.S. general import data under trade preference programs sorted by category and published by the Office of Textiles and Apparel at the U.S. Department of Commerce (accessed April 8, 2019 and March 13, 2020). An alternative presentation of this table with additional data can be found in appendix table [C.5](#).

As in 2018, nearly all (96.9 percent) of U.S. imports of textiles and apparel from Haiti entered duty free under trade preference programs in 2019 (table 2.10). Currently, manufacturers in Haiti benefit from flexibilities offered by both the CBTPA and HOPE/HELP provisions. Whereas the CBTPA preferences for apparel all rely on the use of U.S.-origin yarns, the HOPE/HELP provisions permit the limited use of yarns and fabrics of any origin.

Approximately one-quarter (25.3 percent) of total U.S. imports of apparel from Haiti (\$254.7 million) entered under CBTPA provisions in 2019. This share continued to fall, reflecting a continued shift of U.S. textile and apparel imports from Haiti from entering under CBTPA provisions to entering under the HOPE/HELP Acts. The decline in the utilization of CBTPA preferences may be attributed to not only the more flexible rules of origin offered under HOPE/HELP but also to the impending expiration of CBTPA on September 30, 2020. The value of U.S. imports of textile and apparel entering under the HOPE/HELP Acts rose 12.2 percent, from \$641.7 million in 2018 to \$720.0 million in 2019, and represented 72 percent of total U.S. textile and apparel imports from Haiti, up from 70 percent in 2018 and 67 percent in 2016. Table 2.11 shows the usage of each type of preference rule under CBTPA and Haiti HOPE/HELP.

²⁹⁸ Pub. L. 111-171, § 2, Haiti Economic Lift Program Act of 2010. For more information on this program, see USITC, [The Year in Trade 2011](#), July 2012, 2-22 to 2-23, and USITC, [The Year in Trade 2010](#), July 2011, 2-21 to 2-22.

²⁹⁹ Pub. L. 114-27, § 301, Extension of Preferential Duty Treatment Program for Haiti.

Table 2.11 Textiles and apparel: U.S. general imports from Haiti, by duty treatment, 2017–19 (million dollars)

	2017	2018	2019
Duty-free imports			
CBTPA			
Certain apparel of regional knit fabrics of U.S. yarns ^a	124.8	133.5	137.9
Certain knit T-shirts of regional fabrics of U.S. yarns ^b	96.9	76.4	75.6
Apparel cut and assembled from U.S. fabric ^c	55.1	44.5	41.2
Subtotal CBTPA only	276.8	254.3	254.7
HOPE/HELP Acts			
Knit apparel regional limit ^d	273.8	299.2	328.1
Woven apparel regional limit ^e	142.8	151.7	122.4
Value-added regional limits ^f	120.8	108.3	121.5
Earned Import Allowance Program (EIAP) ^g	36.3	71.4	127.1
Home goods ^h	2.7	10.2	15.2
Headwear ⁱ	0.0	0.5	4.9
All other	0.5	0.6	0.8
Subtotal HOPE/HELP only	577.0	641.7	720.0
Total duty-free imports	853.8	896.0	974.7
Dutiable imports (NTR rates)			
Total dutiable imports	8.3	27.8	31.1
Grand total	862.1	923.9	1,005.7

Source: Compiled from official statistics of USDOC, International Trade Administration, Office of Textiles and Apparel (accessed March 4, 2019).

Note: Because of rounding, figures may not add to totals shown. Data in this table are for U.S. general imports.

^a HTS subheading 9820.11.09.

^b HTS subheading 9820.11.12.

^c HTS subheading 9820.11.06 and HTS 9820.11.18.

^d HTS subheading 9820.61.35.

^e HTS subheading 9820.62.05.

^f HTS subheading 9820.61.25 and HTS 9820.61.30.

^g HTS subheading 9820.62.25.

^h HTS subheading 9820.63.05.

ⁱ HTS subheading 9820.65.05.

Apparel production in Haiti remains concentrated in high-volume, basic commodity garments such as knit T-shirts, pullovers, and undergarments. Such garments have relatively predictable consumer demand and require few styling changes.³⁰⁰ In terms of non-apparel textile imports from Haiti, of special note are the imports under the HOPE/HELP home goods provision, which first appeared in 2017 and increased fourfold from 2017 to 2018 to \$10.2 million, and increased again in 2019 to \$15.2 million (49 percent).³⁰¹

³⁰⁰ In 2019, nearly 87 percent by value of the U.S. imports of apparel from Haiti were of knit garments (HTS chapter 61) and 13 percent were of woven or non-knit garments (HTS chapter 62). USITC DataWeb/USDOC (accessed March 19, 2019).

³⁰¹ In November 2018, North Carolina-based Culp, Inc., requested a ruling for country of origin and trade preference eligibility under Haiti HOPE/HELP from U.S. Customs and Border Protection (CBP) for a mattress cover and pillow covers. These made-up textile articles, being wholly assembled in Haiti and imported directly from Haiti are eligible for duty-free treatment under HOPE/HELP subheading 9820.63.05. CBP ruling N301907, December 18, 2019.

Chapter 3

The World Trade Organization

This chapter covers developments in 2019 in the World Trade Organization (WTO). These include programs and related items under the WTO General Council, as well as plurilateral agreements hosted under WTO auspices.³⁰² The chapter also summarizes developments in major WTO dispute settlement cases during the year.

Meetings and Agreements

General Council

At the WTO General Council session in October 2019, WTO members agreed to extend two moratoriums—on customs duties on electronic transmissions and on nonviolation and situation complaints under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)—until WTO’s 12th Ministerial Conference in June 2020.³⁰³ During the WTO General Council session in July 2018, members agreed to hold this conference from June 8 to June 11, 2020, in Nur-Sultan, Kazakhstan.³⁰⁴ However, as of March 12, 2020, the Director-General and General Council Chair advised that this meeting would not be feasible due to the declaration of a global pandemic of coronavirus disease (COVID-19) by the World Health Organization. The two leaders began consultations with WTO member countries to organize a special meeting of the General Council in order to make alternative plans.³⁰⁵

Work Programs, Decisions, Waivers, and Reviews

At the yearend meeting of the General Council, delegates reviewed a variety of work programs, including those on electronic commerce, small economies, and Aid for Trade. They also reviewed progress on the initiative on the development assistance aspects of cotton, and reviewed waivers, as described below.

Work Program on Electronic Commerce

The moratorium on the Work Program on Electronic Commerce has been in effect since 1998. On June 17, 2019, an informal open-ended meeting was held, which considered India and South Africa’s June 4 submission on the need to rethink the moratorium based on revenue implications, the scope and definition of the issue, the technical feasibility of customs duties, and wider consequences on trade and

³⁰² The WTO is based on a “multilateral” agreement whose rules and commitments apply to all its members. WTO members may also negotiate smaller “plurilateral” agreements whose rules and commitments apply only to the members that have signed it.

³⁰³ WTO, “[WTO Members Agree to Extend E-commerce, Non-violation Moratoriums](#),” December 10, 2019.

³⁰⁴ WTO, General Council, [General Council—Annual Report \(2018\)](#), January 15, 2019.

³⁰⁵ WHO, “[Coronavirus Disease \(COVID-19\) Pandemic](#)” (accessed April 2, 2020); WTO, “[DG Azevêdo Provides Urgent Information to WTO Members](#),” March 12, 2020.

industrialization.³⁰⁶ On July 23, 2019, the Chair of the General Council reported on the periodic review held under the Work Program on Electronic Commerce. This review discussed in particular the moratorium on imposing customs duties on electronic transmissions. In October 2019, members agreed to extend this moratorium for two years while they worked toward possible future negotiations on electronic commerce (e-commerce).³⁰⁷

Work Program on Small Economies

The Committee on Trade and Development reported on meetings held during 2019 in keeping with its standing General Council mandate. These included a meeting held on April 29, 2019, which focused on the factors that contribute to higher trade costs faced by small and vulnerable economies (SVEs) and trade facilitation. The meeting also addressed how these economies' vulnerabilities to natural disasters affected trade. Finally, the committee discussed best practices and policy approaches to mitigate the effects of these factors.³⁰⁸

Aid for Trade Initiative

The WTO-led Aid for Trade initiative seeks to mobilize resources to address the trade-related constraints identified by developing and least-developed countries (LDCs).³⁰⁹ The Committee on Trade and Development carries out its activities under the Aid for Trade initiative based on a two-year work program.³¹⁰ The Aid for Trade Global Review in 2019 focused on supporting economic diversification and empowerment, with a focus on participation by microbusinesses and small and medium-sized enterprises (SMEs), women, and youth. Participants in the review sessions discussed topics including e-commerce, trade finance, tourism, intellectual property, and financing digital industrialization.³¹¹

Development Assistance Aspects of Cotton

WTO Director-General Azevêdo reported to the General Council on the development assistance aspects of cotton, as called for originally under the 2004 Doha Work Program and reinforced subsequently by decisions taken at the ministerial conferences held in 2013 and 2015.³¹² In particular, he reported on the launch of the first World Cotton Day and emphasized the need for increased development assistance on cotton and cotton-related products, especially for LDCs. World Cotton Day was held by the WTO Secretariat in collaboration with the Secretariats of the Food and Agriculture Organization of the United Nations, the United Nations Conference on Trade and Development, the International Trade Centre, and

³⁰⁶ WTO, "[The E-Commerce Moratorium and Implications for Developing Countries—Communication from India and South Africa](#)," June 4, 2019.

³⁰⁷ WTO, "[Work Programme on Electronic Commerce—Review of Progress: Report by the Chairperson](#)," July 23, 2019.

³⁰⁸ WTO, [Annual Report 2019](#), 2019, 134; WTO, "[Note on the Meeting of 29 April 2019](#)," 5.

³⁰⁹ WTO, "[Aid for Trade](#)" (accessed March 4, 2020).

³¹⁰ WTO, "[Aid for Trade](#)" (accessed March 4, 2020).

³¹¹ WTO, [Aid for Trade Global Review: Supporting Economic Diversification and Empowerment—Summary Report](#), 2019.

³¹² WTO, "[Doha Work Programme—Decision Adopted by the General Council on 1 August 2004](#)," August 2, 2004. These efforts focus on "development of the economies where cotton has vital importance"; WTO, General Council, [General Council—Annual Report \(2019\)](#), January 15, 2019, 6; WTO, "[Agriculture and Development: Cotton](#)" (accessed February 14, 2019).

the International Cotton Advisory Committee.³¹³ The Deputy Director General then reported on progress made under the Consultative Framework Mechanism on Cotton, which looks to “discuss new cotton projects, track developments regarding development assistance, and exchange information on results and lessons learned from the implementation of such projects.”³¹⁴

Review of Waivers of Obligations under Article IX:4 of the WTO Agreement

In 2019, the WTO’s Council for Trade in Goods (Goods Council) conducted its annual review of waivers under Article IX:4 of the WTO Agreement. It granted a waiver to the United States for the Caribbean Basin Economic Recovery Act and the African Growth and Opportunity Act (through September 30, 2025).³¹⁵ Under the terms of the waiver, the United States is required to submit an annual report to the General Council covering trade under these programs during the previous year.³¹⁶ These waivers allow the United States to continue to provide preferential trade access to the partner economies covered by the two programs. The other approved waiver, presented by Chile, China, India, and Thailand, consisted of a preferential tariff treatment for LDCs; this waiver was approved through June 30, 2029.³¹⁷

WTO Membership

In 2019, WTO membership remained at 164.³¹⁸ In addition, the WTO counted 24 observer governments, as well as approximately 140 observer institutions. Curaçao, formerly part of the Netherlands Antilles, applied for WTO accession in October 2019.³¹⁹ According to the WTO Director-General, 23 of the 24 observer governments were at some stage in the process of WTO accession at the end of 2019. Of these 23 governments, the Office of the U.S. Trade Representative (USTR) considered 11 to be engaged in the accession process during the year, while the remaining 12 either were dormant or had not yet submitted initial documentation on their foreign trade regimes during 2019.³²⁰

Agreement on Trade Facilitation

The WTO Agreement on Trade Facilitation (TFA) aims to expedite the movement, clearance, and release of goods, including goods in transit. It establishes measures for cooperation on trade facilitation and customs compliance issues between customs authorities and other appropriate authorities. The TFA was designed to help reduce trade costs and boost global trade. In addition, the agreement provides for

³¹³ WTO, [“World Cotton Day—7 October 2019”](#) (accessed March 4, 2020).

³¹⁴ WTO, [“WTO ‘Cotton Days’: Development Assistance Aspects of Cotton”](#) (accessed March 4, 2020).

³¹⁵ WTO, [“Request for a Waiver—Caribbean Basin Economic Recovery Act \(CBERA as Amended\)”](#), June 27, 2019.

³¹⁶ For an example, see WTO, General Council, [“United States—African Growth and Opportunity Act—Report of the Government of the United States for the Year 2015,”](#) January 20, 2017.

³¹⁷ WTO, [Request for Extension of the Waiver for Preferential Tariff Treatment for Least Developed Countries—Communication from Chile, China, India, and Thailand](#), June 14, 2019.

³¹⁸ WTO, [“Understanding the WTO: The Organization—Members and Observers”](#) (accessed March 16, 2019).

³¹⁹ WTO, [WTO Accessions—2019 Annual Report by the Director-General](#), February 21, 2020, 7. (The 24th observer government was the Vatican, which is not required to accede.)

³²⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February, 2020, 172. USTR listed Algeria, Andorra, Azerbaijan, The Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Comoros, Equatorial Guinea, Ethiopia, Iran, Iraq, Lebanon, Libya, São Tome and Príncipe, Serbia, Somalia, South Sudan, Sudan, Syria, Timor-Leste, and Uzbekistan as countries with Accession Working Parties.

technical assistance and capacity building to facilitate trade.³²¹ The TFA entered into force on February 22, 2017, after it was ratified by the necessary two-thirds of the WTO membership.³²² The Committee on Trade Facilitation, established as part of the agreement, held its first session on May 16, 2017. The committee receives updates on ratifications and notifications under the TFA, as well as on activities of the WTO Trade Facilitation Agreement Facility.³²³

The Committee on Trade Facilitation held three sessions in 2019. In October, it reviewed 87 notifications and focused on assistance, capacity building (especially for human resources), training, regulatory and legislation frameworks, and information technology.³²⁴ Thematic discussions involved the establishment of national committees, transparency issues, single customs windows, and rules of procedure. By October 2019, the committee had received 45 implementation notifications for three categories of trade facilitation measures (known as Categories A, B, and C), and 55 of 60 developing-country members had committed to definitive implementation dates for a given category.³²⁵

Plurilateral Agreements Already in Force

Agreement on Trade in Civil Aircraft³²⁶

The Agreement on Trade in Civil Aircraft entered into force on January 1, 1980, as part of the Tokyo Round agreements. During the process of establishing the WTO in 1995, the Agreement on Trade in Civil Aircraft was one of two plurilateral agreements carried out that committed to core disciplines only applicable to signatories. In 2019, there were 32 signatories to this agreement (including the United States), of which 20 were European Union (EU) member states. The agreement eliminated import duties on all civil (i.e., nonmilitary) aircraft, as well as on other related products covered by the agreement. Examples of covered products are civil aircraft engines and their parts and components; components and sub-assemblies of civil aircraft; and flight simulators and their parts and components.³²⁷ Aside from the Committee on Trade in Civil Aircraft deciding to hold informal consultations on the product Annex

³²¹ WTO, [“Trade Facilitation—Cutting ‘Red Tape’ at the Border”](#) (accessed February 28, 2020).

³²² WTO, [“Trade Facilitation”](#) (accessed December 13, 2018).

³²³ The Trade Facilitation Agreement Facility (Facility) was created to help ensure that developing and least-developed WTO members receive the full benefits of the Trade Facilitation Agreement. The Facility helps developing and LDC members to assess and fulfill specific needs in implementing the Trade Facilitation Agreement. WTO, [“Trade Facilitation Agreement Facility—About the Facility”](#) (accessed February 28, 2020).

³²⁴ WTO, [Minutes of the Meeting of the Committee on Trade Facilitation](#), June 25–26, 2019, par. 2.8.

³²⁵ WTO members are allowed to benefit from special and differential treatment by implementing the agreement at their own pace. The A, B, and C notifications indicate when the member will carry out each trade facilitation measure—A is for immediate implementation, B for implementation after a transitional period, and C for implementation with assistance and support for capacity building. WTO, General Council, [“Agenda Item 2: Implementation of the Bali, Nairobi and Buenos Aires Outcomes—Statement by the Chairman—Thursday, 15 October 2019,”](#) October 19, 2019, par. 1.16.

³²⁶ WTO, [Report \(2019\) of the Committee on Trade in Civil Aircraft \(Adopted 4 November 2019\)](#), November 6, 2020.

³²⁷ WTO, [“Agreement on Trade in Civil Aircraft”](#) (accessed March 13, 2020).

listing product descriptions to simplify the process, there have been no further developments in the negotiations on the Agreement on Trade in Civil Aircraft.³²⁸

Agreement on Government Procurement

The initial Agreement on Government Procurement (GPA) was signed in 1994 as a plurilateral agreement under the WTO, administered by the WTO Committee on Government Procurement.³²⁹ The initial agreement had 19 parties, including the United States.³³⁰ The agreement aims to open bidding to all suppliers from GPA parties on government procurement contracts covering goods, services, and construction services. Once the agreement came into effect, the parties opened negotiations to improve its provisions, leading to the Revised Agreement on Government Procurement in 2012. Signed by the initial 19 parties and a number of others, the new agreement covered 47 WTO members overall.³³¹ On May 5, 2019, Australia's accession entered into force, bringing the total number of members covered by the agreement to 48.

In 2019, Kazakhstan applied to the GPA; as a result, 11 members are currently in the process of accession to the GPA. In addition, on February 27, 2019, and June 26, 2019, Paraguay, Ecuador, and the Philippines were accepted by the Government Procurement Committee as observers.³³²

Expansion of the Information Technology Agreement

The Information Technology Agreement (ITA) is a plurilateral agreement that eliminates tariffs on certain information and communications technology products, such as computers, telecommunication equipment, semiconductors, semiconductor manufacturing and testing equipment, software, and scientific instruments, as well as most of the parts and accessories for these products.³³³ It was concluded by 29 participants at the December 1996 Singapore Ministerial Conference.³³⁴ In 2015, participants agreed to eliminate tariffs on an additional 201 products.³³⁵ New products covered by the ITA expansion included new-generation semiconductors, semiconductor manufacturing equipment, optical lenses, Global Positioning System (GPS) navigation equipment, and medical equipment such as magnetic resonance imaging products and ultrasonic scanning apparatus.

³²⁸ WTO, "[Agreement on Trade in Civil Aircraft](#)" (accessed March 13, 2020); WTO, Committee on Trade in Civil Aircraft, "[Minutes of the Meeting Held on 29 October 2018](#)," November 26, 2018; WTO, [Report \(2019\) of the Committee on Trade in Civil Aircraft](#), November 4, 2019.

³²⁹ WTO, [Report \(2019\) of the Committee on Government Procurement](#), December 4, 2019.

³³⁰ WTO, "[Agreement on Government Procurement—Parties, Observers and Accessions](#)" (accessed March 13, 2020).

³³¹ Switzerland's accession to the GPA 2012 was pending as of July 1, 2019, affecting the number of parties in the count. Another 32 WTO members attend committee meetings as observers, with 10 of these observers in the process of accession. WTO, [Report \(2019\) of the Committee on Government Procurement](#), December 4, 2019.

³³² WTO, "[Agreement on Government Procurement: Parties, Observers, and Accessions](#)" (accessed February 14, 2020).

³³³ WTO, "[Ministerial Declaration on Trade in Information Technology Products](#)," December 13, 1996. WTO, "[Information Technology Agreement—An Explanation](#)" (accessed March 13, 2020).

³³⁴ WTO, "[Information Technology Agreement—An Explanation](#)" (accessed March 13, 2020).

³³⁵ WTO, "[Information Technology Agreement—An Explanation](#)" (accessed March 16, 2020).

To date, more than 50 additional WTO members have confirmed their acceptance of tariff concessions, bringing membership in the agreement to a total of 82 participants, including the United States. ITA members now account for about 97 percent of world trade in information technology products. No new members signed onto the ITA in 2019. In 2019, no new members signed onto the ITA, which currently totals 82 participants, including the United States.³³⁶

WTO members that participated in the negotiations to expand the ITA implemented their fourth set of tariff reductions on July 1, 2019. As of 2019, 95.4 percent of products were subject to tariff elimination.³³⁷ In 2019, the Committee of Participants on the Expansion of Trade in Information Technology Products met on May 14 and October 31. These meetings focused on three implementation issues concerning India, China, and Indonesia.³³⁸

Selected Plurilateral Agreements under Discussion

This section covers negotiations on fisheries subsidies and exploratory talks on electronic commerce, which were active during 2019. There have been no new developments in the negotiations on an environmental goods agreement since 2016.³³⁹

Negotiations on an Agreement on Fisheries Subsidies

WTO negotiations on fisheries subsidies began during the Fourth WTO Ministerial Conference with the advent of the Doha Development Agenda in 2001, and were formalized under the WTO'S Negotiating Group on Rules (Negotiating Group).³⁴⁰ The negotiating mandate was further elaborated in 2005 at the Sixth Ministerial Conference in Hong Kong, China. The aim of these negotiations was to improve WTO disciplines on fisheries subsidies. In 2005, the negotiations were expanded to include work toward prohibiting certain forms of fisheries subsidies that contribute to overfishing and overcapacity.

In September 2015, world leaders adopted the United Nations' Sustainable Development Goals (SDGs). The inclusion of a targeted goal on fisheries in the SDGs helped to renew attention to the topic. In particular, SDG target 14.6 aimed to eliminate subsidies that contribute to illegal, unreported, and unregulated (IUU) fishing, and to prohibit certain forms of subsidies that contribute to overcapacity and overfishing by 2020. This target also identified special and differential treatment for developing and least-developed countries as an integral part of the negotiations on fisheries subsidies. This approach

³³⁶ For the most recent list of the participants, see WTO, Committee of Participants on the Expansion of Trade in Information Technology Products, "[Status of Implementation—Note by the Secretariat—Revision](#)," October 10, 2018. The difference between the number of participants and the number of WTO members is that the 28 member states of the EU as well as Liechtenstein are included in the list of WTO members. In the list of participants, only the European Union (on behalf of all of the EU member states) and Switzerland (on behalf of the customs union of Switzerland and Liechtenstein) are included.

³³⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, V-217.

³³⁸ WTO, [Report \(2019\) of the Committee of Participants on the Expansion of Trade in Information Technology Products](#), 2019.

³³⁹ WTO, "[Environmental Goods Agreement](#)" (accessed February 12, 2020).

³⁴⁰ WTO, "[MC11 in Brief—Negotiations on Fisheries Subsidies](#)" (accessed February 12, 2020).

translated into the Negotiating Group holding discussions on disciplines, exemptions, transitional periods, and implementation assistance.³⁴¹

On July 28, 2017, members circulated a “compilation” within the WTO Negotiating Group reflecting seven proposals put forward by various negotiating groups or economies: (1) New Zealand, Iceland, and Pakistan; (2) the EU; (3) Indonesia; (4) the African, Caribbean, Pacific (ACP) Group of States; (5) a Latin American group composed of Argentina, Colombia, Costa Rica, Panama, Peru, and Uruguay; (6) the Least-Developed Countries Group; and (7) Norway.³⁴² The compilation included a matrix that organized the seven proposals into six categories: (1) general provisions; (2) prohibitions; (3) standstill (concerning new or enhanced subsidies);³⁴³ (4) special and differential treatment, and technical assistance and capacity building; (5) transparency; and (6) transitional provisions and institutional arrangements/review.³⁴⁴ Based on the compilation matrix, the Negotiating Group produced a working document that compiled the proposals’ definitions, scope, prohibited subsidies, and exceptions into a single document.

For its scheduled January–July 2019 work program, the Negotiating Group continued to support more substantive talks aimed at actual negotiations.³⁴⁵ Under the work program, specific topics were assigned to meetings of Incubator Groups before the Negotiating Group’s cluster meetings to better inform the Negotiating Group’s discussions. Eighteen topics were developed at the outset for Incubator Groups to address, and Incubator Group members consolidated texts into one report. Examples included how to identify a subsidy’s harmful effects on fish stocks and fishing capacity; approaches to “positive” or “nonharmful” subsidies; how to define and determine IUU fishing and overfished stocks; how to distinguish capacity from overcapacity, and fishing activity from overfishing; aspects of fisheries management, such as regional fisheries management organizations (RFMOs); the applicability of any disciplines established to at-sea activities, onshore activities, and fishing in areas of the high seas not under management by an RFMO; the role of outside expertise in developing fisheries disciplines; and overall transparency provisions.³⁴⁶

After negotiating issues such as carrier flags and transition periods, during March 2019 the Negotiating Group advanced four draft texts of rules that apply to fisheries subsidies, including a joint proposal from the United States and Australia, the EU, and the Philippines. On December 2, 2019, Argentina, Australia, Indonesia, Japan, New Zealand, the United States, and Uruguay issued a revision with draft text proposing a prohibition of subsidies for vessels not flying the flag of the subsidizing member. Shortly after this draft text was proposed, on December 5, the EU, adding Japan and Indonesia as co-sponsors,

³⁴¹ WTO, “[MC11 in Brief—Negotiations on Fisheries Subsidies](#)” (accessed March 5, 2020).

³⁴² WTO, “[Compilation of Seven Fisheries Subsidies Proposals Circulated to WTO Members](#),” July 28, 2017; WTO, Negotiating Group on Rules, “[Fisheries Subsidies—Compilation Matrix of Textual Proposals Received to Date—Introduction by the Chair](#),” July 28, 2017.

³⁴³ WTO, “[Prohibiting Subsidies to Fishing Vessels Not Flying the Member’s Flag](#),” December 2, 2019.

³⁴⁴ The standstill section contains guidance on proposed subsidies outside those explicitly prohibited under the agreement. The proposal from New Zealand, Iceland, and Pakistan under this section states that no member of the agreement shall introduce new or enhance existing subsidies that would contribute to overfishing or overcapacity.

³⁴⁵ WTO, Negotiating Group on Rules, “[Members Start September–December Fisheries Subsidies Talks](#),” September 17, 2018; WTO, Negotiating Group on Rules, “[Negotiating Group on Rules—Fisheries Subsidies—Work Programme—September–December 2018—Communication from the Chair](#),” October 3, 2018.

³⁴⁶ WTO, “[WTO Members Voice Commitment to Intensify Fisheries Subsidies Negotiations in 2019](#),” December 20, 2018.

proposed to add a reporting mechanism relating to the IUU subsidy prohibition by members with ports where fishing vessels dock. Facilitators were tasked with serving as neutral parties on topics to refine submissions and positions into targeted options. Working papers from six facilitators were circulated for members to study before talks resumed in January 2020.³⁴⁷

Electronic Commerce Initiative

The Joint Statement on Electronic Commerce of January 25, 2019, focused on addressing electronic commerce and highlighted developing countries, microbusinesses, and SMEs.³⁴⁸ Seventy-six WTO members signed the Joint Statement, accounting for 90 percent of global trade.³⁴⁹ In January 2020, trade ministers met informally in Davos, Switzerland, to discuss electronic commerce negotiations, and agreed to develop a consolidated negotiating text ahead of the 12th Ministerial Conference.³⁵⁰

Dispute Settlement Body

This section gives an overview of the WTO dispute settlement process, as well as information about proceedings during calendar year 2019, particularly those in which the United States was a complaining or responding party. More specifically, it provides (1) a tally of new requests for consultations filed by WTO members during calendar year 2019 under the WTO Dispute Settlement Understanding; (2) a table that lists the new dispute settlement panels established during calendar year 2019 in which the United States was either the complaining party or the named respondent; and (3) short summaries of the procedural and substantive issues in disputes involving the United States that moved to the panel stage during 2019, as well as summaries of panel and Appellate Body reports issued during 2019 in disputes that involved the United States. At the end of this section, U.S. concerns with the WTO dispute settlement process are described, along with the actions taken as a result.

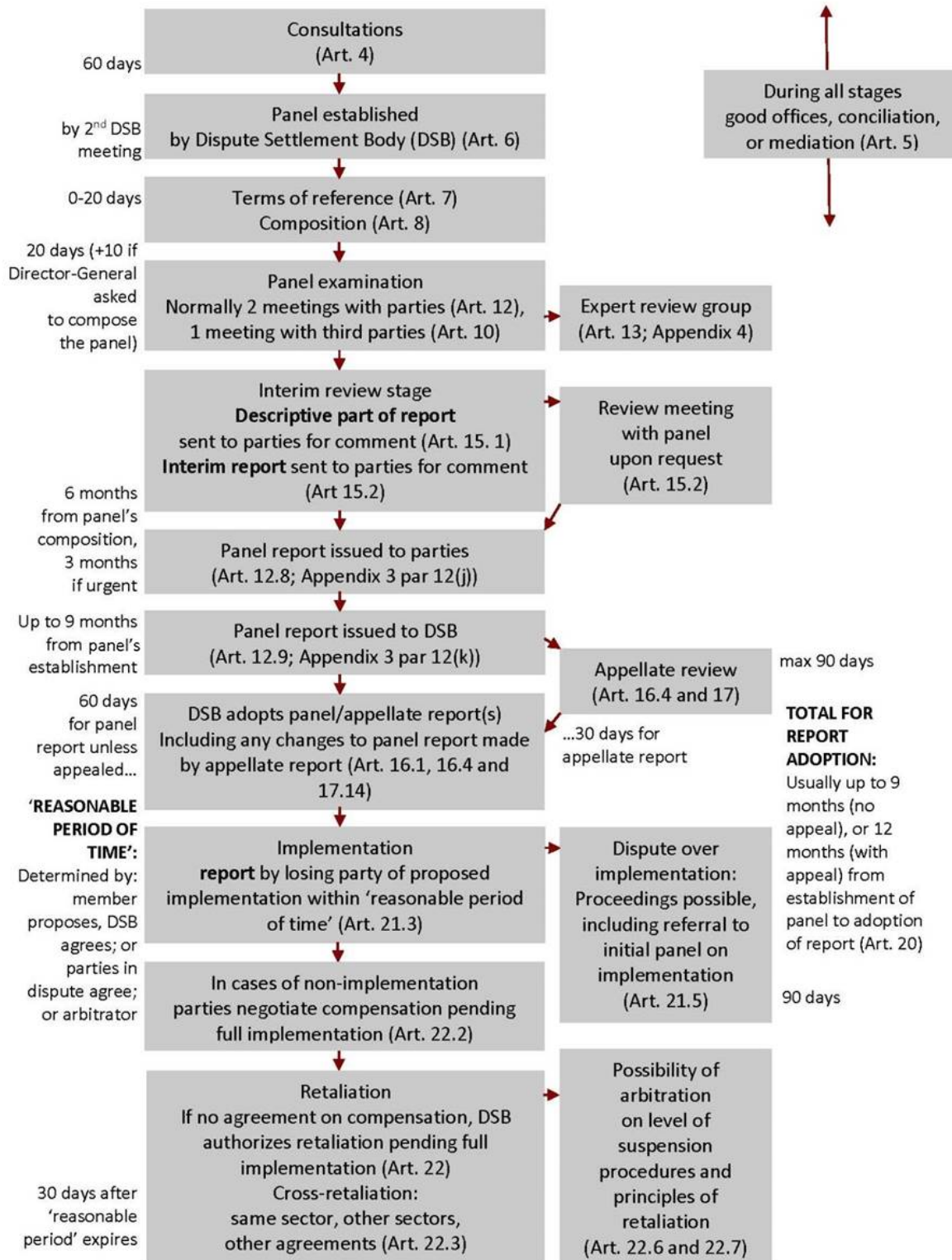
³⁴⁷ A meeting of senior officials was tentatively planned for April 2020, with meetings between heads of delegations in Geneva interspersed throughout the negotiations. WTO, [“WTO Members Prepare to Intensify Fisheries Subsidies Negotiations in 2020,”](#) December 6, 2019.

³⁴⁸ WTO, [“Joint Statement on Electronic Commerce,”](#) January 25, 2019.

³⁴⁹ WTO, [“DG Azevêdo Meets Ministers in Davos: Discussions Focus on Reform; Progress on E-Commerce,”](#) January 25, 2019.

³⁵⁰ Hussain, [“WTO Members Make Progress in Talks on E-Commerce Rules,”](#) January 27, 2020.

Figure 3.1 Timeline for a typical WTO dispute settlement process



Source: WTO, [“The Process—Stages in a Typical WTO Dispute Settlement Case”](#) (accessed June 7, 2018).

This section’s summaries of issues and of findings and recommendations in panel and Appellate Body reports are based entirely on information in publicly available documents. Sources include summaries published online by the WTO, summaries included in USTR’s *2020 Trade Policy Agenda and 2019 Annual Report*, and summaries included in USTR press releases. The summaries in this report should not be regarded as comprehensive or as reflecting a U.S. government or Commission interpretation of the issues raised or addressed in the disputes or in panel or Appellate Body reports. A table showing procedural developments during 2019 in disputes in which the United States was the complainant or respondent appears in the [interactive dashboard](#) in appendix A.

This section focuses on developments during 2019, including panel and Appellate Body reports issued during 2019 and adopted by the Dispute Settlement Body (DSB). With minor exceptions, panel and Appellate Body reports and DSB actions after the close of 2019 will be summarized in the Commission’s report covering 2020. A number of disputes filed before 2019 remained inactive throughout 2019, either at the consultation stage or with a panel established but not composed. With minor exceptions, this report will not address those disputes.

Finally, this section focuses only on developments through the panel and Appellate Body stage and does not include matters that arose after the DSB adopted panel or Appellate Body reports in the original dispute. As indicated in the flowchart in figure 3.1, dispute litigation often continues beyond the adoption of the panel or Appellate Body report, particularly when the defending party is the “losing” party. Issues may arise about the reasonableness of the time sought by the losing party to implement findings and recommendations, the adequacy of actions taken by that party to comply with the findings and recommendations, and possible compensation and retaliation. Matters may be referred to the original panel or to a new panel for further findings and recommendations on compliance and other matters, and when appropriate, the parties may seek the help of an arbitrator to resolve matters.

The [interactive dashboard](#) in appendix A sets out the timeline for procedural actions in specific active WTO dispute settlement cases, including procedural actions at the implementation, compliance, and compensation/retaliation stages. A number of disputes were still active at the compliance stage or were before an arbitrator during 2019.

One example of a dispute that was before an arbitrator in 2019 is a dispute involving large civil aircraft. That dispute was initially filed in 2004 by the EU and concerned U.S. subsidies provided to Boeing. Following an appeal of a 2017 compliance panel report, the Appellate Body issued a report on March 28, 2019, rejecting arguments made by the EU that U.S. Federal and state programs gave more than \$10 billion in subsidies to Boeing large civil aircraft. The report affirmed a 2017 compliance panel report that had rejected EU arguments that 29 U.S. state and Federal programs conferred \$10.4 billion in subsidies to Boeing over six years, finding only one program—a Washington state tax measure worth an average annual value of about \$100 million from 2013 to 2015—to be WTO-inconsistent.³⁵¹ On June 5, 2019, at the request of the EU, the arbitration regarding the level of countermeasures was resumed.³⁵²

³⁵¹WTO, “[Dispute Settlement: DS353; United States—Measures Affecting Trade in Large Civil Aircraft \(Second Complaint\)](#)” (accessed April 6, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 80–81; USTR, “[WTO Rejects Claims That U.S. Provides Subsidies Comparable to Massive EU Aircraft Subsidies](#),” March 28, 2019.

³⁵² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 81.

New Requests for Consultations

During 2019, WTO members filed 19 new requests for dispute settlement consultations. This number was significantly lower than the 39 requests filed during 2018 and more in keeping with the 17 requests filed in 2017 and the number filed in earlier years. Requests filed by one member—the EU (five requests)—accounted for nearly 25 percent of the requests filed during 2019; no other member filed more than one request. India was the named respondent in nearly a third of the disputes (seven disputes), while the United States was the named respondent in three disputes and Colombia in two; no other member was the named respondent in more than one dispute. The large number of requests filed in 2018 was attributable to the nine complaints filed against the United States challenging U.S. national security tariffs on steel and aluminum products, and the six complaints filed by the United States challenging measures taken by other WTO members in response to the U.S. steel and aluminum tariffs. The issues presented in these disputes are described below. The 19 new requests included 20 different named WTO members, either as a complainant or named respondent or in both capacities.³⁵³

As of the end of 2018, seven of the eight disputes filed by the United States during 2018 were at the panel stage, with the panel composed in one of those disputes. The eighth was still at the consultation stage. As of the end of 2018, 14 of the 19 disputes filed against the United States during 2018 had advanced to the panel stage, including two in which a panel had also been composed. The remaining five disputes were still in the consultation phase. Four of the disputes—two filed by the United States against Canada and Mexico, respectively, and one each filed by Canada and Mexico against the United States—were terminated in May 2019 after the parties reached a mutually agreed solution.³⁵⁴

Disputes Filed by the United States

In the one dispute filed by the United States (DS585), filed on July 3, 2019, the United States requested consultations with India concerning India’s imposition of additional duties with respect to certain products originating in the United States. The United States claimed that the measures appear to be inconsistent with Articles I:1(a), II:1(a), and II:1(b) of the General Agreement on Tariffs and Trade (GATT) 1994. When consultations failed to resolve the dispute, the United States, on September 19, 2019, requested the DSB to establish a panel. Following agreement of the parties, the panel was established on January 7, 2020.³⁵⁵

Disputes in Which the United States Was the Named Respondent

The three requests for disputes filed against the United States were filed by the EU, the Russian Federation (Russia), and China. The first two concerned the imposition by the United States of countervailing duties and/or antidumping duties, and the third concerned measures imposed by the

³⁵³ WTO, [“Chronological List of Disputes Cases”](#) (accessed April 1, 2020).

³⁵⁴ USTR, [“United States Announces Deal with Canada and Mexico to Lift Retaliatory Tariffs,”](#) May 2019; [“Joint Statement by the United States and Canada on Section 232 Duties on Steel and Aluminum,”](#) and [“Joint Statement by the United States and Mexico on Section 232 Duties on Steel and Aluminum.”](#)

³⁵⁵ WTO, [“Dispute Settlement: DS585; India—Additional Duties on Certain Products from the United States,”](#) January 2020.

United States on certain goods from China. As of the end of 2019, a panel had been established and composed in only the first of the three disputes.

In the first dispute, DS577, filed on January 29, 2019, the EU requested consultations with the United States about the imposition of countervailing duties and antidumping duties on ripe olives from Spain, as well as the legislation that was the basis for the imposition of those duties. The EU claimed that the challenged measures appear to be inconsistent with Articles 1.1(a), 1.1(b), 1.2, 2.1, 2.2, 2.4, 10, 12.1, 12.5, 12.8, 14, 15.1, 15.2, 15.5, 19.1, 19.3, 19.4, and 32.1 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement); Articles 3.1, 3.2, and 3.5 of the Antidumping Agreement, and with Articles VI:1, VI:2, and VI:3 of GATT 1994. When consultations failed to resolve the dispute, the EU on May 16, 2019, requested establishment of a panel. The DSB established a panel on June 24, 2019. On October 8, 2019, the EU requested the Director-General to compose the panel, and the Director-General composed the panel on October 18, 2019.³⁵⁶

In the second dispute, DS586, filed on July 5, 2019, Russia requested consultations with the United States about antidumping measures imposed by the United States on hot-rolled flat-rolled carbon-quality steel products from Russia. Russia claimed that the measures appear to be inconsistent with Articles 1, 2.1, 2.2, 2.2.2.2, 2.4, 6.8, 6.10, 9.1, 9.2, 9.3, 9.4, 11.1, 11.2, 11.3., and 18.1 of the Antidumping Agreement, and with Articles VI:1 and VI:2 of GATT 1994. The dispute was in consultations at the end of 2019.³⁵⁷

In the third dispute, DS587, filed on September 2, 2019, China requested consultations with the United States regarding measures imposed by the United States on certain goods from China. China claimed that the measures appear to be inconsistent with Articles I:1, II:1(a), and II:1(b) of the General Agreement on Tariffs and Trade (GATT) 1994, and with Articles 23.1, 23.2(a), 23.2(b), and 23.2(c) of the Dispute Settlement Understanding. On September 12, 2019, the United States requested the Chair of the DSB to circulate a communication where it indicated that the United States took note of additional tariffs imposed by China. The communication indicated that the United States would look forward to hearing, at the consultations, China's basis for imposing those additional tariffs. The communication concluded that the United States accepted China's request to enter into consultations and stood ready to confer on a mutually convenient date for them. The dispute was in consultations at the end of 2019.³⁵⁸

New Panels Established in 2019 That Involve the United States

As indicated in table 3.1, during 2019, five dispute settlement panels were established in which the United States was a named party—two in which the United States was the complaining party, and three in which the United States was the responding party. This compares with 23 panels established during

³⁵⁶ WTO, "[Dispute Settlement: DS577; United States—Anti-dumping and Countervailing Duties on Ripe Olives from Spain](#)" (accessed April 1, 2020).

³⁵⁷ WTO, "[Dispute Settlement: DS586; United States—Anti-dumping Measures on Carbon-Quality Steel from Russia](#)" (accessed April 1, 2020).

³⁵⁸ WTO, "[Dispute Settlement: DS587; United States—Tariff Measures on Certain Goods from China III](#)" (accessed April 1, 2020).

2018, when the United States was the complaining party in 8 of the disputes, and the responding party in 15 disputes.

Table 3.1 WTO dispute settlement panels established during 2019 in which the United States was a party

Case no.	Complainant	Respondent	Case name	Panel established
DS543	China	United States	United States—Tariff Measures on Certain Goods from China	01/28/2019
DS561	United States	Turkey	Turkey—Additional Duties on Certain Products from the United States	01/28/2019
DS562	China	United States	United States—Safeguard Measure on Imports of Crystalline Silicon Photovoltaic Products	08/15/2019
DS577	European Union	United States	United States—Antidumping and Countervailing Duties on Ripe Olives from Spain	06/24/2019
DS585	United States	India	India—Additional Duties on Certain Products from the United States	10/28/2019

Source: WTO, "[Chronological List of Dispute Cases](#)" (accessed April 5, 2020).

Panel and Appellate Body Reports Issued and/or Adopted during 2019 That Involve the United States

During 2019, a WTO dispute settlement panel issued a report in nine disputes to which the United States was a party, including four in which the panel report was confined to a brief description of the case and to reporting that a solution had been reached (DS550, DS551, DS557, and DS560). The United States was the named complainant in five of the disputes and the named respondent in the remaining four (table 3.2). This section covers only panel and Appellate Body reports relating to the original disputes and does not include subsequent reports, such as those of a compliance panel or an arbitrator. Many of the latter reports are noted in table A.25, which contains a procedural summary of most of the dispute settlement cases that are still active in some respect.

Table 3.2 WTO dispute settlement panel and Appellate Body reports circulated and/or adopted in 2019 in which the United States was a party

Case no.	Complainant	Respondent	Case name	Date of report circulation or adoption
DS510	India	United States	United States—Certain Measures Relating to the Renewable Energy Sector	Panel report circulated 06/27/2019; appeal notified 08/15/2019
DS511	United States	China	China—Domestic Support for Agricultural Producers	Panel report circulated 02/28/2019; adopted 04/26/2019
DS517	United States	China	China—Tariff Rate Quotas for Certain Agricultural Products	Panel report circulated 04/18/2019; adopted 05/28/2019
DS534	Canada	United States	United States—Antidumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada	Panel report circulated 04/09/2019; appeal notified 06/04/2019
DS541	United States	India	India—Export Related Measures	Panel report circulated 10/31/2019; appeal notified 11/19/2019
DS550	Canada	United States	United States—Certain Measures on Steel and Aluminum Products	Panel report circulated 07/11/2019; mutually agreed solution notified 05/23/2019
DS551	Mexico	United States	United States—Certain Measures on Steel and Aluminum Products	Panel report circulated 07/11/2019; mutually agreed solution notified 05/28/2019
DS557	United States	Canada	Canada—Additional Duties on Certain Products from the United States	Panel report circulated 07/11/2019; mutually agreed solution notified 05/23/2019
DS560	United States	Mexico	Mexico—Additional Duties on Certain Products from the United States	Panel report circulated 07/11/2019; mutually agreed solution notified 05/28/2019

Source: WTO, "[Chronological List of Dispute Cases](#)" (accessed July 2, 2019).

Reports in Which the United States Was the Complainant

China—Domestic Support for Agricultural Producers (DS511)

On September 13, 2016, the United States requested consultations with China regarding certain measures through which China appeared to provide domestic support in favor of agricultural producers, particularly those producing wheat, indica rice, japonica rice, and corn. Specifically, the United States alleged that China's level of domestic support was in excess of its commitment level of *nil* specified in Section I of Part IV of China's Schedule CLII. For example, China was providing domestic support in excess of its product-specific *de minimis* level of 8.5 percent each for wheat, indica rice, japonica rice, and corn. The United States claimed that the measures appeared to be inconsistent with Articles 3.2, 6.3, and 7.2(b) of the Agreement on Agriculture. After consultations failed to resolve the dispute, the

United States requested establishment of a panel, and the DSB established a panel on January 25, 2017.³⁵⁹

On February 28, 2019, the Panel circulated its report. The Panel found that China had breached Articles 3.2 and 6.3 of the Agriculture Agreement by exceeding, in each year from 2012 to 2015, its de minimis level of support for wheat, indica rice, and japonica rice.³⁶⁰ The DSB adopted the report on April 26, 2019. The United States and China agreed that the reasonable period for China to come into compliance with WTO rules would expire on March 31, 2020.³⁶¹

China—Tariff-Rate Quotas for Agricultural Producers (DS517)

On December 15, 2016, the United States requested consultations with China concerning China's administration of its tariff-rate quotas (TRQs), including those for wheat, short- and medium-grain rice, and corn. Specifically, the United States alleged that the measures taken by China that were listed in the request established a system by which the China's National Development and Reform Commission annually allocated quotas to eligible enterprises and then reallocated quotas returned unused, based on eligibility requirements and allocation principles that were not clearly specified. The United States further claimed that the TRQs for these commodities were being underfilled, even in years where market conditions would suggest demand for imports.

The United States alleged that China's administration of these TRQs inhibited filling them, restricting opportunities for U.S. and other trading partners to export wheat, corn, and rice to China. The United States claimed that these measures appeared to be inconsistent with Articles X:3(a), XI:3, and XIII:3(b) of GATT 1994. It also claimed that the measures appeared to be inconsistent with paragraph 1.2 of Part I of China's Protocol of Accession, to the extent that this protocol incorporates paragraph 116 of the *Report of the Working Party on the Accession of China* (Working Party Report). After consultations failed to resolve the dispute, the United States requested establishment of a panel. The DSB established a panel on September 22, 2017, and the panel was composed on February 22, 2018.³⁶²

The panel circulated its report on April 18, 2019. With respect to the United States' claims under Paragraph 116 of China's Working Party Report, the panel found:

- The basic eligibility criteria used in China's administration of its TRQs for wheat, rice, and corn were inconsistent with China's obligations to administer TRQs on a transparent, predictable, and fair basis, and to administer TRQs using clearly specified requirements;
- The allocation principles used in China's administration of its wheat, rice, and corn TRQs were inconsistent with the obligations to administer TRQs on a transparent, predictable, and fair basis, and to administer TRQs using clearly specified administrative procedures;

³⁵⁹ WTO, "[Dispute Settlement: DS511; China—Domestic Support for Agricultural Producers](#)," April 2019; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 59.

³⁶⁰ The panel declined to make findings on the support provided to corn in 2012–15, given that China had apparently changed its program in 2016, just before the WTO established the panel. USTR, "[United States Wins WTO Dispute Finding China Provides Excessive Government Support to its Grain Producers](#)," February 2019.

³⁶¹ WTO, "[Dispute Settlement: DS511; China—Domestic Support for Agricultural Producers](#)," April 2019; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 60.

³⁶² WTO, "[Dispute Settlement: DS511; China—Domestic Support for Agricultural Producers](#)," April 2019; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 60.

- The reallocation procedures used in China's administration of its wheat, rice, and corn TRQs were inconsistent with the obligation to administer TRQs using clearly specified administrative procedures;
- The public comment process used in China's administration of its wheat, rice, and corn TRQs was inconsistent with the obligations to administer TRQs on a transparent, predictable, and fair basis, and to administer TRQs using clearly specified administrative procedures;
- The administration of state trading enterprise (STE) and non-STE portions of China's wheat, rice, and corn TRQs was inconsistent with the obligations to administer TRQs on a transparent, predictable, and fair basis, to administer TRQs using clearly specified administrative procedures, and to administer TRQs in a manner that would not inhibit the filling of each TRQ;
- The usage requirements for imported wheat and corn used in China's administration of its TRQ for wheat and corn were inconsistent with the obligations to administer TRQs on a predictable basis, using clearly specified administrative procedures, and in a manner that would not inhibit the filling of each TRQ.³⁶³

The DSB adopted the panel report on May 28, 2019. The United States and China agreed that the reasonable time for China to implement the DSB's recommendations and ruling would expire on December 31, 2019.³⁶⁴

India—Export Related Measures (DS541)

On March 14, 2018, the United States requested consultations with India concerning certain alleged export subsidy measures relating to export subsidy programs, including (1) the Export Oriented Units Scheme and sector-specific schemes, including the Electronics Hardware Technology Parks Scheme; (2) the Merchandise Exports from India Scheme; (3) the Export Promotion Capital Goods Scheme; (4) Special Economic Zones, and (5) a duty-free imports for exporters program. The United States claimed that the measures appear to be inconsistent with Article 3.1(a) and 3.2 of the SCM Agreement. When consultations failed to resolve the dispute, the United States requested establishment of a panel, and the DSB established a panel on May 28, 2018. On July 16, 2018, the United States requested that the Director-General compose the panel, and the Director-General composed the panel on July 23, 2018.³⁶⁵

The panel issued its report on October 31, 2019. It found all of the challenged export subsidy programs inconsistent with Articles 3.1(a) and 3.2 of the Agreement on Subsidies and Countervailing Measures. The Panel rejected India's two principal defenses of its programs. First, it disagreed with India's argument that India continued to have an exemption, based on a "certain developing country" status designation, to provide subsidies contingent upon export performance. Second, it rejected India's defense that the export subsidy programs qualified as "duty-drawback" schemes. With respect to certain product lines under the duty-free imports for exporters program, the panel found language for those lines limited the import duty exemption at issue to products used in the manufacture/processing of final products for export. Those product lines were exempted and were not deemed to be subsidies.

³⁶³ WTO, "[Dispute Settlement: DS517; China—Tariff Rate Quotas for Certain Agricultural Products](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 60–61.

³⁶⁴ WTO, "[Dispute Settlement: DS517; China—Tariff Rate Quotas for Certain Agricultural Products](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 61.

³⁶⁵ WTO, "[Dispute Settlement: DS541; India—Export Related Measures](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 69–70.

However, the remaining product lines did not qualify for duty-drawback protection and were found to be subsidies.³⁶⁶

On November 19, 2019, India notified the DSB of its decision to appeal the panel’s report.

Canada—Additional Duties on Certain Products from the United States (DS557)

On July 16, 2018, the United States requested consultations with Canada concerning the imposition by Canada of increased duties with respect to certain products originating in the United States. Canada imposed the additional duties in retaliation for the action the President took under section 232 of the Trade Expansion Act of 1962, as amended, on imports of steel and aluminum products that threatened to impair U.S. national security. The U.S. consultations request alleged that the additional duties contravened Canada’s obligations under the WTO Agreement because they (1) failed to extend to U.S. products an advantage, favor, privilege or immunity granted by Canada to products originating in the territory of other WTO members; (2) accorded less favorable treatment to products originating in the United States; and (3) imposed duties in excess of those set forth in Canada’s schedule. The United States claimed that the measures appeared to be inconsistent with Articles I:1, II:1(a), and II.1(b) of GATT 1994.

When consultations failed to resolve the dispute, the United States requested establishment of a panel, and the DSB established a panel on November 21, 2018. On January 7, 2019, the United States requested that the Director-General compose the panel, and the Director-General composed the panel on January 25, 2019.³⁶⁷

On May 27, 2019, the United States and Canada jointly wrote to the panel advising it that they had reached a mutually agreed solution, terminating the dispute. The report of the panel was circulated to WTO members and made public on July 11, 2019. In the report, the panel took note of the mutually agreed solution between the United States and Canada.³⁶⁸

Mexico—Additional Duties on Certain Products from the United States (DS560)

On July 16, 2018, the United States requested consultations with Mexico concerning the imposition by Mexico of increased duties with respect to certain products originating in the United States. Mexico increased the duties in retaliation for the action the President took under section 232 of the Trade Expansion Act of 1962, as amended, on imports of steel and aluminum products that threatened to

³⁶⁶ WTO, “[Dispute Settlement: DS541; India—Export Related Measures](#)” (accessed April 5, 2020). USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 70. The dispute panel agreed with the United States that India provides prohibited export subsidies to Indian exporters worth over \$7 billion annually. According to the panel, India gives prohibited subsidies to producers of steel products, pharmaceuticals, chemicals, information technology products, textiles, and apparel. See USTR, “[United States Wins WTO Challenge to Indian Export Subsidies](#),” Oct. 31, 2019.

³⁶⁷ WTO, “[Dispute Settlement: DS557; Canada—Additional Duties on Certain Products from the United States](#)” (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 51.

³⁶⁸ WTO, “[Dispute Settlement: DS557; Canada—Additional Duties on Certain Products from the United States](#)” (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 51.

impair U.S. national security. The U.S. consultations request alleged that the additional duties contravened Mexico's obligations under the WTO Agreement because they failed to extend to U.S. products an advantage, favor, privilege or immunity granted by Mexico to products originating in the territory of other WTO members. The United States claimed that the measures appeared to be inconsistent with Articles I:1 of GATT 1994.³⁶⁹

When consultations failed to resolve the dispute, the United States requested establishment of a panel, and the DSB established a panel on November 21, 2018. On January 7, 2019, the United States requested that the Director-General compose the panel, and the Director-General composed the panel on January 25, 2019.³⁷⁰

On May 27, 2019, the United States and Canada jointly wrote to the panel advising it that they had reached a mutually agreed solution, terminating the dispute. The report of the panel was circulated to WTO members and made public on July 11, 2019. In the report, the panel took note of the mutually agreed solution between the United States and Canada.³⁷¹

Reports in Which the United States Was the Respondent

United States—Certain Measures Relating to the Renewable Energy Sector (DS510)

On September 9, 2016, India requested consultations with the United States regarding certain measures of the United States relating to domestic content requirements and subsidies instituted by the governments of the states of Washington, California, Montana, Massachusetts, Connecticut, Michigan, Delaware, and Minnesota, in the energy sector. India claimed that the measures appeared to be inconsistent with Articles III:4, XVI:1, and XVI:4 of GATT 1994; with Articles 2.1 and 2.2 of the Agreement on Trade-Related Investment Measures (TRIMS Agreement); and Articles 3.1(b), 3.2, 5(a), 5(c), 6.3(a), 6.3(c), and 25 of the SCM Agreement. After consultations failed to resolve the dispute, India requested establishment of a panel, and the DSB established a panel on March 21, 2017. On April 24, 2018, the Director-General composed the panel.³⁷²

The panel circulated its report on June 27, 2019. The panel found that certain measures maintained by the states of California, Massachusetts, Minnesota, and Washington were not within its terms of reference. With respect to the other measures, the panel found that each of the measures was inconsistent with Article III:4 of GATT 1994 because it accorded less favorable treatment to imported

³⁶⁹ WTO, "[Dispute Settlement: DS560; Mexico—Additional Duties on Certain Products from the United States](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 71.

³⁷⁰ WTO, "[Dispute Settlement: DS560; Mexico—Additional Duties on Certain Products from the United States](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 71–72.

³⁷¹ WTO, "[Dispute Settlement: DS560; Mexico—Additional Duties on Certain Products from the United States](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 72.

³⁷² WTO, "[Dispute Settlement: DS560; Mexico—Additional Duties on Certain Products from the United States](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 90.

products as compared to like domestic products. The panel exercised judicial economy on India's claims under Articles 2.1 and 2.2 of the TRIMS Agreement and Articles 3.1(b) and 3.2 of the SCM Agreement.³⁷³

On August 15, 2019, the United States notified to the DSB of its decision to appeal to the Appellate Body certain issues of law and legal interpretations in the panel report. On August 20, 2019, India notified the DSB of its decision to cross-appeal. On October 14, 2019, the Chair of the Appellate Body informed the DSB that the Appellate Body would not be able to circulate its report within the required 90 days because of the queue of pending appeals.³⁷⁴

United States—Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada (DS534)

On November 28, 2017, Canada requested consultations with the United States regarding the United States' antidumping measures applying a differential pricing methodology to softwood lumber products from Canada.³⁷⁵ Specifically, Canada challenged the U.S. Department of Commerce's (USDOC's) application of a differential pricing methodology, including the United States' use of zeroing when applying the average-to-transaction comparison methodology. Canada claimed that the measures appear to be inconsistent with Articles 1, 2.1, 2.4, and 2.4.2 of the Antidumping Agreement, and Article VI:1 and VI:2 of GATT 1994. After consultations failed to resolve the dispute, Canada requested establishment of a panel, and the DSB established a panel on April 9, 2018. On May 22, 2018, the Director-General composed the panel.³⁷⁶

The panel circulated its report on April 9, 2019. The panel found that USDOC's use of zeroing when applying the average-to-transaction comparison methodology was not inconsistent with the Antidumping Agreement or GATT 1994. Among other things, the panel reasoned that nothing in the text of the Antidumping Agreement directly addresses the use of zeroing. The panel agreed with the United States that, if the use of zeroing were prohibited in connection with the alternative, targeted dumping methodology, then the alternative calculation methodology necessarily always would result in a margin of dumping that is mathematically equivalent to that calculated using the normal calculation methodology, which would render the alternative methodology useless. In coming to its conclusion, the panel also examined and disagreed with findings in prior WTO panel and Appellate Body reports. The panel explained why it found the approach of those reports not persuasive.³⁷⁷

The panel also found that one aspect of USDOC's differential pricing analysis was inconsistent with the requirements of the WTO Antidumping Agreement. In this aspect, USDOC aggregated differences in

³⁷³ WTO, "[Dispute Settlement: DS510; United States—Certain Measures Relating to the Renewable Energy Sector](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 91.

³⁷⁴ WTO, "[Dispute Settlement: DS510; United States—Certain Measures Relating to the Renewable Energy Sector](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 91.

³⁷⁵ For a description of "differential pricing," see USTR, "[United States Prevails on 'Zeroing' Again: WTO Panel Rejects Flawed Appellate Body Findings](#)," April 9, 2019.

³⁷⁶ WTO, "[Dispute Settlement: DS534; United States—Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 94.

³⁷⁷ WTO, "[Dispute Settlement: DS534; United States—Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 94.

export prices across categories (i.e., purchasers, regions, and time periods) to find a single pattern of export prices which differed significantly among different purchasers, regions, and time periods.³⁷⁸

On June 4, 2019, Canada notified the DSB of its decision to appeal to the Appellate Body certain issues of law and legal interpretations in the panel report. On August 2, 2019, the Chair of the Appellate Body informed the DSB that the Appellate Body would not be able to circulate its report within the required 90 days because of the queue of pending appeals.³⁷⁹

United States—Certain Measures on Steel and Aluminum Products (DS550)

On June 1, 2018, Canada requested consultations concerning certain duties that the United States had imposed under section 232 of the Trade Expansion Act of 1962, as amended, on imports of steel and aluminum products that threatened to impair U.S. national security. Canada claimed that imposition of the duties breached various provisions of GATT 1994 and the Agreement on Safeguards. The United States and Canada held consultations on July 20, 2018, but the consultations failed to resolve the dispute. Canada requested establishment of a panel, and the DSB established a panel on November 21, 2018. On May 23, 2019, the United States and Canada informed the DSB that they had reached a mutually agreed solution, terminating the dispute.³⁸⁰

United States—Certain Measures on Steel and Aluminum Products (DS551)

On June 5, 2018, Mexico requested consultations concerning certain duties that the United States had imposed under section 232 of the Trade Expansion Act of 1962, as amended, on imports of steel and aluminum products that threatened to impair U.S. national security. Mexico claimed that imposition of the duties breached various provisions of GATT 1994 and of the Agreement on Safeguards. The United States and Mexico held consultations on July 20, 2018, but the consultations failed to resolve the dispute. At Mexico's request, the DSB established a panel on November 21, 2018. The Director-General composed the panel on January 25, 2019. On May 28, 2019, the United States and Mexico informed the DSB that they had reached a mutually agreed solution, terminating the dispute.³⁸¹

U.S. Concerns with WTO Dispute Settlement

The President's *2018 Trade Policy Agenda and 2018 Annual Report* issued in March 2018 set out a number of concerns about how the WTO dispute settlement system functions, including the concern that a number of WTO dispute settlement reports have not followed WTO rules. The report stated that the most significant area of concern has been actions by panels and the Appellate Body adding to or diminishing rights and obligations under the WTO Agreement by not applying the WTO Agreement as

³⁷⁸ WTO, "[Dispute Settlement: DS534; United States—Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 94.

³⁷⁹ WTO, "[Dispute Settlement: DS534; United States—Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 94.

³⁸⁰ WTO, "Dispute Settlement: [DS550; United States—Certain Measures on Steel and Aluminum Products](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 97.

³⁸¹ WTO, "Dispute Settlement: [DS550; United States—Certain Measures on Steel and Aluminum Products](#)" (accessed April 5, 2020); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 98.

written, and cited a number of examples. The report also cited additional concerns about (1) the Appellate Body's decision to ignore the mandatory 90-day deadline for deciding appeals; (2) service on the Appellate Body by persons who are no longer Appellate Body members; (3) the tendency of WTO reports to make findings unnecessary to resolve a dispute or on issues not presented in a dispute; (4) the Appellate Body's approach to reviewing facts, and *de novo* review of a WTO member's domestic law; and (5) claims by the Appellate Body that its reports are entitled to be treated as precedent.³⁸²

As stated in USTR's *2020 Trade Policy Agenda and 2019 Annual Report*, during 2019, the United States made a series of statements at DSB meetings explaining that the United States, for more than 16 years and across multiple U.S. administrations, has been raising serious concerns with the Appellate Body's disregard for the rules set by WTO members in adding to or diminishing rights or obligations under the WTO Agreement.³⁸³ USTR detailed these concerns in its February 2020 *Report on the Appellate Body of the World Trade Organization*.³⁸⁴ USTR noted that the United States has also explained that when the Appellate Body abused the authority it had been given within the dispute settlement system, it undermined the legitimacy of the system and damaged the interest of all WTO members who care about having the agreement respected as they had negotiated and agreed to it.³⁸⁵ USTR indicated that, as a result, the United States was not prepared to agree to launch the process to fill vacancies on the WTO Appellate Body without WTO members engaging with and addressing these critical issues.³⁸⁶

³⁸² A *de novo* review is a review of a member's domestic law conducted as if for the first time, ignoring the fact that it has been in force for many years. USITC, [The Year in Trade 2017](#), August 2018, 111–12, citing USTR, [2018 Trade Policy Agenda and 2017 Annual Report](#), March 2018, 22–28.

³⁸³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 168.

³⁸⁴ USTR, [Report on the Appellate Body of the World Trade Organization](#), February 2020.

³⁸⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 168.

³⁸⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 168.

Chapter 4

Selected Regional and Bilateral Trade Activities

This chapter summarizes trade-related activities during 2019 in two major multilateral organizations—the Organisation for Economic Co-operation and Development (OECD) and the Asia-Pacific Economic Cooperation (APEC) forum. It also covers the activities conducted under U.S. trade and investment framework agreements (TIFAs).

Organisation for Economic Co-operation and Development (OECD)

The OECD’s membership comprises the world’s leading market-based economies. It provides a policy forum for member governments to review, discuss, and find evidence-based solutions to economic, social, and environmental challenges facing the global economy, such as issues of trade, taxation, and macroeconomic performance, including job creation.³⁸⁷ As of January 2020, there were 37 OECD members.³⁸⁸ In this section, we review major OECD events in 2019, including digital tax disputes and developments within the Global Forum on Steel Excess Capacity, as well as meetings of the ministerial council meeting, the trade committee and working party of the trade committee, and the steel committee.

Ministerial Council Meeting

The OECD held its annual Ministerial Council Meeting on May 22–23, 2019, in Paris, France. It was chaired by Slovakia. Ministers focused on ways to promote well-being and progress by harnessing the ongoing digital transition of the global economy, under which an increasing share of trade and other economic activity is moving online. Ministers also addressed the disruptive effects of digitalization—the transformation of business and other processes from physical to computerized formats—in areas such as market competitiveness, taxation, and governance. At the same time, they looked at ways that the resulting “digital transition” could work to the benefit of all.³⁸⁹

Ministers discussed a number of topics related to digital challenges and sustainable development, including:

³⁸⁷ OECD, [“Who We Are”](#) (accessed January 27, 2020).

³⁸⁸ OECD, [“Our Global Reach”](#) (accessed January 27, 2020). The 37 OECD member countries are Australia, Austria, Belgium, Canada, Chile, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey, the UK, and the United States.

³⁸⁹ OECD, [“Meeting of the OECD Council at Ministerial Level”](#) (accessed January 28, 2020).

- Structural reform, macroeconomic policy, and open markets to help support digital transition and realization of the 2030 Agenda for Sustainable Development.³⁹⁰
- Artificial intelligence as an important step in international collaboration.
- How to identify tax challenges arising from digitalization.³⁹¹
- How to promote open markets by remaining alert for anticompetitive behavior among digital firms and supporting cooperation among competition authorities.
- Acknowledging the importance of securing personal data and privacy.
- How to achieve structural changes needed for labor markets to adapt to digitalization.
- Multilateral trade and relieving trade tensions, such as tax disputes, in the digital era.³⁹²

Trade Committee

In 2019, the OECD Trade Committee met in April (175th session) and October (176th session).³⁹³ One focus was on preparations for upcoming activities in multilateral bodies, such as the Ministerial Council Meeting, the Group of 7 Summit, and the Group of 20 (G20) Leaders' Summit. A special issue addressed by the Committee was the need to promote open markets by remaining alert for anticompetitive behavior among digital firms and supporting cooperation among competition authorities. The Trade Committee also focused on topics such as trade policy concerns, digital trade, agricultural subsidies, and export credits.³⁹⁴ Besides the two plenary sessions, the Trade Committee held confidential sessions in 2019 on April 26 and October 24.³⁹⁵

The Trade Committee also spent time planning for the 2019 OECD Global Forum on Trade, focusing on digital trade negotiations.³⁹⁶ The OECD Global Forum on Trade was titled "Levelling the Playing Field: Measuring and Addressing Trade-Distorting Government Support," and was held on October 23–24, 2019.³⁹⁷ The forum also had sessions on agriculture, aluminum, high-technology sectors, and the "Osaka track" e-commerce agreements.³⁹⁸

³⁹⁰ The 2030 Agenda for Sustainable Development includes 17 goals and 169 tasks related to sustainable development to be achieved by 2030. It was adopted by the United Nations and the OECD in September 2015.

³⁹¹ The OECD Working Party No. 1 on Tax Conventions and Related Questions has been tasked with addressing the dispute between the United States and France on digital services taxes. The OECD plans to suggest a digital services tax (DST) rate rule in 2020. For more information, see chapter 6, "Digital Services Taxes."

³⁹² OECD, "[Statement of the MCM 2019 Chair](#)" (accessed January 28, 2020).

³⁹³ See OECD, "[175th Session of the Trade Committee—Plenary Session](#)," April 25, 2019; OECD, "[176th Session of the Trade Committee—Plenary Session](#)," December 05, 2019.

³⁹⁴ See OECD, "[176th Session of the Trade Committee—Plenary Session](#)," December 05, 2019; OECD, "[175th Session of the Trade Committee—Plenary Session](#)," April 25, 2019.

³⁹⁵ See OECD, "[175th Session of the Trade Committee Confidential Session](#)," April 26, 2019; OECD, "[176th Session of the Trade Committee—Confidential Session](#)," October 24, 2019.

³⁹⁶ OECD, "[Planning for the OECD Global Forum on Trade 2019](#)," April 23, 2019.

³⁹⁷ OECD, "[OECD Global Forum on Trade 2019](#)" (accessed February 20, 2020).

³⁹⁸ OECD, "[OECD Global Forum on Trade 2019](#)," November 18, 2019. The Osaka track was launched via the "Osaka Declaration on the Digital Economy" at the G20 summit in Osaka, Japan, in 2019. The Osaka track is meant to promote international rulemaking on trade-related aspects of electronic commerce at the WTO. The signatories of the declaration are Argentina, Australia, Brazil, Canada, China, Chile, the European Union (EU), France, Germany, Italy, Japan, Mexico, the Netherlands, Russia, Saudi Arabia, Senegal, Singapore, South Korea, Spain, Thailand,

Working Party of the Trade Committee

The Working Party of the Trade Committee—which tackles the whole range of trade matters considered by the committee—held two meetings in 2019: June (81st session) and December (82nd session).³⁹⁹ At these meetings, the working party discussed several topics, including:

- Foreign direct investment and trade in agriculture.
- The capacity and resilience of agrifood global value chains.
- Digitalization of sanitary and phytosanitary systems (SPS).
- Costs of nontariff barriers, including SPS and technical barriers to trade, in agriculture.⁴⁰⁰

In October, the Working Party of the Trade Committee Chair reported to the Trade Committee on progress in its activities. The update included topics such as country coverage by the Services Trade Restrictiveness Index, business at the OECD Trade Union Advisory Committee, and intersessional activities and reports.⁴⁰¹

OECD/G20 Inclusive Framework on Base Erosion and Profit Sharing

Issues surrounding taxation of the digital economy were a focus of the OECD in 2019. With a lack of international consensus leading to proposals of unilateral and uncoordinated tax policies by various countries in recent years, member parties have expressed desire for a clear global solution.⁴⁰²

To work towards a consensus on these issues, the OECD/G20 Inclusive Framework (Inclusive Framework) on Base Erosion and Profit Sharing (BEPS) held public consultations in Paris in March 2019 to seek stakeholder input on possible solutions to tax challenges arising from the digitalization of the economy.⁴⁰³ Based on the discussions and submissions from these consultations, the Inclusive Framework agreed to a new “Programme of Work” at its plenary meeting in May 2019, which would develop a global solution to the issue. The Programme of Work provides instructions for the Inclusive Framework and assigns technical work to subsidiary bodies to establish consensus-based solutions by

Turkey, the United Kingdom, the United States, and Vietnam. WTO, [“Azevêdo Joins Prime Minister Abe,”](#) June 28, 2019.

³⁹⁹ See OECD, [“Summary Record: 81st Session,”](#) June 14, 2019 (registration required); OECD, [“Summary Record: 82nd Session,”](#) December 2, 2019.

⁴⁰⁰ See OECD, [“Summary Record: 81st Session,”](#) June 14, 2019; OECD, [“Summary Record: 82nd Session,”](#) December 02, 2019.

⁴⁰¹ OECD, [“Report of the WPTC Chair,”](#) October 24, 2019.

⁴⁰² OECD, “Summary Record of the 108th Meeting of Working Party 1,” CTPA/CFA/WP1/NOE2/M(2019)1/REV1, June 17, 2019.

⁴⁰³ OECD, [“Addressing the Challenges of the Digitalisation of the Economy—Public Consultation Document,”](#) February 13–March 6, 2019, 3.

yearend 2020.⁴⁰⁴ Related public consultations were held on proposals under the Programme of Work in October and November 2019.⁴⁰⁵

The OECD has been considering issues of digital taxation for several years under its BEPS work program. In September 2013, OECD and G20 member countries adopted a 15-point BEPS Action Plan to address issues related to international taxation. The plan's overarching goals included (1) introducing coherence in the domestic tax rules that affect cross-border activities, (2) reinforcing substance requirements in the existing international standards, and (3) improving transparency as well as certainty in tax policy.⁴⁰⁶

Action 1 under the BEPS Action Plan calls for work to address the tax challenges of the digital economy. A subsidiary body of the Committee on Fiscal Affairs, the Task Force on the Digital Economy (TFDE), was designated to carry out this work, holding consultations with stakeholders and analyzing submissions by businesses, civil society, academics, and developing countries.⁴⁰⁷ With over 45 countries participating in the process, work to develop recommendations on all 15 actions under the BEPS action plan concluded in 2015, and TFDE issued its recommended measures to address BEPS work program goals within the context of the digital economy in a report that year.⁴⁰⁸

Following the issuance of recommended measures, the Inclusive Framework on BEPS was established in 2016 to pursue the measures' implementation via changes to domestic laws or via treaty provisions. Membership in the Inclusive Framework extended to all interested countries and jurisdictions, with more than 135 members joining as of July 2020.⁴⁰⁹ In its interim report in 2018, the Inclusive Framework acknowledged that broader tax challenges raised by the digitalization of the economy go beyond concerns regarding BEPS, as identified in the 2015 report. These challenges chiefly relate to the question of how taxes on income generated from cross-border activities in the digital age should be allocated among countries.⁴¹⁰ The report also noted that a number of countries had begun implementing unilateral and uncoordinated tax policy actions to secure their tax base in regard to the remote sales of digital products and services into their markets. According to the report, these moves reflected discontent by some countries with the taxation outcomes of the current international system and

⁴⁰⁴ OECD, [Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy](#), May 31, 2019, 5.

⁴⁰⁵ OECD, ["OECD Invites Public Input on the Secretariat Proposal for a 'Unified Approach' under Pillar One,"](#) October 9, 2019; OECD, ["OECD Secretariat Invites Public Input on the Global Anti-Base Erosion \(GloBE\) Proposal under Pillar Two,"](#) November 8, 2019.

⁴⁰⁶ OECD, [Action Plan on Base Erosion and Profit Shifting](#), 2013; OECD, [Tax Challenges Arising from Digitalisation—Interim Report 2018](#), 2018, 3.

⁴⁰⁷ OECD, [Addressing the Challenges of the Digital Economy, Action 1—2015 Final Report](#), 2015, 142.

⁴⁰⁸ OECD, [Addressing the Challenges of the Digital Economy, Action 1—2015 Final Report](#), 2015, 3, 78–84. Among the measures recommended to address digital taxation issues were modifications to the definition of a "permanent establishment" to exclude establishments that are "preparatory or auxiliary" in character, and to include local subsidiaries with a substantive role in local sales; revisions to the transfer pricing guidelines to ensure appropriate returns to companies; and the establishment of a definition of controlled foreign company income that subjects income typically earned in the digital economy to taxation in the jurisdiction of the ultimate parent company. OECD, [Addressing the Challenges of the Digital Economy, Action 1—2015 Final Report](#), 2015, 12.

⁴⁰⁹ OECD, [Tax Challenges Arising from Digitalisation—Interim Report 2018](#), 2018, 19; OECD, ["What Is BEPS?"](#) (accessed July 10, 2020).

⁴¹⁰ OECD, [Tax Challenges Arising from Digitalisation—Interim Report 2018](#), 2018, 167.

diverging views of how the business models of digital firms, and digitalization more generally, should result in changes to international tax rules.⁴¹¹

In an example of such unilateral tax actions, on March 6, 2019, France released a proposal for a 3 percent tax on revenues generated from the provision of certain digital services by companies exceeding thresholds for revenue generated globally and from French customers.⁴¹² The bill instituting this digital services tax (DST) was signed into law on July 24, 2019. Also in July 2019, as discussed in chapter 2, USTR initiated a section 301 investigation of the French DST and found in a report issued in December 2019 that the DST was discriminatory against U.S. companies and particularly burdensome for U.S. companies covered under the tax. The basis for this determination was in part due to the fact that the French DST contravenes OECD guidance issued under the BEPS work program, which counsels against targeting the digital economy for special unfavorable tax treatment.⁴¹³

The Steel Committee

In light of concern about market distortions in the steel industry, the steel committee makes recommendations on capacity reductions in relevant economies, removal of subsidies, and other support measures for steel markets. In 2019, the OECD Steel Committee had two meetings: one in March (86th session) and one in September (87th session).⁴¹⁴ In these meetings, the committee focused on:

- The global steel market outlook and steelmaking capacity.
- Steel trade and policy developments, such as subsidies and government support, as well as policy intervention.
- The environmental impact of steelmaking and the steel trade.
- Potential technology solutions to contribute to sustainable steel-making practices.
- Challenges to market openness such as state-owned enterprises, barriers to exit, and market consolidation in the steel sector.⁴¹⁵

During the March and September 2019 meetings, the OECD Steel Committee expressed concern about excess capacity in the steel sector and emphasized the need for capacity reductions.⁴¹⁶ The committee called for the G20 Global Forum on Steel Excess Capacity (GFSEC) to implement policy actions aimed at eliminating excess capacity and market-distorting measures.⁴¹⁷

⁴¹¹ OECD, [Tax Challenges Arising from Digitalisation—Interim Report 2018](#), 2018, 159, 171–73.

⁴¹² For more information on the French tax and other similar proposals by EU member states, see the EU section of chapter 6.

⁴¹³ USTR, [Section 301 Investigation—Report on France’s Digital Services Tax](#), December 2, 2019, 5. For more information on the section 301 investigation of the French DST, see chapter 2.

⁴¹⁴ See OECD, [“86th Session of the Steel Committee”](#) (accessed February 24, 2020); OECD, [“87th Session of the Steel Committee”](#) (accessed February 24, 2020).

⁴¹⁵ OECD, [“87th Session of the Steel Committee”](#) (accessed February 24, 2020).

⁴¹⁶ OECD, [“Steel Committee Concerned about Excess Capacity in Steel Sector”](#) (accessed February 24, 2020).

⁴¹⁷ OECD, [“Steel Committee Concerned about Excess Capacity in Steel Sector”](#) (accessed February 24, 2020).

Global Forum on Steel Excess Capacity

GFSEC was created following calls from leaders of the G20 to address the structural problem of global excess capacity in the steel industry (and other industries, when applicable).⁴¹⁸ On December 16, 2016, GFSEC was formally established in Berlin, Germany.⁴¹⁹ Its mission was to exchange information and data on global steel capacity developments and government policies affecting excess steel capacity; develop policy solutions and recommendations to alleviate excess capacity; and report on its work to the G20 ministers.⁴²⁰

In 2019, 33 economies participated in the GFSEC, including several non-OECD steel-producing economies.⁴²¹ The OECD chaired the forum and facilitated the work produced by the GFSEC.⁴²² GFSEC met several times in 2019, including at its third ministerial-level meeting, which was held in Tokyo, Japan, on October 26, 2019. At the meeting, the majority of the forum indicated agreement with the ministerial report expressing interest in continuing the work of GFSEC past the three-year expiration date.⁴²³ The report also included conclusions on processes to curb excess capacity through the removal of subsidies and other government support measures for both public and private steel producers.⁴²⁴

However, because the forum's members did not reach a consensus on renewal, the GFSEC expired in November 2019. As of May 2020, GFSEC had not been renewed.

Asia-Pacific Economic Cooperation (APEC)

Background

Established in 1989 and composed of 21 member economies, APEC is a regional economic and trade forum.⁴²⁵ The primary objectives of APEC, set out in 1993, include “pursuing opportunities to liberalize and expand trade; facilitating a more open environment for investment; developing initiatives to improve the flow of goods, services, capital and technology within the region; consulting on issues of

⁴¹⁸ G20, “[Leaders’ Communique—Hangzhou Summit](#),” September 5, 2016; Government of Germany, *Global Forum on Steel Excess Capacity*, November 30, 2017, 49.

⁴¹⁹ Government of Germany, Federal Ministry of Economic Affairs and Energy, [Global Forum on Steel Excess Capacity](#), November 30, 2017, 2.

⁴²⁰ Government of Germany, “[Factsheet—Global Forum on Steel Excess Capacity](#),” November 30, 2017.

⁴²¹ METI, “[Ministerial Meeting on Steel Excess Capacity](#),” October 26, 2019.

⁴²² In 2019, the 33 GFSEC member economies were Argentina, Australia, Austria, Belgium, Brazil, Canada, China, the EU, Finland, France, Germany, Greece, Hungary, India, Indonesia, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Poland, Russia, Saudi Arabia, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, the UK, and the United States. Global Forum on Steel Excess Capacity, “[Chair’s Report](#),” October 26, 2019, 110.

⁴²³ The representative from China expressed the view that GFSEC has achieved its goal and should expire at the end of 2019. GFSEC Ministerial Meeting, “[Statement of the Chair](#),” October 26, 2019.

⁴²⁴ Global Forum on Steel Excess Capacity, “[Chair’s Report](#),” October 26, 2019.

⁴²⁵ In 2019, the 21 APEC member economies were Australia; Brunei Darussalam (Brunei); Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia; Singapore; South Korea; Taiwan; Thailand; the United States; and Vietnam. For further details, see APEC, “[About APEC](#)” (accessed March 2, 2020).

importance and developing consensus to expand and strengthen these flows within the region and globally; and reducing and removing distortions which impede these flows.”⁴²⁶

These objectives provide high-level guidance to APEC programs and activities, including economic leaders’ summits, ministerial meetings, senior officials’ meetings, policy dialogues, and workshops, in which various trade and economic issues are discussed. APEC decisions are made by consensus, and commitments are undertaken voluntarily.⁴²⁷ Every year, one of the 21 APEC member economies hosts APEC meetings and serves as the APEC chair.⁴²⁸ In 2019, Chile served as the APEC chair and hosted major APEC meetings through the year.

APEC’s operational structure is based on both “bottom-up” and “top-down” approaches. Four core committees, including the Committee on Trade and Investment (CTI), provide strategic policy recommendations to APEC economic leaders and ministers who meet annually to set the vision for overarching goals and initiatives.⁴²⁹ The working groups under each committee are tasked with implementing these initiatives through a variety of APEC-funded projects. Member economies also take individual and collective actions to carry out APEC initiatives. Capacity building is a key element of APEC’s operation, playing an important role in helping realize APEC’s goals by providing skill training and technological expertise to member economies.⁴³⁰

APEC Developments in 2019

2019 APEC Themes and Priorities

Under Chile’s leadership in 2019, APEC adopted the theme “Connecting People, Building the Future,” and chose four priority areas: “Digital Society; Integration 4.0; Women, Small and Medium Enterprises (SMEs) and Inclusive Growth; and Sustainable Growth.”⁴³¹

Under “Digital Society,” APEC focused on improving digital access and setting up the regulatory framework for digital trade. The effort includes (1) improving the quality and coverage of telecommunications infrastructure, (2) creating common regulatory principles and cross-border digital trade standards that improve digital trade flows, (3) incorporating changes and adjustments in the education and labor system to meet technological progress, and (4) developing a methodology for producing harmonized data in APEC economies.⁴³²

The second area, “Integration 4.0,” addresses next-generation regional integration. APEC focused on trade and investment issues that would shape regional integration in the future. The effort includes (1) trade facilitation, (2) customs coordination, (3) border management automation, (4) regulatory

⁴²⁶ APEC, [APEC Committee on Trade and Investment 2019](#), December 2019.

⁴²⁷ APEC, [“About APEC”](#) (accessed March 2, 2020).

⁴²⁸ APEC, [“How APEC Operates”](#) (accessed March 2, 2020).

⁴²⁹ Other three committees are the Senior Officials’ Meeting Committee on Economic and Technical Cooperation, Economic Committee, and Budget and Management Committee. APEC, [“Working Level”](#) (accessed March 31, 2020).

⁴³⁰ APEC, [“About APEC”](#) (accessed March 2, 2020).

⁴³¹ APEC Chile 2019, [“Host Economy Leader’s Statement”](#) (accessed March 2, 2020).

⁴³² APEC Chile 2019, [“Priorities for APEC Chile 2019”](#) (accessed March 2, 2020).

convergence, (5) participation in global value chains (GVCs), (6) people and knowledge mobility, and (7) investments in infrastructure.⁴³³

Under “Women, SMEs and Inclusive Growth,” the third area of focus, APEC seeks to increase opportunities for all members and communities in the region to participate in, contribute to, and benefit from global economic growth. The effort includes (1) improving the economic empowerment of women, (2) addressing the regulatory challenges and reducing trade barriers that SMEs face, (3) improving SMEs’ access to information and communication technologies, and (4) strengthening the capabilities of SMEs to realize the benefits from global trade as well as digital trade.⁴³⁴

APEC’s fourth area, “Sustainable Growth,” focuses on green technology, energy efficiency, and environment protection. The effort includes (1) protecting oceans and marine ecosystems, (2) combating illegal fishing and preventing and reducing marine debris, (3) intensifying the work on developing technology and technical procedures to promote cheaper and cleaner energy as well as electromobility (e.g., the use of electric vehicles), and (4) improving cooperation on building smart and green cities.⁴³⁵

2019 APEC Highlights

The CTI and its 11 subgroups champion work on liberalizing and facilitating trade and investment as a driver of growth in the APEC region.⁴³⁶ In its 2019 annual report to ministers, the CTI acknowledged emerging challenges for trade and highlighted APEC’s responses to these challenges in 2019. Among them are:

- Supporting the multilateral trading system and the World Trade Organization (WTO) by identifying areas where APEC could contribute. These areas include e-commerce; fisheries subsidies; micro, small, and medium-sized enterprises (MSMEs); women’s economic empowerment; domestic regulation of services sectors; and transparency.⁴³⁷
- Advancing APEC’s regional economic integration agenda and the Bogor Goals by pushing for progress in the five areas concerning services trade.⁴³⁸ These areas include domestic services regulation; the APEC index for measuring the regulatory environment in services trade; talent mobility; environment services; and manufacturing-related services.⁴³⁹

⁴³³ APEC Chile 2019, “[Priorities for APEC Chile 2019](#)” (accessed March 2, 2020).

⁴³⁴ APEC Chile 2019, “[Priorities for APEC Chile 2019](#)” (accessed March 2, 2020).

⁴³⁵ APEC Chile 2019, “[Priorities for APEC Chile 2019](#)” (accessed March 2, 2020).

⁴³⁶ In 2019, the CTI oversaw 11 subgroups: Automotive Dialogue; Business Mobility Group; Chemical Dialogue; Electronic Commerce Steering Group (which was restructured into the Digital Economy Steering Group in 2019); Group on Services; Intellectual Property Experts Group; Investment Experts Group; Life Science Innovation Forum; Market Access Group; Sub-Committee on Customs Procedures; and Sub-Committee on Standards and Conformance. APEC, [APEC Committee on Trade and Investment 2019](#), December 2019, 1.

⁴³⁷ APEC, [APEC Committee on Trade and Investment 2019](#), December 2019, 4–5.

⁴³⁸ For background information on APEC’s Bogor Goals, see USITC, [The Year in Trade 2014](#), July 2015, 117–18.

⁴³⁹ APEC, [APEC Committee on Trade and Investment 2019](#), December 2019, 6.

- Making overall progress toward the realization of the Free Trade Area of the Asia-Pacific (FTAAP), including undertaking several initiatives, projects, and capacity building to support APEC's FTAAP objectives.⁴⁴⁰

In addition, the CTI report noted progress made in implementing the WTO Trade Facilitation Agreement and expanding the Asia-Pacific Model E-Port Network, among others.⁴⁴¹

Digital Trade, Internet Economy, and E-Commerce⁴⁴²

The CTI report noted the proliferation of work done by APEC in 2019 on the internet economy, digital trade, and e-commerce. It specifically highlighted the following areas: data privacy; the protection of data, consumers, and intellectual property rights (IPRs); MSMEs' participation in digital trade; digital marketing; online advertising standards; and the policy and regulatory environment. Some of these areas are discussed in greater detail below.⁴⁴³

Improving data privacy protection. APEC undertook several activities to improve data privacy protection across APEC economies, such as continuing to promote the enhancement and expansion of the APEC Cross-Border Privacy Rules System and the APEC Privacy Recognition for Processors system. These systems would enable businesses to process and transfer personal data in compliance with privacy protection standards prescribed by these systems, and they are enforceable in participating APEC economies.⁴⁴⁴

Enhancing the protection of data, consumers, and IPRs. APEC conducted several workshops on the protection of data, consumers, and IPRs. The workshops covered topics such as organizational accountability, national data protection authority, cross-border data flows, a regional cooperation framework for regulatory enforcement, challenges and best practices in IPR protection, and dispute resolution and redress mechanisms for consumer protection.

Creating an enabling policy and regulatory environment. The APEC Policy Support Unit conducted a study examining the role of data in the business models of various firms and the challenges they face pertaining to data use. The study involved 39 firms from sectors such as aviation, logistics, shipping, payment services, encryption services, and manufacturing in 12 APEC economies. The study found that data play an important role for firms in both traditional and new industries. Firms across different sectors collect and use significant volumes of data for a wide range of purposes and have undertaken various measures to ensure the privacy and security of data. The study recommended middle-ground policy and regulatory approaches to data-related issues, which would have relatively minimal impact on firms' access and use of data while ensuring data security and privacy. Such approaches included "recognizing voluntary standards, reviewing potential and existing domestic regulations against privacy guidelines/frameworks, complementing lighter touch regulations with effective enforcement, and

⁴⁴⁰ For more information on FTAAP, see USITC, *The Year in Trade 2016*, July 2017, 110–11; APEC, *APEC Committee on Trade and Investment 2019*, December 2019, 7–9.

⁴⁴¹ APEC, *APEC Committee on Trade and Investment 2019*, December 2019, Appendix 2.

⁴⁴² For more information on APEC work concerning digital trade, the internet economy, and e-commerce, see USITC, *The Year in Trade 2017*, August 2018, 116–17; USITC, *The Year in Trade 2018*, October 2019, 125–26.

⁴⁴³ APEC, *APEC Committee on Trade and Investment 2019*, December 2019, 3, 10–13.

⁴⁴⁴ APEC, "[Cross-Board Privacy Rules System](#)" (accessed March 3, 2020).

enhancing cross-border data flows through various mechanisms such as adequacy status, mutual recognition system and free trade agreements, among others.”⁴⁴⁵

In addition, several project proposals were put forth in 2019, including a proposal by Australia for a digital symposium and a proposal by the United States and others to develop a guidance document, *Building Blocks for Facilitating Digital Trade*.⁴⁴⁶ These proposals seek to examine issues related to digital trade, develop approaches and policies on building digital literacy and inclusiveness, create a list of best practices and policy guidance to facilitate digital trade, and promote innovative, inclusive, and sustainable growth in the APEC region.

Global Value Chain (GVC) Cooperation⁴⁴⁷

The CTI report highlighted several developments in 2019 that are related to GVC cooperation. One key outcome was the development of the *APEC Strategic Blueprint for Promoting Global Value Chains 2020–2025 (Blueprint 2.0)*.⁴⁴⁸ Built upon the *APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation (Blueprint 1.0)*, endorsed in 2014, *Blueprint 2.0* addresses areas for improvement, next-generation trade and investment issues, recent business trends, and other initiatives undertaken by APEC.⁴⁴⁹ Seven workstreams will lead the implementation of *Blueprint 2.0*. The United States will champion two of the GVC workstreams, including “addressing trade and investment issues and barriers that impact GVCs” and “cooperating on implementing and taking full advantage of statistics related to GVCs.”⁴⁵⁰

Since 2014, the United States and China have co-led the GVC Workstream 2 under *Blueprint 1.0*, “APEC GVCs and Trade in Value Added (TiVA) Measurement.”⁴⁵¹ The objective of this workstream is to develop an APEC TiVA database. Upon USTR’s request, on the U.S. side, staff from the U.S. International Trade Commission (Commission) have been co-leading this project with participants from the U.S. Department of Commerce’s Bureau of Economic Analysis since 2014. In early 2019, the APEC TiVA Technical Group circulated the preliminary APEC TiVA Database among the APEC economies to solicit feedback and comments.

The United States, led by the Commission, organized the Fourth Capacity Building Workshop in May 2019 to support the effective use of the database. The workshop provided training on (1) understanding the role of GVCs in the APEC region in terms of completeness, economic growth, and economic integration; (2) accessing and using the APEC TiVA Database; and (3) applying the TiVA approach and APEC TiVA database for trade and investment policy analysis. After the workshop, the APEC TiVA Technical Group also produced and published the *APEC TiVA Initiative Report One*, which presents the methodologies used in constructing the APEC TiVA Database.

⁴⁴⁵ APEC, [Enabling Policy and Regulatory Environment](#), July 2019, 6.

⁴⁴⁶ USTR, [“Building Blocks for Facilitating Digital Trade,”](#) December 2019.

⁴⁴⁷ For more information on APEC GVC development and cooperation, see USITC, [The Year in Trade 2015](#), July 2016, 120–21; and [The Year in Trade 2016](#), July 2017, 111–12.

⁴⁴⁸ APEC, [Strategic Blueprint for Global Value Chains 2020–2025](#), November 2019.

⁴⁴⁹ For details on the original blueprint, see APEC, [“APEC Strategic Blueprint for Global Value Chains,”](#) November 2014.

⁴⁵⁰ APEC, [APEC Committee on Trade and Investment 2019](#), December 2019, 3, 13.

⁴⁵¹ Trade in value added (TiVA) is a statistical approach for measuring GVCs.

In addition, APEC carried out other activities (e.g., workshops, studies, and initiatives) in 2019 on GVC-related topics. Examples include the interdependencies of trade and investment in GVCs, economic upgrading through GVCs, factors affecting the formation and development of GVCs, and MSMEs' integration into GVCs.

Trade and Investment Framework Agreements

Trade and Investment Framework Agreements (TIFAs) provide principles for dialogue on trade and investment issues. As of yearend 2019, the United States had entered 56 TIFAs (table 4.1), with no new TIFAs since 2017. TIFAs cover diverse matters, including market access, labor, environment, and IPRs.⁴⁵² TIFA meetings serve as a setting for the United States and other parties to discuss issues of mutual interest with the objective of strengthening trade and investment ties.⁴⁵³

The most recent TIFA negotiations were with Paraguay. Though the U.S.-Paraguay TIFA was signed in 2017, it has not yet been ratified. The U.S.-Paraguay TIFA is expected to enter into force in 2020, when the first official meeting under this agreement is scheduled to take place. Until then, discussions on trade and investment issues between the United States and Paraguay are channeled through the U.S.-Paraguay Bilateral Council on Trade and Investment.⁴⁵⁴

⁴⁵² USTR, "Trade and Investment Framework Agreements" (accessed March 16, 2020); USTR, "[United States, Bangladesh Sign Trade and Investment Cooperation](#)," November 25, 2013; USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 352–59; USTR, "[SACU](#)" (accessed April 1, 2020).

⁴⁵³ USTR, "[Trade and Investment Framework Agreements](#)" (accessed March 16, 2020).

⁴⁵⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 26.

Table 4.1 U.S. trade and investment framework agreements (TIFAs) in 2019

Type and name	Date signed
Bilateral agreements	
U.S.-Afghanistan TIFA	September 21, 2004
U.S.-Algeria TIFA	July 13, 2001
U.S.-Angola TIFA	May 19, 2009
U.S.-Argentina TIFA	March 23, 2016
U.S.-Armenia TIFA	November 13, 2015
U.S.-Bahrain TIFA	June 18, 2002
U.S.-Bangladesh TICFA	November 25, 2013
U.S.-Brunei Darussalam TIFA	December 16, 2002
U.S.-Burma TIFA	May 21, 2013
U.S.-Cambodia TIFA	July 14, 2006
U.S.-Egypt TIFA	July 1, 1999
U.S.-Georgia TIFA	June 20, 2007
U.S.-Ghana TIFA	February 26, 1999
U.S.-Iceland TICF	January 15, 2009
U.S.-Indonesia TIFA	July 16, 1996
U.S.-Iraq TIFA	July 11, 2005
U.S.-Kuwait TIFA	February 6, 2004
U.S.-Laos TIFA	February 17, 2016
U.S.-Lebanon TIFA	November 30, 2006
U.S.-Liberia TIFA	February 15, 2007
U.S.-Libya TIFA	December 18, 2013
U.S.-Malaysia TIFA	May 10, 2004
U.S.-Maldives TIFA	October 17, 2009
U.S.-Mauritius TIFA	September 18, 2006
U.S.-Mongolia TIFA	July 15, 2004
U.S.-Mozambique TIFA	June 21, 2005
U.S.-Nepal TIFA	April 15, 2011
U.S.-New Zealand TIFA	October 2, 1992
U.S.-Nigeria TIFA	February 16, 2000
U.S.-Oman TIFA	July 7, 2004
U.S.-Pakistan TIFA	June 25, 2003
U.S.-Paraguay TIFA	January 13, 2017
U.S.-Philippines TIFA	November 9, 1989
U.S.-Qatar TIFA	March 19, 2004
U.S.-Rwanda TIFA	June 7, 2006
U.S.-Saudi Arabia TIFA	July 31, 2003
U.S.-South Africa TIFA ^a	June 18, 2012
U.S.-Sri Lanka TIFA	July 25, 2002
U.S.-Switzerland TICF	May 25, 2006
U.S.-Taiwan TIFA	September 19, 1994
U.S.-Thailand TIFA	October 23, 2002
U.S.-Tunisia TIFA	October 2, 2002
U.S.-Turkey TIFA	September 29, 1999
U.S.-Ukraine TICA	March 28, 2008
U.S.-United Arab Emirates TIFA	March 15, 2004
U.S.-Uruguay TIFA ^b	January 25, 2007
U.S.-Vietnam TIFA	June 21, 2007
U.S.-Yemen TIFA	February 6, 2004

Type and name	Date signed
Regional agreements	
U.S.-Association of Southeast Asian Nations (ASEAN) TIFA ^c	August 5, 2006
U.S.-Caribbean Community (CARICOM) TIFA ^d	May 28, 2013
U.S.-Central Asian TIFA ^e	June 1, 2004
U.S.-Common Market for Eastern and Southern Africa (COMESA) TIFA ^f	October 29, 2001
U.S.-East African Community TIFA ^g	July 16, 2008
U.S.-Economic Community of West African States (ECOWAS) TIFA ^h	August 5, 2014
U.S.-Gulf Cooperation Council (GCC) Framework Agreement for Trade, Economic, Investment, and Technical Cooperation ⁱ	September 25, 2012
U.S.-Southern Africa Customs Union (SACU) Trade, Investment, and Development Cooperative Agreement ^j	July 16, 2008
U.S.-West African Economic and Monetary Union (WAEMU) TIFA ^k	April 24, 2002

Source: USTR, “Trade and Investment Framework Agreements” (accessed March 16, 2020); USTR, “[United States, Bangladesh Sign Trade and Investment Cooperation](#),” November 25, 2013; USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 352–59; USTR, “[SACU](#)” (accessed April 1, 2020).

Note: TICF stands for Trade and Investment Cooperation Forum, TICA stands for Trade and Investment Cooperation Agreement, and TICFA stands for Trade and Investment Cooperation Forum Agreement. All are considered TIFAs by USTR. For more information, see USTR, “[Trade and Investment Framework Agreements](#)” (accessed March 16, 2020).

^a The United States-South Africa TIFA was amended on June 18, 2012. It replaces the original TIFA, signed on February 18, 1999.

^b On October 2, 2008, the United States and Uruguay signed a TIFA protocol on trade and environment and a TIFA protocol on trade facilitation.

^c The 10 countries of ASEAN are Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

^d The 15 members of CARICOM are Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. It also has five associate members: Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, and the Turks and Caicos Islands.

^e The six parties to the U.S.-Central Asian TIFA are the United States, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

^f The 21 members of COMESA are Burundi, Comoros, the Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Eswatini (formerly Swaziland), Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Somalia, Tunisia, Uganda, Zambia, and Zimbabwe.

^g The six parties to the U.S.-East African Community TIFA are the United States, Burundi, Kenya, Rwanda, Tanzania, and Uganda.

^h The 15 members of ECOWAS are Benin, Burkina Faso, Cabo Verde, Côte d’Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

ⁱ The seven parties to the U.S.-Gulf Cooperation Council (GCC) Framework Agreement for Trade, Economic, Investment, and Technical Cooperation are the United States, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

^j The five members of SACU are Botswana, Eswatini (formerly Swaziland), Lesotho, Namibia, and South Africa.

^k The eight members of WAEMU are Benin, Burkina Faso, Côte d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

Developments in TIFAs during 2019

During 2019, 10 TIFA councils met, with results as discussed in this section.

Central Asia

On October 21, 2019, the United States, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan met in Washington, DC, for the U.S.-Central Asia TIFA Council meeting. Representatives from the Afghan and Pakistani governments joined the meeting as observers. At the meeting, participants discussed expanding trade and creating a welcoming environment for private sector development in the Central Asian region. They also discussed U.S.-Central Asian digital trade, noting that digital trade can enable regional economic growth and innovation. Working groups met to address issues concerning customs, intellectual property (IP), technical barriers to digital trade, and sanitary and phytosanitary

measures. In this meeting, the United States continued to advocate for Afghanistan’s full inclusion as a participant of the TIFA.⁴⁵⁵

Egypt

On April 9, 2019, the United States and Egypt met in Washington, DC, under their TIFA Council to discuss expanded bilateral trade and investment in goods and services. Officials from both countries sought ways to promote greater reciprocal market access for agricultural and industrial goods. They discussed several other issues, including Egyptian labor reform, IP reform, border enforcement measures, and implementation of the WTO Trade Facilitation Agreement. Both countries agreed that trade under the TIFA should benefit agricultural producers, importers, exporters, and consumers. Thus, the countries are collaborating on developing food safety practices consistent with international guidelines of the Codex Alimentarius Commission.

In this meeting, the United States expressed appreciation for Egypt’s acceptance of U.S. Federal Motor Vehicle Safety Standards. This recognition of the U.S. safety standards is expected to create more opportunities for vehicles assembled in the United States to be exported to Egypt, a market that was previously dominated by European, South Korean, and Japanese exports.⁴⁵⁶

Iraq

The United States and Iraq held the second session of the Trade and Investment Council in Washington, DC, on June 14, 2019. During the meeting, both parties discussed a range of bilateral trade issues. The aim of cooperation in these areas is to assist Iraq with further integrating into the global economy and promote greater reciprocal market access, create jobs, and improve investment in both countries.⁴⁵⁷

In line with these objectives, the United States showed support for Iraq’s decision to seek accession to the WTO and to accept tax declarations prepared according to international financial standards. Iraq has set attracting foreign investment as a priority; as a result, it will issue multiple-entry visas to U.S. citizens and investors and will facilitate visits by U.S. investors to the National Investment Commission.⁴⁵⁸ Iraq is working with the World Bank to improve Iraqi banks’ performance and to garner support for small and medium-sized projects. It is also working with the United Nations Conference on Trade and Development to implement the single-window system for business registration to reduce impediments to investors.⁴⁵⁹

On the issue of reciprocal market access, the United States discussed reducing unnecessary documentation requirements and using international standards. The U.S. also encouraged Iraq to reduce its tariff on poultry imports. Both countries also discussed drafting a memorandum of understanding on

⁴⁵⁵ USTR, [“Statement on the Council Meeting of the U.S.-Central Asia TIFA”](#) (accessed March 17, 2020).

⁴⁵⁶ USTR, [“Statement on the United States-Egypt Trade and Investment Council Meeting”](#) (accessed March 17, 2020).

⁴⁵⁷ USTR, [“Joint Statement on the U.S.-Iraq TIFA Council Meeting”](#) (accessed April 1, 2020).

⁴⁵⁸ USTR, [“Joint Statement on the U.S.-Iraq TIFA Council Meeting”](#) (accessed April 1, 2020).

⁴⁵⁹ A “single window” system is a trade facilitation concept that allows key public and private sector trade documents, licenses, permits, payments, and other sources of necessary information to be exchanged via a single entry point. Such a system facilitates and streamlines business procedures, increasing operational efficiency.

rice and wheat imports, Iraq's grain tendering process, and the purchase of medicines, medical devices, and equipment.⁴⁶⁰

Maldives

On June 23, 2019, delegations from the United States and the Republic of Maldives met in Malé, Maldives, under the auspices of the U.S.-Maldives TIFA Joint Council. The discussions centered on strengthening fair and reciprocal trade under the TIFA and engaging Maldivian and American businesses. Maldives signaled an interest in accessing the U.S. Generalized System of Preferences (GSP) program. Both countries engaged in discussions on IPRs and the unique environmental concerns of the island nation, as well as workers' rights and labor conditions within Maldives. They also discussed improving the investment climate, Maldives' compliance with the WTO Trade Facilitation Agreement, and the assistance that the country may need to make the needed reforms.⁴⁶¹

Mongolia

During the April 24, 2019, TIFA Council meeting between the United States and Mongolia in Washington, DC, both parties focused on promoting and broadening bilateral trade and investment. They discussed issues such as transparency, the investment climate, IPR protection and enforcement, trade in cashmere, the U.S. GSP, and trade facilitation and promotion.⁴⁶²

New Zealand

On November 6, 2019, the United States and New Zealand met in Washington, DC, under the TIFA to discuss enhancing their trade and investment relationship, their respective trade agendas, and digital trade issues.⁴⁶³ Both countries applauded their growing trade relationship and stated their intent to meet again in 2020.

Rwanda

The United States and Rwanda held the fifth meeting of the U.S.-Rwanda TIFA Council on October 31, 2019, in Kigali, Rwanda. The delegations discussed reinforcing strategic objectives to steer U.S.-Rwanda trade and investment, including maximizing growth under the remaining years of the African Growth and Opportunity Act (AGOA), which expires in 2025; strengthening commercial cooperation; and developing short-term solutions to reduce trade and investment barriers and substantially increase trade. They discussed the establishment of an American Chamber of Commerce in Rwanda to promote trade and investment between the two countries. They also exchanged ideas about the implementation of the African Continental Free Trade Area, as well as deepening the regional trade relationship between the East African Community and the United States.⁴⁶⁴

⁴⁶⁰ USTR, "[Joint Statement on the U.S.-Iraq TIFA Council Meeting](#)" (accessed March 17, 2020).

⁴⁶¹ USTR, "[Joint Statement on the United States-Maldives TIFA Joint Council](#)" (accessed March 17, 2020).

⁴⁶² USTR, "[Joint Statement of the United States-Mongolia Trade and Investment Council](#)" (accessed March 17, 2020).

⁴⁶³ USTR, "[United States and New Zealand Meet Under TIFA](#)" (accessed March 17, 2020).

⁴⁶⁴ USTR, "[Fifth Meeting of the U.S.-Rwanda TIFA Council](#)" (accessed March 17, 2020).

Thailand

Officials from the United States and Thailand met on July 7, 2019, in Bangkok, Thailand, under their TIFA to discuss their bilateral trade relationship. The United States discussed the importance of reducing the U.S. deficit in its trade in goods with Thailand. Both parties were also interested in discussing matters relating to pork market access under the U.S. GSP and labor rights in Thailand. The United States raised issues regarding agriculture, customs, IP protection and enforcement, and labor.⁴⁶⁵

Tunisia

On May 16, 2019, the United States and Tunisia held a meeting in Washington, DC, under the bilateral TIFA Council. Officials discussed expanding trade and investment opportunities and creating jobs. At the meeting, both sides agreed upon health certificates allowing U.S. egg, poultry, and beef products to be exported to Tunisia. The two delegations discussed further engagement on food and agriculture issues, such as grain specifications; Tunisia's food safety and biosecurity laws; and technical assistance to Tunisia in agriculture. The United States emphasized the potential for future progress in Tunisia's customs procedures and trade facilitation. Both countries held a lengthy discussion on IP, including geographical indications, data protection regulations, pharmaceutical products, and patents.⁴⁶⁶

Tunisia highlighted the positive impact that the United States has had on Tunisia's economy, noting Tunisia's special attention to its access to the U.S. GSP and its receipt of U.S. technical assistance focused on franchising, public procurement, and technology transfer. The United States also congratulated the Tunisian government on its economic reforms, which the Tunisian government underscored by highlighting its recent recognition by the World Bank's *Doing Business Report* as one of the best places to do business.⁴⁶⁷

Uruguay

On June 13, 2019, the United States and Uruguay convened the eighth meeting of the Bilateral Trade and Investment Council in Washington, DC. Officials discussed issues such as trade facilitation, regulatory trade barriers, investment and trade in services, IP protection, and agricultural questions, including biotechnology.⁴⁶⁸

⁴⁶⁵ USTR, "[United States and Thailand Discuss Engagement on Trade](#)" (accessed March 17, 2020).

⁴⁶⁶ A geographical indication (GI) is a name or sign used on products that have a specific geographical origin and possess qualities or a reputation due to that origin. World Intellectual Property Organization, "[Geographical Indications](#)" (accessed May 17, 2020).

⁴⁶⁷ USTR, "[Statement of the U.S-Tunisia Trade and Investment Council](#)" (accessed March 17, 2020).

⁴⁶⁸ USTR, "[Statement of the United States-Uruguay Trade and Investment Council](#)" (accessed March 17, 2020).

Chapter 5

U.S. Free Trade Agreements

This chapter summarizes developments related to U.S. free trade agreements (FTAs) during 2019.⁴⁶⁹ It describes trends in U.S. merchandise trade with FTA partners, highlights the status of U.S. FTA negotiations during the year, and summarizes major activities involving the North American Free Trade Agreement (NAFTA), the U.S.-Korea Free Trade Agreement (KORUS FTA), and other U.S. FTAs in force during 2019.

U.S. Trade with FTA Partners in 2019

The United States was party to 14 FTAs involving a total of 20 U.S. trading partners as of December 31, 2019. Starting with the most recent, the FTAs in force during 2019 were the U.S.-Panama Trade Promotion Agreement (TPA) (entered into force in 2012); the U.S.-Colombia TPA (2012); the U.S.-Korea FTA (2012); the U.S.-Peru TPA (2009); the U.S.-Oman FTA (2009); a multiparty FTA with the countries of Central America and the Dominican Republic (CAFTA-DR) that includes the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua (for which the agreement entered into force 2006–07) and Costa Rica (2009); the U.S.-Bahrain FTA (2006); the U.S.-Morocco FTA (2006); the U.S.-Australia FTA (2005); the U.S.-Chile FTA (2004); the U.S.-Singapore FTA (2004); the U.S.-Jordan FTA (2001); NAFTA, with Canada and Mexico (1994); and the U.S.-Israel FTA (1985).

U.S. Total Merchandise Trade with FTA Partners

Total two-way merchandise trade between the United States and its 20 FTA partners was \$1.6 trillion in 2019, accounting for 39.6 percent of total U.S. merchandise trade with the world.⁴⁷⁰ The value of U.S. exports to FTA partners totaled \$766.6 billion, a 2.0 percent decrease from \$782.3 billion in 2018. This rate of decrease was greater than the 1.2 percent rate of decrease for total U.S. exports to the world in 2019. U.S. imports from FTA partners were valued at \$874.9 billion in 2019, a 1.5 percent increase from \$861.8 billion in 2018. The U.S. merchandise trade deficit with all FTA partners increased 36.2 percent to \$108.3 billion in 2019, an increase that substantially exceeded the 7.0 percent increase in this deficit in 2018 (tables 5.1–5.3).

U.S. trade with the two NAFTA countries (Canada and Mexico) continued to contribute the most to overall U.S. trade with FTA partners. In 2019, these countries accounted for \$1.2 trillion, or 74.7 percent, of total U.S. merchandise trade with its FTA partners. From 2018 to 2019, the value of U.S. exports to NAFTA countries decreased 2.9 percent (\$16.5 billion) to \$548.8 billion. U.S. imports from NAFTA countries rose 2.0 percent (\$13.0 billion), to \$677.8 billion in 2019. As a result, the U.S. merchandise trade deficit with its NAFTA partners increased by 29.5 percent to \$129.1 billion in 2019.

⁴⁶⁹ The term “free trade agreements” includes free trade agreements (FTAs) and trade promotion agreements (TPAs).

⁴⁷⁰ As described in chapter 1, U.S. total merchandise trade with FTA partners is based on total exports and general imports. Only imports entering under trade preference programs and FTAs are based on imports for consumption.

Year in Trade

U.S. merchandise trade with its non-NAFTA FTA partners was valued at \$415.0 billion in 2019, which was a 0.2 percent increase from 2018. U.S. exports to these FTA partners increased 0.3 percent (\$730 million), from \$217.1 billion in 2018 to \$217.9 billion in 2019. At the same time, U.S. imports from these partners increased less than 0.1 percent (\$105 million) from \$197.0 billion in 2018 to \$197.1 billion in 2019. U.S. exports increased more than imports, causing the U.S. merchandise trade surplus with its non-NAFTA FTA partners to increase 3.1 percent to \$20.8 billion (tables 5.1–5.3).

Table 5.1 Total U.S. merchandise exports to FTA partners, by FTA partner, 2017–19

FTA Partner	2017	2018	2019	2018–19
	(Million \$)	(Million \$)	(Million \$)	(% change)
NAFTA	525,980	565,211	548,756	-2.9
Canada	282,473	299,769	292,382	-2.5
Mexico	243,508	265,443	256,374	-3.5
Non-NAFTA	194,637	217,133	217,863	0.3
Israel	12,548	13,707	14,377	4.6
Jordan	1,921	1,581	1,474	-7.2
Chile	13,633	15,377	15,776	2.5
Singapore	29,649	32,747	31,550	-3.7
Australia	24,518	25,310	26,025	2.7
Morocco	2,218	3,011	3,479	13.4
Bahrain	898	2,042	1,408	-45.0
CAFTA-DR ^a	30,586	32,715	32,750	0.1
Oman	1,984	2,415	1,938	-24.6
Peru	8,668	9,724	9,687	-0.3
South Korea	48,350	56,507	56,897	0.6
Colombia	13,375	15,158	14,780	-2.5
Panama	6,290	6,838	7,721	11.4
FTA partner total	720,618	782,344	766,619	-2.0
Non-FTA partner total	825,855	883,648	878,555	-0.6
Total U.S. exports	1,546,473	1,665,992	1,645,174	-1.2
FTA partner share of total U.S. exports (percent)	46.6	47.0	46.6	-0.4

Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: An alternative presentation of this table with additional data can be found in appendix table [C.6](#).

^a CAFTA-DR is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Table 5.2 U.S. general imports of merchandise from FTA partners, by FTA partner, 2017–19

FTA Partner	2017	2018	2019	2018–19
	(Million \$)	(Million \$)	(Million \$)	(% change)
NAFTA	611,854	664,854	677,835	1.9
Canada	299,050	318,757	319,728	0.3
Mexico	312,804	346,097	358,108	3.3
Non-NAFTA	183,056	196,986	197,091	0.0
Israel	21,941	21,770	19,507	-11.6
Jordan	1,687	1,814	2,170	16.4
Chile	10,550	11,387	10,394	-9.5
Singapore	19,368	26,612	26,370	-0.9
Australia	10,049	10,123	10,854	6.7
Morocco	1,237	1,553	1,581	1.7
Bahrain	996	991	1,045	5.1
CAFTA-DR ^a	23,548	25,172	25,878	2.7
Oman	1,066	1,275	1,160	-9.9
Peru	7,270	7,888	6,145	-28.3
South Korea	71,416	74,197	77,426	4.1
Colombia	13,486	13,783	14,111	2.3
Panama	442	421	452	6.8
FTA partner total	794,910	861,840	874,926	1.4
Non-FTA partner total	1,543,776	1,677,499	1,622,542	-3.3
Total U.S. imports	2,338,686	2,539,339	2,497,468	-1.6
FTA partner share of U.S. imports (percent)	34.0	33.9	35.0	1.1

Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: An alternative presentation of this table with additional data can be found in appendix table [C.7](#).

^a CAFTA-DR is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Table 5.3 U.S. merchandise trade balance with FTA partners, by FTA partner, 2017–19

FTA Partner	2017	2018	2019	2018–19
	(Million \$)	(Million \$)	(Million \$)	(% change)
NAFTA	-85,874	-99,643	-129,079	-29.5
Canada	-16,578	-18,989	-27,346	-44.0
Mexico	-69,296	-80,654	-101,734	-26.1
Non-NAFTA	11,582	20,147	20,772	3.1
Israel	-9,394	-8,063	-5,130	36.4
Jordan	234	-232	-696	-200.0
Chile	3,082	3,989	5,382	34.9
Singapore	10,281	6,135	5,180	-15.6
Australia	14,469	15,187	15,171	-0.1
Morocco	982	1,458	1,898	30.2
Bahrain	-98	1,051	363	-65.5
CAFTA-DR ^a	7,039	7,542	6,872	-8.9
Oman	918	1,140	778	-31.8
Peru	1,398	1,837	3,543	92.9
South Korea	-23,066	-17,690	-20,528	-16.0
Colombia	-112	1,375	670	-51.3
Panama	5,847	6,417	7,269	13.3
FTA partner total	-74,292	-79,496	-108,307	-36.2
Non-FTA partner total	-717,921	-793,851	-743,986	6.3
U.S. total trade balance	-792,213	-873,347	-852,293	2.4

Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: An alternative presentation of this table with additional data can be found in appendix table C.8.

^a CAFTA-DR is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

^b Negative percentage changes indicate an increase in the U.S. trade deficit or a decrease in the U.S. trade surplus. Positive percentage changes indicate a decrease in the trade deficit or an increase in the trade surplus.

U.S. Imports Entered under FTAs

The value of U.S. imports entered under FTAs totaled \$408.3 billion in 2019, accounting for nearly half (46.7 percent) of total U.S. merchandise imports from FTA partners and for 16.3 percent of U.S. merchandise imports from the world (tables 5.4–5.5).⁴⁷¹

The value of U.S. imports entered under FTAs in 2019 increased by less than 1 percent (\$249 million, up from \$408.0 billion in 2018). FTA imports from Jordan grew 15.6 percent (\$251 million), representing the second-largest percentage increase. Imports from Bahrain under the FTA increased by 18.1 percent (\$92 million), representing the largest percentage increase; however, they changed from a smaller baseline. Imports from South Korea accounted for the greatest increase in value, rising by 9.2 percent (\$3.1 billion to \$36.4 billion). U.S. imports from South Korea under KORUS increased most for cars, followed by refined petroleum products.⁴⁷² The increase in U.S. imports of refined petroleum products from South

⁴⁷¹ Not all products imported from FTA partners are eligible for FTA treatment or, if eligible, take advantage of their eligibility.

⁴⁷² “Cars” are defined here as general imports under HTS tariff line 8703. “Refined petroleum products” are defined here as general imports under the HTS 4-digit tariff line 2710. USITC DataWeb/USDOC (accessed April 15, 2020).

Korea was the second-largest increase in 2019 of refined petroleum imports, after those from Russia. Another product for which U.S. imports from South Korea increased by a large amount was plastics.⁴⁷³

Imports from Mexico increased by 1.1 percent (\$2.2 billion). On the other hand, imports from Canada fell by 4.2 percent (\$5.4 billion). In total, combined U.S. imports from the NAFTA partners fell 1.0 percent (\$3.2 billion). The largest decline in U.S. imports under any FTA was seen in imports from Oman, which fell by 17.8 percent (\$161 million).

Table 5.4 U.S. imports of merchandise for consumption entered under FTA provisions, by FTA partner, 2017–19

FTA Partner	2017	2018	2019	2018–19
	(Million \$)	(Million \$)	(Million \$)	(% change)
NAFTA	313,644	329,799	326,623	-1.0
Canada	130,006	129,434	124,048	-4.2
Mexico	183,638	200,365	202,575	1.1
Non-NAFTA	72,722	78,246	81,671	4.4
Israel	2,738	2,882	2,882	0.0
Jordan	1,487	1,611	1,862	15.6
Chile	5,952	6,404	5,438	-15.1
Singapore	1,811	4,484	5,044	12.5
Australia	4,036	3,750	3,956	5.5
Morocco	205	238	257	8.0
Bahrain	583	510	602	18.1
CAFTA-DR ^a	13,693	14,711	14,924	1.4
Oman	704	905	744	-17.8
Peru	3,301	3,694	3,534	-4.3
South Korea	33,147	33,280	36,354	9.2
Colombia	5,010	5,728	6,022	5.1
Panama	56	50	50	1.2
FTA partner total	386,366	408,045	408,294	0.1
Non-FTA partner total	1,939,796	2,142,896	2,093,749	-2.3
Total U.S. imports for consumption	2,326,162	2,550,941	2,502,043	-1.9

Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: An alternative presentation of this table with additional data can be found in appendix tables [C.9](#) and [C.10](#).

^a CAFTA-DR is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Jordan remained the partner with the highest percentage of imports entered under FTA provisions at 85.8 percent (table 5.5). Following Jordan were Oman (64.2 percent), the CAFTA-DR countries (57.7 percent), and Bahrain (57.6 percent). The NAFTA countries as a whole also had a high share of the total imports for consumption, at 48.2 percent. The partners with the smallest shares of total imports for consumption entered under FTA provisions were Panama (11.2 percent), Israel (14.8 percent), and Morocco (16.3 percent).

⁴⁷³ “Plastics” are defined here as general imports under the HTS 4-digit tariff line 3921. USITC DataWeb/USDOC (accessed April 15, 2020).

Table 5.5 Share of total U.S. merchandise imports for consumption entered under FTA provisions, by FTA partner, 2017–19 (percent)

FTA partner	2017	2018	2019
NAFTA	51.3	49.6	48.2
Canada	43.5	40.6	38.8
Mexico	58.7	57.9	56.6
Non-NAFTA	39.7	39.7	41.4
Israel	12.5	13.2	14.8
Jordan	88.2	88.8	85.8
Chile	56.4	56.2	52.3
Singapore	9.3	16.8	19.1
Australia	40.2	37.0	36.4
Morocco	16.6	15.4	16.3
Bahrain	58.5	51.5	57.6
CAFTA-DR ^a	58.1	58.4	57.7
Oman	66.0	71.0	64.2
Peru	45.4	46.8	57.5
South Korea	46.4	44.9	47.0
Colombia	37.1	41.6	42.7
Panama	12.7	11.9	11.2
FTA partner total	48.6	47.3	46.7
Non-FTA partner total	51.4	52.7	53.3
Total U.S. imports (regardless of FTA provisions)	100.0	100.0	100.0

Source: USITC DataWeb/USDOC (accessed May 9, 2019).

Note: An alternative presentation of this table with additional data can be found in appendix table [C.11](#).

^a CAFTA-DR is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, and the United States.

Developments in FTA Negotiations during 2019

U.S.-Japan Trade Agreements

Following ministerial-level meetings in August 2018, the U.S. Trade Representative (USTR) released a statement affirming both the United States' and Japan's commitments to promote trade between the two countries.⁴⁷⁴ In October 2018, the President officially notified Congress of his intent to negotiate a formal trade agreement with Japan.⁴⁷⁵ The USTR's negotiating objectives included improving the U.S. trade balance with Japan, securing comprehensive market access for U.S. agricultural goods, and securing commitments not to impose customs duties on digital products.⁴⁷⁶ Negotiating objectives also focused on obtaining more equitable trade and increasing automotive jobs in the United States by addressing nontariff barriers to imports of U.S. motor vehicles in Japan.⁴⁷⁷

⁴⁷⁴ USTR, "[Statement on Meetings between the United States and Japan](#)," August 8, 2018.

⁴⁷⁵ USTR, "[Intent to Negotiate Trade Agreements with Japan, the European Union and the United Kingdom](#)," October 16, 2018.

⁴⁷⁶ USTR, "[United States-Japan Trade Agreement \(USJTA\) Negotiations: Negotiating Objectives](#)," December 2018.

⁴⁷⁷ USITC, "[The Year in Trade 2018](#)," October 2019.

The first round of ministerial-level negotiations between USTR Lighthizer and Japan’s Economic Revitalization Minister Toshimitsu Motegi took place on April 15–16, 2019.⁴⁷⁸ Both parties reached an agreement in principle regarding market access and digital trade in August 2019 and announced final agreements in September 2019.⁴⁷⁹ On October 7, 2019, in Washington, DC, the United States and Japan signed two separate agreements: (1) the United States-Japan Trade Agreement (USJTA) and (2) the United States-Japan Digital Trade Agreement (USJDTA).⁴⁸⁰

On December 26, 2019, the President signed Proclamation 9974 implementing the duty modifications agreed to in USJTA under his authority in section 103(a) of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015.⁴⁸¹ Section 103(a) authorizes the President to proclaim modifications in duties that meet the requirements of section 103(a) without congressional approval.⁴⁸² Before signing the agreements, in a letter sent to Congress on September 16, 2019, the President stated that the United States would enter into USJDTA as an executive agreement, which therefore also did not require congressional approval before being implemented.⁴⁸³ Both agreements took effect beginning January 1, 2020.

U.S.-Japan Trade Agreement

USJTA contains 11 articles, 2 annexes, and 6 side agreements covering merchandise trade. Much of the tariff reductions and side agreements pertain to agricultural products. The agreement does not contain provisions on other industries referenced in the USTR’s specific negotiating objectives, such as automotive. In a joint statement following the announcement of USJTA, President Trump and Prime Minister Abe stated their intention to enter a new round of negotiations to address other, unaddressed trade restrictions, including those on services and investment, as well as other issues.⁴⁸⁴ The U.S.-Japan Trade Agreement highlights include two key areas: (1) tariff reduction, elimination, and country-specific quotas for U.S. agriculture exports to Japan, and (2) tariff reductions for Japanese industrial and agricultural products.⁴⁸⁵

USJTA Provisions Affecting U.S. Agricultural Exports to Japan. In total, new tariff elimination and reduction measures under USJTA cover \$7.2 billion of U.S. food and agricultural exports to Japan.⁴⁸⁶ As part of USJTA, Japan agreed to end tariffs on an estimated \$4.3 billion in agricultural products, with \$1.3 billion eliminated on January 1, 2020.⁴⁸⁷ Tariffs on the remaining goods are to be eliminated through staged tariff reduction.

⁴⁷⁸ USTR, “[Meetings to Discuss the United States-Japan Trade Agreement](#),” April 16, 2019.

⁴⁷⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February, 2020, 5. The texts of both agreements between the United States of America and Japan (USJTA and USJDTA) are available [here](#) on USTR’s website.

⁴⁸⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 5.

⁴⁸¹ Proclamation 9974, 84 Fed. Reg. 72187 (12/30/2019).

⁴⁸² 19 U.S.C. § 4202(a).

⁴⁸³ White House, “[Notification of Initiation of United States—Japan Trade Agreement](#),” September 16, 2019.

⁴⁸⁴ White House, “[Joint Statement of the United States and Japan](#),” September 25, 2019.

⁴⁸⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 5.

⁴⁸⁶ USTR, “[Agriculture-Related Provisions of the U.S.-Japan Trade Agreement](#),” October 2019.

⁴⁸⁷ USTR, “[Agriculture-Related Provisions of the U.S.-Japan Trade Agreement](#),” October 2019.

As part of the trade agreement, the tariff rate on U.S. fresh and frozen beef exports to Japan, valued at \$2.0 billion in 2019, will be reduced from 38.5 percent to 9 percent between 2020 and 2035.⁴⁸⁸ At the same time, U.S. beef exports will be subject to an annual country-specific safeguard. The safeguard will begin at 242,000 metric tons and will grow by 4,840 metric tons per year, except for the years 2030–34, during which the safeguard limit will grow by 2,420 metric tons per year.⁴⁸⁹

In addition to beef exports, tariffs on U.S. exports of certain pork products, such as muscle cuts and processed pork products, will be eliminated through staged tariff reductions. Other fresh and frozen pork exports will be subject to reductions in maximum gate price duties from 482 yen (\$4.50) to 50 yen (\$0.47) per kilogram by 2029.⁴⁹⁰ In addition to the reductions in tariff rates for U.S. exports of pork products, Japan will alter its pork safeguard mechanism with the United States to mirror Japan's arrangement with partner countries under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).⁴⁹¹ The United States exported \$1.5 billion in pork to Japan in 2019.⁴⁹²

Other products, such as wheat, malt, processed cheese, whey products, and sugars and starches, were granted preferential market access through the creation of U.S.-specific quotas.⁴⁹³ USJTA provides additional market access for U.S. exports of poultry and egg products, dairy, and horticultural products, as well as grains and oilseeds, through immediate and staged tariff reductions along with the creation of U.S.-specific quotas.⁴⁹⁴

Tariff reductions for Japanese industrial and agricultural products. Under USJTA, the United States agreed to reduce or eliminate tariffs on 42 agricultural imports from Japan valued at \$40 million in 2018.⁴⁹⁵ The United States also agreed to reduce or end tariffs on about 200 other non-agricultural products.⁴⁹⁶

The United States also agreed to modify its global World Trade Organization (WTO) beef tariff-rate quota as part of USJTA. It is eliminating its 200-ton specific quota allocation for beef imports from Japan while increasing the quota allocation for beef imports from “other countries or areas” to 65,005

⁴⁸⁸ USDA, FAS, Global Agricultural Trade System database, product subheading “Beef and Beef Products” (accessed March 23, 2020); USTR, [“Fact Sheet on Provisions of the U.S.-Japan Trade Agreement Beef and Beef Products,”](#) October 2020.

⁴⁸⁹ The country-specific safeguard allows Japan to impose additional tariffs on imports of beef from the United States that exceed the annual quota. By 2035, the U.S.-specific quota for beef will be 302,700 metric tons. USTR, [U.S.-Japan Trade Agreement](#), Annex 1, Sub-section IV, September 2020.

⁴⁹⁰ Japan uses a “gate price system” for importing pork. Imports of pork below a specific per-unit price are subject to additional tariffs. As of May 17, 2020, the exchange rate between yen and U.S. dollars was 107.1 yen per dollar. Bloomberg, [“USD-JPY X Rate”](#) (accessed May 17, 2020).

⁴⁹¹ USTR, [“Agriculture-Related Provisions of the U.S.-Japan Trade Agreement,”](#) October 2019; USTR, [U.S.-Japan Trade Agreement](#), Annex 1, Sub-section IV, September 2020.

⁴⁹² USDA, Global Agricultural Trade System, product subheading [“Pork and Pork Products”](#) (accessed March 23, 2020).

⁴⁹³ USTR, [U.S.-Japan Trade Agreement](#), Annex 1, Sub-section III.

⁴⁹⁴ USTR, [“Agriculture-Related Provisions of the U.S.-Japan Trade Agreement,”](#) October 2019.

⁴⁹⁵ USTR, [“Agriculture-Related Provisions of the U.S.-Japan Trade Agreement,”](#) September 2019.

⁴⁹⁶ CRS, [“U.S.-Japan Trade Agreement Negotiations,”](#) January 16, 2020; USTR, [U.S.-Japan Trade Agreement](#), Annex-2, September 2020.

metric tons. Doing so will allow Japan to compete with other international beef producers that export to the United States under the “other countries or areas” quota allocation.⁴⁹⁷

U.S.-Japan Digital Trade Agreement

USJDTA is composed of 22 articles and a side letter covering interactive computer services. The agreement’s highlights include two key areas: (1) prohibitions on digital trade tariffs and restrictions of cross-border data flows, and (2) agreements on protections for consumers.

Prohibitions on digital trade tariffs and restrictions of cross-border data flows.⁴⁹⁸ The agreement contains several prohibitions, subject to certain general exceptions. For example, neither party to USJDTA can impose customs duties on electronic submissions between the parties. In addition, neither party may prohibit or restrict the electronic transfer of information that is for the conduct of the business of a covered person or enterprise, except as necessary to achieve a legitimate public policy objective. Additionally, USJDTA prohibits either partner from requiring computing facilities to be located in the partner country where business is being conducted.⁴⁹⁹ Likewise, neither party can require a person of the other party to transfer or give access to source code of software owned by that person as a condition for conducting business in its territory.⁵⁰⁰

Protections for consumers. As part of USJDTA, each party is required to adopt or maintain consumer protection laws to combat digital fraud.⁵⁰¹ Each party must also maintain a legal framework for protecting digital consumers’ personal information.⁵⁰² Moreover, parties must give digital consumers protections against receiving unsolicited commercial electronic messages.⁵⁰³

U.S.-EU Trade Agreement

On November 15, 2018, USTR announced a request for public comment on a proposed U.S.-European Union (EU) trade agreement. As with the U.S.-UK trade agreement, USTR invited comments on relevant barriers to trade, economic costs of tariff removal to U.S. producers and consumers, product-specific barriers, customs issues, and other nontariff barriers in order to help it develop its negotiating objectives for a U.S.-EU trade agreement.⁵⁰⁴ A public hearing on these negotiating objectives was held on December 14, 2018, with testimony provided by industry representatives from the agriculture, biotechnology, manufacturing, and telecommunications and software sectors, among others.⁵⁰⁵ After considering public comments and hearing testimony, USTR published negotiating objectives for a trade agreement with the EU in January 2019. USTR identified regulatory compatibility to facilitate U.S.

⁴⁹⁷ USTR, [“Agriculture-Related Provisions of the U.S.-Japan Trade Agreement,”](#) October 2019.

⁴⁹⁸ USTR, [U.S.-Japan Digital Trade Agreement](#), Article 7, Article 11.

⁴⁹⁹ USTR, [U.S.-Japan Digital Trade Agreement](#), Article 12.

⁵⁰⁰ USTR, [U.S.-Japan Digital Trade Agreement](#), Article 17.

⁵⁰¹ USTR, [U.S.-Japan Digital Trade Agreement](#), Article 14.

⁵⁰² USTR, [U.S.-Japan Digital Trade Agreement](#), Article 15.

⁵⁰³ USTR, [U.S.-Japan Digital Trade Agreement](#), Article 16.

⁵⁰⁴ 83 Fed. Reg. 57526 (November 15, 2018).

⁵⁰⁵ USTR, TPSC, [“U.S.-EU Trade Agreement Hearing,”](#) December 14, 2018.

exports and services as a goal, naming market access in the pharmaceutical, medical devices and telecommunications sectors specifically.⁵⁰⁶

Following the publication of U.S. negotiating objectives, EU Trade Minister Cecilia Malmström and USTR Robert Lighthizer met for bilateral discussions in Washington, DC, on January 8, January 10, and March 6, 2019, meeting again in Paris on May 22, 2019.⁵⁰⁷ In 2019, the two economies made progress towards reducing barriers to transatlantic trade, especially in the areas of eliminating certain industrial tariffs, strengthening cooperation on regulatory issues and standards, and increasing U.S. exports of soybeans and liquid natural gas to the EU.⁵⁰⁸

To implement certain elements of the July 25, 2018, joint statement, the European Commission needed specific negotiating mandates to be authorized by the European Council, which is composed of government ministers from each EU member state.⁵⁰⁹ In preparation for negotiations on industrial tariffs and on product conformity assessment, on January 18, 2019, the European Commission submitted draft negotiating mandates to the European Council for member state approval,⁵¹⁰ which was needed before trade negotiations could begin.⁵¹¹ On March 14, 2019, the European Parliament rejected a draft resolution to recommend the opening of EU-U.S. trade negotiations on industrial tariffs and on product conformity assessment. However, such rejections by Parliament are not binding. On April 15, 2019, the European Council approved mandates for the European Commission to open negotiations on the elimination of tariffs for industrial goods and on conformity assessment.⁵¹²

Instances of bilateral cooperation on the issue of standards and regulatory issues also occurred in 2019, led by discussions of regulatory issues at technical-level meetings in Brussels on February 21–22, 2019,

⁵⁰⁶ USTR, [United States-European Union Negotiating Objectives](#), January 2019.

⁵⁰⁷ These meetings were held within the framework of the U.S.-EU Executive Working Group, established in a joint statement issued by President Trump and European Commission President Jean-Claude Juncker on July 25, 2018. USTR, [Remarks by President Trump and President Jean-Claude Juncker](#), July 25, 2018; EC, [Speech: Malmström in Washington D.C.](#), January 10, 2019; Delegation of the EU to the US, [European Trade Commissioner Cecilia Malmström Visits Washington, DC](#), January 11, 2019; EC, [Interim Report on the Work of the Executive Working Group](#), January 30, 2019; EC, [Malmström Calls for Renewed Transatlantic Cooperation on Trade](#), March 7, 2019; EC, [Progress Report on the Implementation of the EU-U.S.](#), July 25, 2019, 10. Trade Minister Malmström and USTR Lighthizer also met in two trilateral ministerial-level meetings in 2019 with Hiroshige Seko, the Japanese Minister of Economy, Trade, and Industry. These meetings took place on January 9 and May 23, 2019; those proceedings are explained in greater detail in chapter 6.

⁵⁰⁸ EC, [Joint U.S.-EU Statement following President Juncker's Visit](#), July 25, 2018; USTR, [Remarks by President Trump and President Jean-Claude Juncker](#), July 25, 2018; EC, [Interim Report on the Work of the Executive Working Group](#), January 30, 2019.

⁵⁰⁹ EC, [EU-U.S. Trade Talks: European Commission Publishes Progress Report](#), January 30, 2019.

⁵¹⁰ Conformity assessment is the process undertaken to ensure products are in compliance with regulations, and may include testing, inspection, and certification. EC, [Recommendation for a Council Decision on Conformity Assessment](#), January 18, 2019; EC, [Recommendation for a Council Decision on Industrial Goods](#), January 18, 2019.

⁵¹¹ EC, [European Commission Present Draft Negotiating Mandates](#), January 18, 2019.

⁵¹² The European Parliament may approve or reject a legislative proposal or propose amendments to it. The European Council is not legally obliged to take account of Parliament's opinion, but it must not take a decision without having received Parliament's opinion. European Parliament, [Legislative Powers](#) (accessed April 8, 2020). European Council, [Negotiations on Elimination of Tariffs for Industrial Goods and on Conformity Assessment](#), April 15, 2019.

and in Washington, DC, on May 5–6, 2019.⁵¹³ Progress was made in this area at the sectoral level as well. In July 2019, the United States and the EU formally expanded the scope of a 1998 mutual recognition agreement (MRA) for conformity assessment of industrial products to include pharmaceutical inspections for human medicines. Under the expansion, the United States and the EU now recognize drug inspections completed within each other’s borders. The expansion was launched on November 1, 2017, with the entry into force of a revised Annex to the MRA on good manufacturing practice inspections and batch certification of human and veterinary medicines. Two tasks remained for the U.S. Food and Drug Administration: (1) concluding favorable capability assessments of the regulatory authorities in each EU member state, and (2) determining that all were capable of conducting inspections that meet with U.S. regulations. Once these tasks were completed, the human medicines component of the MRA became fully operational.⁵¹⁴

On January 29, 2019, the European Commission recognized U.S. soybeans certified under the U.S. Soybean Sustainability Assurance Protocol (SSAP) as meeting the technical requirements for use in EU biofuel production.⁵¹⁵ With recognition, certified U.S. soybeans can be used in EU biofuel production and count toward EU renewable energy targets.⁵¹⁶ EU recognition of the U.S. SSAP scheme expires on July 1, 2021.⁵¹⁷

On May 2, 2019, the U.S.-EU Energy Council convened a ministerial-level meeting in Brussels of U.S. and European representatives from the liquid natural gas sector and government officials, including the U.S. Ambassador to the EU, Gordon Sondland, and U.S. Secretary of Energy Rick Perry. Discussions focused on promoting the use of U.S. liquid natural gas in the EU.⁵¹⁸ Between 2018 and 2019, liquid natural gas exports to the EU increased by 374.4 percent, from \$762.7 million to \$3.6 billion.⁵¹⁹

U.S.-UK Trade Agreement

On November 16, 2018, the USTR announced a request for public comment on a proposed U.S.-UK trade agreement. To help in the development of its negotiating objectives, USTR specifically invited comments on relevant barriers to trade, the economic costs of tariff removal to U.S. producers and consumers,

⁵¹³ EC, [Progress Report on the Implementation of the EU-U.S. Joint Statement](#), July 25, 2019, 10.

⁵¹⁴ U.S. FDA, [Mutual Recognition Agreement](#) (accessed February 10, 2020); EMA, [“EU and US Reach a Milestone in Mutual Recognition,”](#) July 12, 2019; EMA, [Mutual Recognition Agreements](#) (accessed April 8, 2020).

⁵¹⁵ USTR, [2019 National Trade Estimate Report](#), March 2019, 178–79. The United States submitted its request for recognition to the European Commission on November 15, 2018, demonstrating that its SSAP scheme complies with sustainability criteria under the European Commission’s Renewable Energy Directive. EC, [“The Commission Recognizes the U.S. Soya Bean-scheme,”](#) January 29, 2019; EC, [Directive 2009/28/EC](#), April 23, 2009.

⁵¹⁶ USDA, FAS, [“EU Recognizes U.S. Soybean Industry Sustainability Scheme,”](#) February 13, 2019.

⁵¹⁷ The European Commission’s recognition can be extended beyond 2021 if U.S. soybean exporters update their production scheme to meet the sustainability criteria under the revised Renewable Energy Directive, which entered into force on December 24, 2018, and applies from 2021 to 2030. EC, [“Commission Recognizes U.S. Soya Bean-scheme,”](#) January 29, 2019; EC, [“New Renewables, Energy Efficiency and Governance Legislation,”](#) December 21, 2018; EC, [Directive \(EU\) 2018/2001](#), December 11, 2018.

⁵¹⁸ EC, [“1st EU-U.S. Energy Council B2B Energy Forum,”](#) May 2, 2019; U.S. Mission to the EU, [“Ambassador Sondland’s Welcome Remarks,”](#) May 2, 2019; US-EU Energy Council, [“1st High-Level Business to Business Energy Forum,”](#) May 2, 2019.

⁵¹⁹ USITC DataWeb/USDOC, HTS subheading 271111 (accessed May 19, 2020).

product-specific barriers, customs issues, and other nontariff barriers.⁵²⁰ USTR held a public hearing on negotiating objectives for a U.S.-UK trade agreement on January 29, 2019, with testimony of industry representatives from the agriculture, biotechnology, manufacturing, pharmaceutical, telecommunications and software sectors, among others.⁵²¹

After considering public comments and hearing testimony, USTR published its negotiating objectives for a trade agreement with the UK in February 2019.⁵²² The negotiating objectives are similar to those put forth for the potential trade agreement with the EU. In both cases, USTR identified regulatory compatibility to facilitate U.S. exports and services as a goal, naming market access in the pharmaceutical, medical devices, and telecommunications sectors specifically.

Although both U.S.-UK and U.S.-EU objectives set the improper use of geographical indications as an important negotiating issue, USTR listed objectives regarding intellectual property for U.S.-UK agreement negotiations beyond those established for an agreement between the United States and EU.⁵²³ In the U.S.-UK objectives, a greater emphasis is placed on establishing a transparent standard of protection—similar to that under U.S. law—which keeps pace with developments in emerging technologies, and observance of international treaties reflecting best practices for intellectual property protection and enforcement.⁵²⁴

Before its exit from the EU on January 31, 2020, the UK could not enter into a new trade agreement with non-EU countries because the EU has exclusive authority over its Common Commercial Policy, including its trade policy.⁵²⁵ However, during 2019, discussions between the UK and the United States on strengthening bilateral trade and investment ties were held under two separate forums: the U.S.-UK Trade and Investment Working Group, and the U.S.-UK Small and Medium-sized Enterprise (SME) Dialogue.

The sixth meeting of the U.S.-UK Trade and Investment Working Group took place on July 10–11, 2019, in London.⁵²⁶ At this meeting, the Working Group discussed the mutual recognition agreements signed by the United States and the UK earlier in the year. These agreements set policy for specific products that are currently covered in existing agreements between the United States and the EU and were designed to ensure that trade between the two partners was not disrupted when the UK left the EU. Separate mutual recognition agreements for wine and spirits were signed on January 31, 2019, with two

⁵²⁰ 83 Fed. Reg. 57790 (November 16, 2018).

⁵²¹ USTR, TPSC, "[U.S.-UK Trade Agreement Hearing](#)," January 29, 2019.

⁵²² USTR, [United States-United Kingdom Negotiations: Negotiating Objectives](#), February 2019.

⁵²³ A geographical indication (GI) is a name or sign used on products that have a specific geographical origin and possess qualities or a reputation due to that origin. World Intellectual Property Organization, "[Geographical Indications](#)" (accessed May 17, 2020).

⁵²⁴ USTR, [United States-United Kingdom Negotiations: Negotiating Objectives](#), February 2019, 7–8.

⁵²⁵ After the UK's exit from the EU, the UK will enter an 11-month transition period where the UK can still be covered by EU-third country trade agreements. After the transition period ends, EU trade agreements will no longer apply to the UK. Any third-country trade agreements that the UK signs before the end of its transition period will take effect on January 1, 2021. Government of the UK, "[UK Trade Agreements With Non-EU Countries](#)," January 29, 2020.

⁵²⁶ USTR, "[Sixth Meeting of the U.S.-UK Trade and Investment Working Group](#)," July 15, 2019.

more signed for pharmaceuticals and marine equipment on February 14, 2019.⁵²⁷ In advance of the Working Group meeting, the UK Secretary of State for International Trade, Liam Fox, and USTR Lighthizer also met on July 8, 2019, in Washington to discuss the progress of the Working Group.⁵²⁸

The fourth meeting of the U.S.-UK SME Dialogue was held in Bristol, UK, on July 9, 2019. Topics discussed at the meeting included the obstacles faced by SMEs engaging in bilateral U.S.-UK trade, opportunities for enhancing services and digital trade through the use of emerging technologies, and best business practices for U.S.- and UK-based SMEs working in the fields of artificial intelligence, virtual reality, and mobile applications.⁵²⁹

Further work in 2019, to encourage a dialogue among U.S. and UK SMEs in the marine technology sector, took place under the auspices of the U.S.-UK Trade and Investment Working Group. On April 8, 2019, in Southampton, UK, the United States and the UK held an exchange on best practices among marine technology SMEs. Participants in the exchange included SMEs, industry experts, and government officials. Discussions focused on the public and private support available to marine technology SMEs seeking access to U.S. and UK markets, and the mutual recognition agreement on marine equipment that the two countries signed in February.⁵³⁰

Later in 2019, President Trump and UK Prime Minister Boris Johnson met at the margins of the Group of Seven (G7) meeting in Biarritz, France, to discuss opportunities to deepen the U.S.-UK trade relationship. To this end, the two leaders issued a joint statement on August 25, 2019, directing the Director of the U.S. National Economic Council Larry Kudlow and UK Cabinet Secretary Mark Sedwill to form a Special Relationship Economic Working Group. They stated that the group will develop “market-oriented principles for economic growth” and increase cooperation between the two economies on issues impacting the modern marketplace.⁵³¹

United States-Mexico-Canada Agreement (USMCA)

The United States, Mexico, and Canada entered into negotiations for the United States-Mexico-Canada Agreement (USMCA) on August 16, 2017, in Washington, DC. The two primary goals of the negotiations were (1) to update NAFTA with modern provisions on digital trade, intellectual property, cybersecurity, good regulatory practices, and treatment of state-owned enterprises, and (2) to rebalance NAFTA in a

⁵²⁷ Government of the UK, [Agreement between the United Kingdom, Northern Ireland, and the United States on Trade in Wine](#), January 31, 2019; Government of the UK, [Agreement between the United Kingdom, Northern Ireland, and the United States on Certain Distilled Spirits](#), January 31, 2019; Government of the UK, [Agreement of Mutual Recognition between the United States, the United Kingdom, and Northern Ireland](#), February 14, 2019; Government of the UK, [Agreement between the United Kingdom, Northern Ireland, and the United States on Marine Equipment](#), February 14, 2019.

⁵²⁸ USTR, [“Sixth Meeting of the U.S.-UK Trade and Investment Working Group,”](#) July 15, 2019.

⁵²⁹ USTR, [“Sixth Meeting of the U.S.-UK Trade and Investment Working Group,”](#) July 15, 2019.

⁵³⁰ USTR, [“Joint Statement on the US-U.S. Marine Technology Small and Medium-Sized Enterprise,”](#) April 15, 2019; Ocean Business, [“UK-US SME Marine Technology Best Practice Exchange”](#) (accessed February 3, 2020).

⁵³¹ White House, [“Joint Statement Following the Meeting of President Donald J. Trump and Prime Minister Boris Johnson,”](#) August 25, 2019.

way that makes it easier to reduce the U.S. trade deficit with Canada and Mexico.⁵³² The negotiations concluded on November 30, 2018, when the United States, Mexico, and Canada signed the agreement in Buenos Aires, Argentina.⁵³³ This section provides a timeline of recent developments through April 2020.

Table 5.6 Timetable of major NAFTA negotiations and signing of USMCA, 2017–20

Negotiations	Dates	City
The United States, Mexico, and Canada sign USMCA.	November 30, 2018	Buenos Aires, Argentina
The U.S. Trade Representative and some members of Congress negotiate proposed changes to USMCA to address ongoing congressional concerns.	Early 2019	Washington, DC
Mexico ratifies USMCA.	June 2019	Mexico City
The United States, Mexico, and Canada agree to a protocol of amendment to USMCA.	December 10, 2019	Washington, DC
The Mexican Senate approves the amendments.	December 12, 2019	Mexico City
The United States, Mexico, and Canada sign a protocol of amendment to USMCA; the updated text is released. The President submits to Congress the proposed USMCA implementing legislation, which also reflects the recent amendments.	December 13, 2019	Washington, DC
USMCA legislation is passed by the House Ways and Means Committee.	December 17, 2019	Washington, DC
USMCA legislation is passed by the full House.	December 19, 2019	Washington, DC
USMCA legislation is passed by the Senate Finance Committee.	January 7, 2020	Washington, DC
USMCA legislation is passed by the full Senate.	January 16, 2020	Washington, DC
The President signs USMCA into law.	January 29, 2020	Washington, DC
The Parliament of Canada concludes the final ratification of USMCA.	March 13, 2020	Ottawa, ON
Canada notifies the United States and Mexico that it has completed its domestic ratification process for USMCA.	April 3, 2020	Ottawa, ON
USMCA enters into force.	July 1, 2020	n/a

Sources: USTR, [2018 Trade Policy Agenda and 2017 Annual Report](#), March 2018; USTR, [“Trilateral Statement on Fifth Round of NAFTA Negotiations,”](#) November 21, 2017; Government of Mexico, Embajada de México en Estados Unidos (Embassy of Mexico in the United States), [“Continúan los trabajos de renegociación del TLCAN en Washington D.C.”](#) (Work continues on NAFTA renegotiations in Washington, DC), August 3, 2018; USTR, [“USTR Statement on Trade Negotiations with Mexico and Canada,”](#) August 31, 2018; USTR, [“Joint Statement from USTR and Canadian Foreign Affairs Minister,”](#) September 30, 2018; USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020; CRS, [“USMCA: Amendment and Key Changes,”](#) January 30, 2020; Government of Canada, [“Statement by the Deputy Prime Minister on Canada’s Ratification of the New NAFTA,”](#) April 3, 2020; USTR, [“Ambassador Lighthizer Celebrates USMCA’s Entry Into Force Today,”](#) July 1, 2020.

USMCA was negotiated with Canada and Mexico over the course of two years and signed by the three parties on November 30, 2018 (table 5.6). Before its signing, it went through a year of consultation and negotiations between the USTR and members of Congress. In 2019, in response to ongoing concerns from members of Congress, the Administration and members of Congress negotiated changes to USMCA. After the two sides reached a consensus on amendments in late 2019, USTR then negotiated amendments with Canada and Mexico that were included in the USMCA Protocol of Amendment signed

⁵³² USITC, [The Year in Trade 2018](#), October 2019; USTR, [“Summary of Objectives for the NAFTA Renegotiation,”](#) July 17, 2017, updated as [“Summary of Objectives for the NAFTA Renegotiation,”](#) November 17, 2017.

⁵³³ USITC, [The Year in Trade 2018](#), October 2019; USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 11.

by the United States, Mexico, and Canada on December 10, 2019. On December 12, 2019, Mexico approved the amendments after having previously ratified the signed USMCA in June 2019. The final text of USMCA was released by USTR on December 13, 2019.⁵³⁴ Shortly afterwards, the implementing legislation was passed by the House Ways and Means Committee on December 17, 2019; by the full House on December 19, 2019 (by a vote of 385–41); by the Senate Finance Committee on January 7, 2020; and by the full Senate on January 16, 2020 (by a vote of 89–10).⁵³⁵ The President signed USMCA into law on January 29, 2020.⁵³⁶ A detailed summary of USMCA in comparison to NAFTA, from before the protocol of amendment was signed, can be found in the Commission’s *Year in Trade 2018* report.⁵³⁷

The 2019 Protocol of Amendment to USMCA focuses on changes in five areas of the agreement: (1) dispute settlement; (2) labor provisions; (3) environmental provisions; (4) intellectual property rights (IPRs); and (5) motor vehicle rules of origin (ROOs):⁵³⁸

- On dispute settlement, the revisions prevent parties from blocking the establishment of a dispute settlement panel by ensuring the formation of a panel in cases where a party refuses to participate in the selection of panelists.
- On labor, a new “rapid response” mechanism was introduced, which provides for an independent three-person panel to request on-site verification at “covered facilities” if denial of freedom of association and collective bargaining rights is suspected.⁵³⁹ In addition, a violation of worker rights is presumed to affect trade and investment between the parties, unless otherwise demonstrated.⁵⁴⁰
- On environment, while the original text of the agreement required parties to implement obligations under certain multilateral environmental agreements (MEAs), the protocol added language similar to language in earlier FTAs specifying that the parties shall “adopt, maintain, and implement laws, regulations, and all other measures” to fulfill their obligations undertaken

⁵³⁴ USTR, “Agreement between the United States of America, the United Mexican States, and Canada 12/13/19 Text” (accessed June 29, 2020).

⁵³⁵ CRS, “[U.S.-Mexico-Canada \(USMCA\) Trade Agreement](#),” January 30, 2020.

⁵³⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 6. The initial version of USMCA that was signed in 2018 consisted of 34 chapters, 4 annexes, and 14 side letters that address trade issues among the United States, Mexico, and Canada. With the addition of the protocol amendment, USMCA consists of 34 chapters, 4 annexes, and 16 side letters. See the table of contents for the [Agreement between the United States of America, the United Mexican States, and Canada](#), December 13, 2019.

⁵³⁷ USITC, [The Year in Trade 2018](#), October 2019.

⁵³⁸ [Protocol of Amendment to the Agreement between the United States of America, the United Mexican States, and Canada](#) (hereafter Protocol of Amendment to the USMCA), December 10, 2019.

⁵³⁹ A “covered facility” is defined as a facility that (1) produces a good or supplies a service traded between the parties or (2) produces a good or supplies a service that competes in the territory of a party with the other party’s good or service. Violations could result in (a) suspension of preferential tariffs for goods manufactured at the covered facility; (b) penalties on goods manufactured at or services provided by the covered facility; or (c) the denial of entry of such goods if a covered facility has received prior denial of rights determinations on at least two occasions. USTR, [Protocol of Amendment to the USMCA](#), Article 31-A.10: Remedies; Article 31-A.15, Definitions.

⁵⁴⁰ Protocol of Amendment to the USMCA, Chapter 31, Annex 31-A, “United States-Mexico Facility-Specific Rapid Response Labor Mechanism.”

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in seven MEAs to which they are a party.⁵⁴¹ As with labor violations, an environmental violation is presumed to affect trade and investment between the parties, unless otherwise demonstrated.⁵⁴²

- On IPRs, the amended agreement removes the obligation to have a 10-year period of data exclusivity for biologics, the period under which a “biosimilar” cannot use clinical trials generated by the branded biologic drug to obtain marketing approval.⁵⁴³
- On motor vehicle rules of origin, the addition of the requirement that all steel manufacturing processes⁵⁴⁴ must occur within North America for steel to be considered originating, beginning at year seven of the agreement.

Mexico’s Congress approved the protocol of amendment on December 12, 2019. At the end of 2019, the revised agreement was still pending approval by the United States and Canada.⁵⁴⁵ However, as mentioned above, at the beginning of 2020, it passed the U.S. Senate, and the President signed it on January 29, 2020. On April 3, 2020, Canada notified the United States and Mexico that it had completed its domestic ratification process, and Mexico announced it was ready to implement the agreement. Mexico also submitted a request to allow its automotive industry more time to comply.⁵⁴⁶

NAFTA remained in effect until the new agreement entered into force.⁵⁴⁷ USMCA entered into force on July 1, 2020.⁵⁴⁸

⁵⁴¹ These seven MEAs were specified in the May 10, 2007 Agreement (“the May 10th Agreement”), negotiated between House Democrats and the George W. Bush Administration, in connection with trade agreements with Peru, Colombia, Panama and South Korea. See USTR, [“Bipartisan Trade Deal,”](#) May 2007; USTR, [“Peru TPA—Final Text”](#) (accessed July 10, 2020); H.R. [Rep No. 116-358](#), 7 (2019).

⁵⁴² USTR, [Protocol of Amendment to the USMCA](#), Chapter 24, A.

⁵⁴³ USTR, [Protocol of Amendment to the USMCA](#), Chapter 20, E.

⁵⁴⁴ According to the Protocol, “such processes include the initial melting and mixing and continues through the coating stage.” Protocol of Amendment to the USMCA, Article 6.1 of the Appendix to Annex 4-B to Chapter 4 (Rules of Origin).

⁵⁴⁵ On March 13, 2020, Canada’s Parliament ratified the revised USMCA trade agreement. (Canada was the third and final country to ratify USMCA). USTR, [“Ambassador Lighthizer Statement on Canada’s Approval of USMCA”](#) (accessed April 15, 2020).

⁵⁴⁶ Industry associations representing Mexico’s automobile industry submitted a letter to the Mexican government in February 2020, asking for the regional content rules for the automobile industry in the USMCA to be implemented in 2021 rather than mid-2020, when the agreement was scheduled to enter into force. Automotive News Canada, [“Mexico’s Auto Industry Seeks Delay of USMCA Content Rules,”](#) March 26, 2020. CBC, [“Canada Notifies U.S. and Mexico It Has Ratified Revised NAFTA,”](#) April 3, 2020.

⁵⁴⁷ USITC, [The Year in Trade 2018](#), October 2019; NAFTA, Article 2205; USTR, [“United States-Mexico-Canada Agreement”](#) (accessed June 12, 2019). Mexico ratified USMCA on June 19, 2019, after the Senate of Mexico approved the agreement on June 19, 2019. Senado de la República, [“Aprueba Senado T-MEC; es un mensaje para la estabilidad económica de México”](#) [Senate approves USMCA: a signal of Mexico’s economic stability], June 19, 2019.

⁵⁴⁸ See Proclamation 10053 of June 29, 2020, To Take Certain Actions under the United States-Mexico-Canada Agreement Implementation Act and for Other Purposes, July 1, 2020 (85 Fed. Reg. 39821).

Developments in the North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico entered into force on January 1, 1994. NAFTA was still in effect throughout 2019 and remained in effect until it was superseded by USMCA on July 1, 2020. An update on NAFTA activities is provided below for 2019.

NAFTA's Commission for Labor Cooperation

The Commission for Labor Cooperation (CLC), composed of a ministerial council and an administrative secretariat, was established under the North American Agreement on Labor Cooperation (NAALC). The NAALC is a side agreement to NAFTA that aims to promote effective enforcement of domestic labor laws and to foster transparency in administering them. The CLC is responsible for implementing the NAALC.

Each NAFTA partner has a national administrative office (NAO) within its labor ministry that acts as the point of contact for the other parties, the administrative secretariat, other government agencies, and the public.⁵⁴⁹ Another NAO function is to receive and respond to public communications on labor law matters arising in other NAALC countries. The United States' NAO is the Office of Trade and Labor Affairs in the U.S. Department of Labor (USDOL). Each NAO sets its own domestic procedures for reviewing and responding to public communications. Since 2010, the NAOs have also undertaken the activities of the secretariat, including carrying out the cooperative activities of the CLC. These activities range from seminars and conferences to joint research projects and technical assistance.⁵⁵⁰

NAALC remains in force in 2019, pending final ratification of USMCA, and then the labor provisions in USMCA will replace it.⁵⁵¹ There were three submissions under review at the NAALC in 2019, the same number as the previous two years.⁵⁵² One, filed in 2011, originated in the United States and involved Mexico. Two originated in Canada; one, filed in 2011, involved Mexico, and the other, filed in 2008, involved the United States.⁵⁵³

On December 22, 2018, Mexico's Executive Branch submitted legislation to its Congress to amend Mexico's Federal Labor Law by implementing constitutional reforms to the labor justice system enacted in February 2017. One of the reforms consists of transferring the authority to adjudicate labor disputes from the current tripartite Conciliation and Administrative Boards to new labor courts, while transferring the registration of unions and collective bargaining agreements to a new federal institution.

⁵⁴⁹ USITC, *The Year in Trade 2018*, October 2019; USDOL, ILAB, "[North American Agreement on Labor Cooperation: A Guide](#)" (accessed April 3, 2020).

⁵⁵⁰ USITC, *The Year in Trade 2018*, October 2019; USDOL, ILAB, "[North American Agreement on Labor Cooperation: A Guide](#)" (accessed April 3, 2020).

⁵⁵¹ USTR, *2019 Trade Policy Agenda and 2018 Annual Report*, March 2019; USTR, *2020 Trade Policy Agenda and 2019 Annual Report*, February 2020.

⁵⁵² USITC, *The Year in Trade 2018*, October 2019; USDOL, ILAB, "[Submissions under the NAALC](#)" (accessed April 3, 2020).

⁵⁵³ USITC, *The Year in Trade 2018*, October 2019; USDOL, ILAB, "[Submissions under the NAALC](#)" (accessed April 3, 2020).

In early 2019, USTR Lighthizer consulted with the Mexican government about reforming the final legislation in order to improve labor standards, protect Mexican workers' rights, and comply with Mexico's obligations under USMCA.⁵⁵⁴ USMCA's labor provisions have been incorporated into the text of the agreement, including an annex that requires Mexico to overhaul its system of labor justice, and they are fully enforceable. For example, under these new provisions, workers will have the right to secret ballot votes to elect and challenge union leadership and to improve new and existing collective bargaining agreements.⁵⁵⁵ For additional highlights of the labor provisions under USMCA, see the previous section.

NAFTA's Commission for Environmental Cooperation

The Commission for Environmental Cooperation (CEC) was established under Article 8 of the North American Agreement on Environmental Cooperation (NAAEC). The NAAEC is a side agreement to NAFTA that came into force at the same time as NAFTA; it was designed to support NAFTA's environmental goals, which are to protect and improve the environment, support sustainable development, and increase cooperation in reaching these goals.⁵⁵⁶ The CEC was established to support cooperation among the parties to reach these goals.⁵⁵⁷

Articles 14 and 15 of NAAEC offer citizens and nongovernmental organizations a mechanism to help enforce environmental laws in the NAFTA countries. Article 14 governs allegations of failures to effectively enforce environmental laws submitted for review by the CEC. It sets out guidelines about criteria for submissions and for requesting a response from the relevant NAFTA party regarding the submission. Article 15 outlines the CEC Secretariat's obligations in considering the submissions and the development of a factual record concerning the allegations raised in the submissions.⁵⁵⁸

At the end of 2019, five submissions remained active under Articles 14 and 15. Two involved Canada, with one submitted in 2017 and the other in 2018, and three involved Mexico, all submitted in 2018 (table 5.7).⁵⁵⁹

⁵⁵⁴ USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 4. On May 1, 2019, Mexican President Obrador signed a decree enacting reforms to Mexico's labor law. Government of Mexico, [Diario Oficial de la Federación](#) (official federal gazette), Decreto por el que se reforman (Presidential decree reforming), May 1, 2019.

⁵⁵⁵ USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019.

⁵⁵⁶ USITC, [The Year in Trade 2018](#), October 2019; CEC, [North American Agreement on Environmental Cooperation](#) (accessed April 3, 2020).

⁵⁵⁷ USITC, [The Year in Trade 2018](#), October 2019; CEC, ["About the CEC"](#) (accessed April 3, 2020).

⁵⁵⁸ CEC, ["About Submissions on Enforcement Matters"](#) (accessed April 3, 2020).

⁵⁵⁹ The agreement text states: "Any submission made pursuant to Article 14 of the NAAEC and not concluded as of entry into force of this Agreement shall continue in accordance with the procedures established under Articles 14 and 15 of the NAAEC, unless the Council decides otherwise." Environmental Cooperation Agreement (ECA), [ECA, Part Two, Article 2:4](#). ECA was signed in December 2018. EPA, ["EPA's Role in the North American Commission for Environmental Cooperation \(CEC\)"](#) (accessed July 22, 2020). In parallel with USMCA, the United States, Mexico, and Canada will implement a new ECA, which also updates and supersedes NAAEC and modernizes and enhances the effectiveness of environmental cooperation between the three parties. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, "Agreements and Negotiations" 1. In the text of

Table 5.7 Active submissions as of yearend 2019 under Article 14 and 15 of the North American Agreement on Environmental Cooperation

Name	Case	First Filed	Country ^a	Status
Alberta Tailings Ponds II	SEM-17-001	June 26, 2017	Canada	The Secretariat posted a request for information relevant to the factual record on its website.
Metrobús Reforma	SEM-18-002	February 2, 2018	Mexico	The Secretariat informed Council (the governing body of the CEC) that the Secretariat considers that the submission warrants development of a factual record.
Hydraulic Fracturing in Nuevo León	SEM-18-003	October 3, 2018	Mexico	The Secretariat determined that the submission met the criteria of Article 14(1) and requested a response from the concerned government party in accordance with Article 14(2).
City Park Project	SEM-19-002	April 4, 2019	Mexico	The Secretariat received a response from the concerned government party and began considering whether to recommend a factual record.
Radiation Exposure in Los Altares	SEM-19-001	April 22, 2019	Mexico	The Secretariat received a response from the concerned government party and began considering whether to recommend a factual record.

Source: CEC, "[Submission on Enforcement Matters](#)" (accessed June 8, 2020).

^a Refers to the country against which an allegation was filed.

For the quarter century that NAFTA has been in force, the governments of Canada, Mexico, and the United States, in collaboration with civil society organizations across North America, have worked together through the CEC to advance shared environmental priorities. On June 25, 2019, the 26th regular session of the CEC Council and Meeting of the Joint Public Advisory Committee (JPAC) was held in Mexico City, Mexico. The session focused on "Extreme Events and Building Disaster-Resilient Communities in North America."⁵⁶⁰ In the context of the joint forum, extreme events are defined as floods, drought, hurricanes, wildfires, and other extreme weather events presenting risks to human and natural ecosystems in Canada, Mexico, and the United States. The forum focused on how to collectively form a strategic partnership, create collaborative networks, and identify the necessary socio-technological innovations needed for early preparedness and effectiveness to diverse communities confronted with or at risk of an extreme weather event.

NAFTA Dispute Settlement

The dispute settlement provisions of NAFTA—found in NAFTA’s Chapter 11 (Investment) and 19 (Review and Dispute Settlement in Antidumping/Countervailing Duty Matters)—cover a variety of areas.⁵⁶¹ The

USMCA, Canada, the United States, and Mexico each affirmed their commitment to undertake cooperative environmental activities under ECA. USMCA, [Chapter 24, Environment, Article 24.25: 3](#). Parallel provisions to NAAEC Articles 14 and 15 are now included in the text of USMCA (Articles 24.27 and 24.28). USMCA provides that submissions are to be filed and reviewed by the Commission for Environmental Cooperation Secretariat. ECA includes provisions for the Secretariat’s operation.

⁵⁶⁰ CEC, "[26th Regular Session of the CEC Council](#)" (accessed March 4, 2020); CEC, "[CEC Council Statement](#)" (accessed March 4, 2020).

⁵⁶¹ USITC, [The Year in Trade 2018](#), October 2019; NAFTA Secretariat, "[Overview of the Dispute Settlement Provisions](#)" (accessed March 4, 2020).

sections below describe developments during 2019 in NAFTA Chapter 11 investor-state disputes and Chapter 19 binational reviews of final determinations of antidumping and countervailing cases. The [interactive dashboard](#) in appendix A presents an overview of developments in NAFTA Chapter 19 dispute settlement cases to which the United States was a party in 2019.

NAFTA Chapter 11 Dispute Settlement Developments

Chapter 11 of NAFTA includes provisions designed to protect cross-border investors and their investments. It establishes a mechanism for settling investment dispute that seeks to assure a “minimum standard of treatment” for investors of the parties.⁵⁶² An individual investor who alleges that a NAFTA country has breached its investment obligations under Chapter 11 may pursue arbitration through internationally recognized channels.⁵⁶³ A key feature of the Chapter 11 arbitral provisions is the enforceability in domestic courts of final awards made by arbitration tribunals.⁵⁶⁴ In 2019, there were five active Chapter 11 cases filed against Canada by U.S. investors, and four filed against Mexico by U.S. investors.⁵⁶⁵ There was only one case filed against the United States.⁵⁶⁶

NAFTA Chapter 19 Dispute Panel Reviews

Chapter 19 of NAFTA provides for a binational panel to review final determinations made by national investigating authorities in antidumping and countervailing duty cases.⁵⁶⁷ Such a panel serves as an alternative to judicial review by domestic courts and may be established at the request of any involved NAFTA country.⁵⁶⁸ At the end of 2019, the NAFTA Secretariat listed one binational panel as active under Chapter 19 (table 5.8). The United States filed one case contesting Mexico’s determinations on the antidumping duty administrative review for large residential washers. The [interactive dashboard](#) in appendix A lists all chapter 19 panels with developments in 2019, including those that were terminated.

⁵⁶² NAFTA, Article 1105.

⁵⁶³ USITC, [The Year in Trade 2018](#), October 2019. Internationally recognized arbitral mechanisms include the International Centre for the Settlement of Investment Disputes (ICSID) at the World Bank, ICSID’s Additional Facility Rules, and the rules of the United Nations Commission on International Trade Law (UNCITRAL). NAFTA Secretariat, [“Overview of the Dispute Settlement Provisions”](#) (accessed April 15, 2020). See also NAFTA, Article 1130.

⁵⁶⁴ USITC, [The Year in Trade 2018](#), October 2019; NAFTA Secretariat, [“Overview of the Dispute Settlement Provisions”](#) (accessed June 14, 2019). Such reviews involve the parties and designated agencies, rather than individuals or firms.

⁵⁶⁵ U.S. Department of State, [“Cases Filed against the Government of Canada”](#) (accessed April 15, 2020); U.S. Department of State, [“Cases Filed against the United Mexican States”](#) (accessed April 15, 2020).

⁵⁶⁶ Department of State, [“Cases Filed against the United States of America”](#) (accessed April 15, 2020).

⁵⁶⁷ For a dispute arising under Chapter 19, a binational panel is made up of five representatives selected from the rosters of the parties involved in the dispute. (Rosters are lists of individuals from which panelists are appointed to settle disputes. Members of these rosters are of good character, high standing, and good repute and have been chosen strictly on the basis of their objectivity, reliability, sound judgment, and general familiarity with international trade law.) From its roster, each party appoints two members, with the fifth selected from one of the two countries involved in the dispute. NAFTA Secretariat, [“Overview of the Dispute Settlement Provisions”](#) (accessed March 4, 2020).

⁵⁶⁸ NAFTA Secretariat, [“Overview of the Dispute Settlement Provisions”](#) (accessed March 4, 2020). Such reviews involve the parties and designated agencies, rather than individuals or firms.

Table 5.8 NAFTA Chapter 19 binational panels, active reviews through 2019

Country of determination under panel review	Case number	National agencies' final determination	Case title
United States	USA–MEX–2018–1904–04	U.S. Department of Commerce (USDOC), “Final Results of Antidumping Duty Administrative Review”	Large Residential Washers from Mexico

Source: NAFTA Secretariat, “[Dispute Settlement: Status Report of Panel Proceedings](#)” (accessed March 4, 2020).

Developments in Other U.S. FTAs Already in Force during 2019

In 2019, U.S. officials met with FTA partners for discussions on several matters, including labor and environmental issues, enhancing trade and investment, and dispute settlement.⁵⁶⁹ Highlights of these consultations are presented below.

To date, the United States has implemented 14 FTAs with a total of 20 countries, beginning in 1985. Of the 14, 12 contain labor provisions to protect worker rights and facilitate cooperation on labor issues, and another includes such provisions in a supplemental agreement.⁵⁷⁰ The USDOL’s Bureau of International Labor Affairs (ILAB) monitors reports and submissions made under the labor provisions of U.S. trade agreements.⁵⁷¹ Again, 12 of the 14 FTAs contain environmental provisions to facilitate cooperation on environmental matters and ensure that domestic environmental laws are effectively enforced, and another includes such provisions in a supplemental agreement.⁵⁷² Highlights of the past year’s activities related to these labor and environmental provisions are discussed below.

U.S.-Australia FTA

The U.S.-Australia Free Trade Agreement was signed on May 18, 2004, and entered into force on January 1, 2005.⁵⁷³ On April 30, 2019, members of the United States-Australia FTA Joint Committee, including those from USTR and the U.S. Departments of Commerce, Treasury, and State, met with their

⁵⁶⁹ The presentation of developments on labor and environment issues under separate subsections is patterned after the coverage of FTAs under the USTR annual reports. See, for example, USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020. When no 2019 developments of note occurred under an FTA on a particular issue, the subsection is not presented.

⁵⁷⁰ This supplemental agreement to NAFTA is the NAALC. USDOL, ILAB, [North American Agreement on Labor Cooperation](#) (accessed February 13, 2020). All U.S. FTAs include labor provisions except the U.S.-Israel FTA—the United States’ first FTA, which entered into force in 1985. See earlier in this chapter for developments concerning the NAFTA and its successor agreement. USDOL, “[Trade Negotiation and Enforcement](#)” (accessed April 8, 2020).

⁵⁷¹ USDOS, “[U.S. Trade Agreements at a Glance](#)” (accessed February 10, 2020).

⁵⁷² This supplemental agreement to NAFTA is the NAAEC. CEC, [North American Agreement on Environmental Cooperation](#) (accessed April 8, 2020). The NAAEC operates through the Commission for Environmental Cooperation (CEC) in Montreal, Canada. See earlier in this chapter for developments concerning NAFTA and USMCA. The U.S.-Israel FTA also does not contain environment provisions. EPA, “[U.S. Trade and Investment Agreements](#)” (accessed April 8, 2020).

⁵⁷³ U.S. Department of State, “[U.S. Trade Agreements at a Glance](#)” (accessed February 10, 2020).

Australian counterparts to discuss intellectual property, investment, and digital trade issues.⁵⁷⁴ In concert with the joint committee meeting, U.S. government representatives and business leaders met in Sydney, Australia, to discuss ways to further enhance Indo-Pacific economic engagement in the digital economy and cybersecurity.⁵⁷⁵ The dialogue highlighted the vital nature of a strong U.S.-Australia economic relationship. In another example of the U.S.-Australia economic relationship, the United States, Australia, and Japan announced multiple joint infrastructure projects at the 2019 Indo-Pacific Business Forum in November 2019. These projects included the Blue Dot Network, aimed at advancing standards for internationally recognized, high-quality infrastructure standards, as well as a collection of projects worth \$400 million to bolster the Papua New Guinea Electrification Partnership.⁵⁷⁶

Finally, on November 18, 2019, the United States and Australia signed a “first-of-its-kind” memorandum of understanding on best practices for sustainable energy mineral resources.⁵⁷⁷ This memorandum of understanding was born out of the new Energy Resources Governance Initiative launched by the U.S. Department of State on June 11, 2019, and convened with partners at the United Nations General Assembly on September 26.⁵⁷⁸

U.S.-Bahrain FTA

The U.S.-Bahrain Free Trade Agreement was signed September 14, 2004, and entered into force on August 1, 2006.⁵⁷⁹ In 2019, Bahrain continued to implement commitments established by the U.S.-Bahrain Memorandum of Understanding on Trade in Food and Agriculture Products, signed in 2018.⁵⁸⁰ These commitments include Bahrain’s acceptance of existing U.S. export certifications for food and agricultural products.⁵⁸¹

Labor

Throughout 2019, representatives of the United States and Bahrain continued to discuss various labor rights concerns which stemmed from consultations that began under the U.S.-Bahrain FTA in 2013.⁵⁸² These labor rights concerns included combating child and forced labor, and U.S. pressures for the government of Bahrain to follow up on its commitment to establish a unit within the Ministry of Labor to ensure compliance by employers with employment discrimination laws.⁵⁸³

⁵⁷⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.8.

⁵⁷⁵ U.S. Department of State, “[Acting Under Secretary Manisha Singh’s Travel](#),” April 24, 2019.

⁵⁷⁶ U.S. Department of State, “[2019 Indo-Pacific Business Forum](#),” November 3, 2019.

⁵⁷⁷ U.S. Department of State, “[United States and Australia Sign MoU](#),” November 18, 2019.

⁵⁷⁸ U.S. Department of State, “[United States and Australia Sign MoU](#),” November 18, 2019.

⁵⁷⁹ U.S. Department of State, “[U.S. Trade Agreements at a Glance](#)” (accessed February 10, 2020).

⁵⁸⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.9.

⁵⁸¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.9.

⁵⁸² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.9.

⁵⁸³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.9.

Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR)

CAFTA-DR was signed on May 28, 2004, by El Salvador, Honduras, Nicaragua, Guatemala, and Costa Rica; it was signed with the Dominican Republic in August 2004.⁵⁸⁴ The CAFTA-DR had entered into force with all parties by January 1, 2009.⁵⁸⁵

Trade Facilitation for Agricultural Goods and Textiles

In 2019 several regulatory developments occurred that had the potential to affect agricultural and textile trade under CAFTA-DR. On May 16, 2019, at the urging of USTR and other U.S. government agencies, Guatemala implemented a policy change allowing corrections to CAFTA-DR certificates of origin (COOs).⁵⁸⁶ Initially, the CAFTA-DR negotiators did not create a template or format for a COO. This lack of standardization gave exporters and importers a level of flexibility, but also caused confusion among customs officials, leading to rejections and lengthy appeals processes. The 2019 policy change streamlined the process by mandating that notification of a COO rejection must be made using a standardized form, and that a COO may be corrected multiple times within a reasonable time period.⁵⁸⁷ Similar improvements in regulatory efficiency and enforcement of CAFTA-DR tariff-rate quotas increased market access for U.S. dairy products in El Salvador and Honduras, potatoes in Costa Rica, and rice products in Nicaragua in 2019.⁵⁸⁸

In addition, in the July 2019 Coordinator Committee meeting, the CAFTA-DR countries granted requests from USTR and U.S. Department of Agriculture (USDA) that food additives approved by the U.S. Food and Drug Administration be added to the Central American Technical Regulation.⁵⁸⁹ CAFTA-DR countries took further steps to lower technical barriers to agriculture trade during the November 2019 Coordinator Committee meeting by jointly establishing the Agricultural Review Commission. This body serves to carry out the exchange of data and review of the agreement's impact on member countries' agricultural trade.

In 2019, the U.S. Department of Commerce (USDOC) implemented a trade facilitation program called "Central America Customs, Border Management, and Supply Chains," to provide technical assistance to the governments of El Salvador, Guatemala, and Honduras.⁵⁹⁰ Similarly, USDOC Commercial Law Development Program and USTR jointly implemented an El Salvadorian textile competitiveness program, and conducted workshops on industry competitiveness in global and regional supply chains and CAFTA-DR benefit fulfillment.⁵⁹¹ These changes served two of the 2019 priority issues set out by the

⁵⁸⁴ USTR, "[CAFTA-DR \(Dominican Republic-Central America FTA\)](#)" (accessed February 13, 2020).

⁵⁸⁵ U.S. Department of State, "[U.S. Trade Agreements at a Glance](#)" (accessed February 10, 2020).

⁵⁸⁶ USTR, [FY2021 Congressional Budget Submission](#), February 2020, 46; USDA, "[Guatemalan Customs Allows Certificate of Origin Corrections](#)," May 16, 2019.

⁵⁸⁷ USDA, FAS, [Guatemalan Customs Allows CAFTA-DR Certificate of Origin Corrections](#), GAIN Report No. GT1906, May 13, 2019.

⁵⁸⁸ USTR, [FY2021 Congressional Budget Submission](#), February 2020, 46–47.

⁵⁸⁹ USTR, [FY2021 Congressional Budget Submission](#), February 2020, 47.

⁵⁹⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.13.

⁵⁹¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.13.

CAFTA-DR sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) committees, to clarify and expedite import procedures for U.S. products while also increasing the utilization of CAFTA-DR benefits.

On September 17, 2019, the U.S. International Trade Commission published its 10th and final report on the U.S. Earned Import Allowance Program (EIAP) for Dominican Republic textiles, noting that the program was terminated in 2018 due to insufficient outcomes. The report stated that the program did not provide enough incentives to significantly boost Dominican apparel exports to the U.S. market, thus justifying the program's termination on December 1, 2018.⁵⁹²

Labor

In 2019, the United States continued to promote labor rights by supporting projects under the CAFTA-DR Labor Cooperation and Capacity Building Mechanism, the Global Labor Program administered by the U.S. Agency for International Development, and the labor violence prevention programs in Guatemala and Honduras sponsored by the U.S. Department of State.⁵⁹³ The Dominican Ministry of Labor also continued to work toward recommendations given in a 2013 USDOL report on the Dominican sugar industry. This work included hiring 60 new labor inspectors to conduct direct outreach to sugarcane cutters at all three major Dominican sugar companies and pursuing efforts to teach three inspectors Creole, the most common language among Haitian workers.⁵⁹⁴ In addition, the Ministry of Labor established child labor committees in sugar-producing regions to better identify children at risk of exploitation. A 2019 USDOL evaluation of the electronic case management system and training plan within the Dominican Ministry of Labor yielded a work plan for a USDOL-funded \$5 million technical assistance project aimed at improving working conditions and addressing child labor in agriculture.⁵⁹⁵

In July 2019, the government of Honduras issued an implementing regulation for a 2017 labor inspection law; in August 2019, it issued a child labor referral mechanism.⁵⁹⁶ During the year, USDOL conducted five missions to Honduras.⁵⁹⁷ These new regulations and the U.S. government missions grew out of the 2015 multiyear Labor Rights Monitoring and Action Plan, which set out standards that the government of Honduras must achieve to improve the application of its labor laws.⁵⁹⁸

In September 2019, El Salvador reinstated the tripartite Higher Labor Council, which is responsible for carrying out tripartite consultations on international labor standards.⁵⁹⁹ In October 2019, the U.S. Federal Mediation and Conciliation Services led a USDOL-funded training with labor inspection supervisors at the Guatemalan Ministry of Labor and Social Welfare, which included monitoring compliance of CAFTA-DR labor obligations. This evaluation revealed weaknesses in the functioning of Guatemala's labor laws and resulted in the establishment of the Office of the Prosecutor for Crimes

⁵⁹² USITC, [Earned Import Allowance Program: Evaluation](#), September 2019.

⁵⁹³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.10.

⁵⁹⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.10.

⁵⁹⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.10.

⁵⁹⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.10.

⁵⁹⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.10.

⁵⁹⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.10.

⁵⁹⁹ The tripartite Higher Labor Council had previously been inactive since 2013. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.11.

against Justice Operators and Trade Unionists by the Guatemalan Attorney General’s Office in December 2019.⁶⁰⁰

Environment

On November 13–14, 2019, the Environmental Affairs Council convened in Miami, Florida, to discuss its continued work toward commitments made under the CAFTA-DR Environment Chapter.⁶⁰¹ Key topics under discussion included collaboration among law enforcement agencies and institutions to combat wildlife trafficking, illegal logging, and marine debris, and to improve waste collection and management.⁶⁰² The Secretariat for Environmental Matters, an independent body, received two new submissions from the public claiming a failure to effectively enforce a CAFTA-DR party’s environmental laws. The new submissions included the first ever submitted by participants of legal clinics, a milestone achieved in part by the Secretariat’s widespread public education about this monitoring mechanism.⁶⁰³ The Secretariat has received 43 such submissions since it was established in 2007.⁶⁰⁴

U.S.-Chile FTA

The U.S.-Chile Free Trade Agreement was signed June 6, 2003, and entered into force on January 1, 2004.⁶⁰⁵ In March 2018, the Chilean government published a decision to initiate a safeguard investigation on imports of whole dry milk, nonfat dry milk, and Gouda cheese. While the investigation did not specifically target the United States, U.S. exports of such products to Chile represented the largest market share.⁶⁰⁶ In January 2019, with the engagement of USTR and USDA, Chile issued a decision not to impose safeguard tariffs on these products. USTR estimated that this exempted the U.S. product from tariffs on milk powder valued at over \$21 million and certain cheese valued at over \$34.4 million.⁶⁰⁷

Labor

In 2019, the United States established a cooperative dialogue under the FTA’s labor cooperation mechanism to promote information sharing and best practices on labor issues. Under the auspices of the dialogue, USTR and USDOL led technical exchanges with representatives from the Chilean Ministries of Trade and Labor.⁶⁰⁸ Chile continued to make advances beyond those profiled in USDOL’s 2018 report of findings on the worst forms of child labor by establishing a new National Child Labor Survey and risk

⁶⁰⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.11.

⁶⁰¹ 84 Fed. Reg. 53553, (October 7, 2019).

⁶⁰² USTR, [FY2021 Congressional Budget Submission](#), February 2020, 51.

⁶⁰³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, III.130.

⁶⁰⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, III.130.

⁶⁰⁵ U.S. Department of State, “[U.S. Trade Agreements at a Glance](#)” (accessed February 10, 2020).

⁶⁰⁶ USDA, FAS, [Safeguard Investigation on Imports of Powder Milk and Gouda Cheese](#), GAIN Report No. CI1811, March 14, 2018.

⁶⁰⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, III.117.

⁶⁰⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.15.

identification model in 2019, sponsored by USDOL with International Labour Organization (ILO) funding.⁶⁰⁹

U.S.-Colombia TPA

The U.S.-Colombia Trade Promotion Agreement (TPA) was signed November 22, 2006, and entered into force on May 15, 2012.⁶¹⁰ On January 1, 2019, the eighth annual set of tariff reductions took effect for industrial products with a 10-year phaseout period.⁶¹¹ Other tariffs on agricultural products, including sensitive agricultural products, remained (reflecting a 15- to 19-year phaseout period).⁶¹²

On June 30, 2019, after years of U.S. engagement, Colombia terminated its “1x1” truck scrappage policy.⁶¹³ This policy had stipulated that after March 2013, new freight trucks over a certain weight could legally be registered by showing that a new freight truck would essentially be replacing an old freight truck of equal capacity.⁶¹⁴ Buyers of new trucks that did not fulfill the 1x1 policy instead had to pay a registration fee equivalent to 15 percent of the truck’s value.⁶¹⁵ The termination of the policy resulted in a significant increase in U.S. freight truck exports.⁶¹⁶

In 2019, the U.S.-Colombia Free Trade Commission (FTC)—the TPA’s central oversight body—concluded technical work to update the agreement’s rules of origin. These rules now reflect 2007, 2012, and 2017 revisions to the Harmonized System (HS) nomenclature for tariff goods. The United States and Columbia formalized the FTC decision in February 2020.⁶¹⁷

Labor

In 2019, the Colombian government took steps to address issues raised in the USDOL’s 2017 TPA Labor Chapter report and the 2011 Colombian Action Plan Related to Labor Rights. The steps included prosecuting cases of homicides of unionists and advancing the application of an electronic file management system that tracks labor code violations.⁶¹⁸ In July 2019, USTR and USDOL representatives jointly visited Colombia to discuss a continuing collaboration to enact the 2017 USDOL report recommendations.⁶¹⁹ USDOL further supported Colombia’s labor rights development through \$24 million worth of technical assistance projects to end child labor, improve working conditions for small-scale miners, and strengthen civil society in 2019.⁶²⁰

⁶⁰⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.15.

⁶¹⁰ U.S. Department of State, “[U.S. Trade Agreements at a Glance](#)” (accessed February 10, 2020).

⁶¹¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.15.

⁶¹² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.15.

⁶¹³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.16. USTR, [2020 National Trade Estimate Report](#), March 31, 2020, 125.

⁶¹⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.16.

⁶¹⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.16.

⁶¹⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.16.

⁶¹⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.16.

⁶¹⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.17.

⁶¹⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.17.

⁶²⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.17.

Environment

In July 2019, the United States and Colombia selected an Executive Director to head the Secretariat for Environmental Enforcement Matters.⁶²¹ The secretariat's purpose is to receive and record submissions from the public alleging that Colombia is failing to effectively enforce its environmental laws. In the months afterward, the two countries held joint events in Colombia to spread awareness of the Secretariat and its public submission mechanism.⁶²² In 2019, the U.S. continued to provide capacity building support to illegal logging and mining prohibition programs under the U.S.-Colombia Environmental Cooperation Work Program.⁶²³

U.S.-Israel FTA

The U.S.-Israel Free Trade Agreement was signed April 22, 1985, and entered into force on September 1, 1985.⁶²⁴ The United States-Israel Joint Committee is the central oversight body for the agreement, but it has not met since February 2016.⁶²⁵ On March 11–15, 2019, the two countries held the second round of negotiations on a successor agreement to the 2004 U.S.-Israel Agreement on Trade in Agricultural Products.⁶²⁶ The agreement, which provides preferential market access in agricultural products, was originally scheduled to expire in December 2008, and has been renewed annually in lieu of a new agreement. According to USTR, the 2004 agreement provides Israel with duty-free access to 90 percent of agricultural tariff lines, whereas Israel provides the United States with duty-free access to only 72 percent.⁶²⁷ Regarding non-agricultural U.S.-Israel trade, Israel amended import procedures for U.S. automobile exporters in 2019 by accepting the Federal Motor Vehicle Safety Standards.⁶²⁸ This decision allowed U.S.-manufactured vehicles to enter the country without undergoing retrofits.

U.S.-Jordan FTA

The U.S.-Jordan Free Trade Agreement was signed October 24, 2000, entered into force on December 17, 2001, and was fully implemented as of January 1, 2010.⁶²⁹ At the last Joint Committee meeting on July 17, 2019, the United States urged Jordan to (1) lift a ban on U.S. genetically modified food products, (2) prioritize international over EU industrial standards, (3) adopt EU geographical indications, and (4) host a consultative FTA subcommittee meeting to address government procurement commitments.⁶³⁰ The U.S. Qualifying Industrial Zone program allows products with a certain amount of Israeli content to enter the United States duty free if manufactured in Jordan (this duty-free treatment is

⁶²¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

⁶²² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

⁶²³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

⁶²⁴ U.S. Department of State, "[U.S. Trade Agreements at a Glance](#)" (accessed February 10, 2020).

⁶²⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

⁶²⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020; Fortune, "[Trump Aiming to Complete Obama-era Trade Negotiations with Israel!](#)" (accessed April 8, 2020).

⁶²⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

⁶²⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

⁶²⁹ U.S. Department of State, "[U.S. Trade Agreements at a Glance](#)" (accessed February 10, 2020).

⁶³⁰ USTR, "[Jordan Free Trade Agreement Joint Committee Meeting](#)," July 17, 2019; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

also true of such products when made in Egypt or in the West Bank and Gaza).⁶³¹ In 2019, U.S. imports from Jordan under the Qualifying Industrial Zone program had declined from their 2018 level, to about 1.0 percent of all U.S. imports from Jordan covered by the FTA.⁶³²

Labor

In 2013, the United States and Jordan signed the Implementation Plan Related to Working and Living Conditions of Workers in Jordan which addresses concerns about working conditions in Jordan's garment factories. In May 2019, Jordan passed multiple amendments to the labor law prohibiting gender-wage discrimination and created accommodations for workers with children.⁶³³ Throughout 2019, the Jordanian Ministry of Labour also solicited input from stakeholders to finalize and publish a directive to combat sexual harassment and anti-union attitudes in the workplace. Although opportunities for further improvement remain, the Ministry of Labour has continued to work with the ILO's Better Work program to train 17 labor inspectors, create awareness of international labor standards, and improve the transparency of garment factory audits. In addition, the ministry expanded its internal "train-the-trainer" program aimed at developing mediation and collective bargaining techniques.⁶³⁴

U.S.-Korea FTA (KORUS)

The U.S.-Korea Free Trade Agreement (KORUS) was signed on June 30, 2007, and entered into force on March 15, 2012.⁶³⁵ In 2018, the United States and South Korea negotiated modifications and amendments to the original agreement. These amendments included extending the phaseout of U.S. tariffs and the harmonization of standards and testing practices for certain automotive products; changes to South Korean customs procedures; commitments by South Korea on the nondiscriminatory treatment of pharmaceuticals; clarification of the investor-state dispute settlement mechanism; new provisions to increase the transparency of trade remedy procedures; a country exemption for South Korea from the steel import tariffs imposed by Proclamation 9705; and preliminary changes to the treatment of rules of origin for South Korean textiles.⁶³⁶ Both parties signed these amendments to KORUS on September 14, 2018, in New York City, and the modified agreement entered into force on January 1, 2019.⁶³⁷

⁶³¹ Qualifying Industrial Zones were established by the U.S. Congress in 1966. Source: USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.18.

⁶³² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.18.

⁶³³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.18.

⁶³⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.19.

⁶³⁵ USTR, "[U.S.-Korea Free Trade Agreement](#)" (accessed February 11, 2020).

⁶³⁶ Proclamation 9705, 83 Fed. Reg. 11625, March 15, 2018; Government of the United States and Government of South Korea, "[Agreed Minutes](#)," September 24, 2018, USTR, [2019 National Trade Estimate](#), March 2019, 317, 327–28; USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 5; Government of the United States and Government of South Korea, [Protocol between the United States of America and the Republic of Korea](#) (accessed February 11, 2020); 83 Fed. Reg. 52418 (October 17, 2018); USDOC, OTEXA, "[Commercial Availability Process](#)" (accessed February 11, 2020).

⁶³⁷ USTR, [2019 National Trade Estimate](#), March 2019, 317.

On March 14, 2019, at the request of the USTR, the Commission instituted Investigation No. FTA-103-032, *U.S.-Korea FTA: Advice on Modifications to Certain Textile and Apparel Rules of Origin*, to provide advice on certain proposed modifications to the KORUS rules of origin for certain textile and apparel goods.⁶³⁸ On July 24, 2019, the Commission transmitted a report containing its advice to the President. The Commission advised that the proposed modifications to KORUS’s rules of origin are likely to have a negligible effect on U.S. imports and U.S. exports, while potentially impacting the U.S. industry that produces some of the affected articles.⁶³⁹

Additional USTR engagement with South Korea throughout 2019 resulted in the successful resolution of a wide range of outstanding issues. These outcomes included South Korea (1) lifting burdensome localization requirements for data and computer facilities; (2) addressing specific nontariff barrier issues to improve opportunities for U.S. auto manufacturers, as well as specific SPS barriers; and (3) resolving a longstanding issue relating to inspections of U.S. exports by the South Korea customs service to verify these exports’ origin so that they can qualify for tariff preferences under KORUS.⁶⁴⁰

Competition

On March 15, 2019, USTR requested its first-ever consultations with South Korea under KORUS Chapter 16 on Competition-Related Matters. The request involved U.S. concerns over competition hearings held by the Korea Fair Trade Commission. With a mandate that includes promoting competition and strengthening consumers’ rights, this body can conduct investigations of companies and levy fines for violations and failure to cooperate with investigators.⁶⁴¹ Since 2016, U.S. firms have raised concerns that Korea Fair Trade Commission’s procedures do not comply with South Korea’s obligations under KORUS.⁶⁴² According to these firms, the commission’s procedures inhibit the ability of companies to adequately defend themselves during proceedings and hearings by denying them the opportunity to review and rebut the evidence against them. The U.S. government relayed these concerns during detailed discussions with officials from the Korea Fair Trade Commission and the South Korean Ministry of Trade, Industry, and Energy, beginning with the annual KORUS Joint Committee meeting in January 2017.⁶⁴³

In response to these concerns, South Korea sought to change procedures governing access to evidence. These changes were set forth in amendments to the Monopoly Regulations and Fair Trade Act, which was submitted to the South Korean National Assembly in December 2018.

⁶³⁸ 84 Fed. Reg. 9380 (March 14, 2019).

⁶³⁹ USITC, [Advice on Modifications to Certain Textile and Apparel Rules of Origin](#), June 2019.

⁶⁴⁰ USTR, [FY2021 Congressional Budget Submission](#), February 2020, 52.

⁶⁴¹ USTR, [2019 National Trade Estimate](#), March 2019, 326–27; USTR, [“USTR Requests Consultations under KORUS,”](#) March 15, 2019.

⁶⁴² USTR, [2016 National Trade Estimate](#), March 2016, 282. Under Article 16.1.3 of the KORUS Competition Chapter, parties must ensure that respondents in an administrative hearing “have a reasonable opportunity to . . . review and rebut the evidence and any other collected information on which the determination may be based.” Government of the United States and Government of Korea, [Chapter 16: Competition-Related Matters](#) (accessed February 11, 2020).

⁶⁴³ USTR, [2017 National Trade Estimate](#), March 2017, 284; USTR, [2018 National Trade Estimate](#), March 2018, 301.

The United States did not find that these amendments resolved its concerns, however, and submitted its consultation request as a result.⁶⁴⁴ USTR led formal consultations with South Korea on July 9, 2019, requesting changes to protect business confidential information and other appropriate materials from third-party disclosure while allowing South Korea to fulfill its obligations under KORUS.⁶⁴⁵

Environment

On September 19, 2019, USTR sought consultations with South Korea under the Environment Chapter of KORUS with regard to illegal, unreported, and unregulated (IUU) fishing and implementation of South Korea's commitments under KORUS to implement its obligations under the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR). This action followed the release of a September 2019 report by the U.S. National Marine Fisheries Service of the National Oceanic and Atmospheric Administration. The report stated that following violations uncovered in 2017, South Korea had "fail[ed] to apply sufficient sanctions to deter its vessels from engaging in fishing activities that violate conservation and management measures adopted by" CCAMLR.⁶⁴⁶ Consultations were held in Seoul on October 17, 2019, with representatives from South Korea's Ministry of Trade, Industry, and Energy, Ministry of Ocean and Fisheries, Ministry of Foreign Affairs, and Coast Guard in attendance.

Following consultations, the Korean National Assembly passed amendments to South Korea's Distant Water Fisheries Development Act on October 31, 2019.⁶⁴⁷ These amendments enable the South Korean Ministry of Oceans and Fisheries to apply administrative sanctions to South Korean vessels for violations of the conservation and management measures of regional fisheries management organizations, including CCAMLR.⁶⁴⁸ An enforcement ordinance and implementation rules for the amendments had not yet been enacted by the South Korean government at the end of 2019, however. For more information on issue of IUU fishing in South Korea, see chapter 6.

U.S.-Morocco FTA

The U.S.-Morocco Free Trade Agreement was signed June 15, 2004, and entered into force on January 1, 2006.⁶⁴⁹ The two parties held their sixth meeting of the FTA Joint Committee on July 16, 2019, with discussions centered on multiple agriculture and SPS issues, geographical indications, intellectual property protection, and certain textile and apparel cases.⁶⁵⁰ Morocco and the United States continued

⁶⁴⁴ USTR, [2019 National Trade Estimate](#), March 2019, 326–27; USTR, "[USTR Requests Consultations under KORUS](#)," March 15, 2019.

⁶⁴⁵ USTR, "[USTR Pursues Competition-Related Concerns](#)," July 9, 2019.

⁶⁴⁶ Under Article 20.2 of the KORUS Environment Chapter, each party to the agreement "shall adopt, maintain, and implement laws, regulations, and all other measures to fulfill its obligations under the multilateral environment agreements listed in Annex 20-A." The Commission for the Conservation of Antarctic Marine Living Resources is one of the seven multilateral agreements listed in this annex. Government of the United States and Government of Korea, [Chapter 20: Environment](#) (accessed February 11, 2020); USTR, "[USTR Environment Consultations under the KORUS](#)," September 19, 2019; NMFS, NOAA, [2019 Report to Congress](#), September 2019, 29–30.

⁶⁴⁷ USTR, "[Amendments to Korea's Distant Water Fisheries Development Act](#)," November 1, 2019.

⁶⁴⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 19.

⁶⁴⁹ U.S. Department of State, "[U.S. Trade Agreements at a Glance](#)" (accessed February 10, 2020).

⁶⁵⁰ USTR, "[United States and Morocco Meet in FTA Joint Committee](#)," July 29, 2019; USTR [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.20.

to discuss the potential to strengthen ties between U.S. and Moroccan textile and apparel firms throughout 2019.⁶⁵¹

Agriculture and Sanitary and Phytosanitary Measures

In June 2019, the United States-Morocco FTA Agriculture and SPS Subcommittee meeting yielded an agreement to improve access for U.S. wheat by increasing tenders and improving the administration of the FTA's wheat tariff-rate quota.⁶⁵² The subcommittee meeting also led to productive technical discussions on food safety and to the finalization of certificates allowing U.S. exports of bovine genetics and egg products into Morocco.⁶⁵³ On March 14, 2019, the Committee for the Implementation of Textile Agreements received a request on behalf of a Moroccan swimwear firm to modify the rules of origin for women's and girls' swimwear made from certain knit fabric.⁶⁵⁴ According to the request, the modification would "address availability of supply of certain knit fabric in the territories of the Parties" by soliciting public comments on the feasibility of the U.S. domestic industry supplying the fabric in a commercial and timely manner.⁶⁵⁵ Taken together, these changes improve market access for U.S. producers and their products.

Labor

Following concerns originally raised by the United States in 2014 under the agreement's labor provisions and again in the 2017 and 2019 Joint Committee meetings, Morocco continued to carry out a new domestic worker law in 2019. This law extends protection and benefits to domestic workers by setting a minimum wage, limiting weekly working hours, setting a minimum age for employment, and providing for a day of rest for workers.⁶⁵⁶ USDOL supported these efforts via funding under the FTA labor cooperation mechanism. Morocco also worked to implement recent reforms made under the 2016 Law on Trafficking in Human Beings. Such reforms, including the establishment of an inter-ministerial anti-trafficking commission and efforts to combat child labor, were topics of discussion during several 2019 visits between U.S. and Moroccan officials.⁶⁵⁷

U.S.-Oman FTA

The U.S.-Oman Free Trade Agreement was signed January 19, 2006, and entered into force on January 1, 2009.⁶⁵⁸ The United States-Oman Joint Committee, which oversees the agreement, has discussed a broad range of trade issues, from efforts to increase trade and investment to cooperation in

⁶⁵¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.20.

⁶⁵² USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.20.

⁶⁵³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.20.

⁶⁵⁴ 84 Fed. Reg. 16243 (April 18, 2019).

⁶⁵⁵ 84 Fed. Reg. 16243 (April 18, 2019).

⁶⁵⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.20.

⁶⁵⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.20.

⁶⁵⁸ U.S. Department of State, "[U.S. Trade Agreements at a Glance](#)" (accessed February 10, 2020).

strengthening labor rights and environmental provisions.⁶⁵⁹ The U.S.-Oman Joint Committee did not meet in 2019.

Labor

Throughout 2019, Oman continued to implement the two-year Decent Work Country Program in cooperation with the ILO. This program centered on the key pillars of social protection; employment, skills, and entrepreneurship; and international labor standards and governance.⁶⁶⁰ In its 2019 report *Findings on the Worst Forms of Child Labor*, USDOL identified Oman’s work to eliminate extreme forms of child labor and strengthen legal frameworks and enforcement measures as main areas of advancement.⁶⁶¹

U.S.-Panama TPA

The U.S.-Panama Trade Promotion Agreement was signed June 28, 2007, and entered into force on October 31, 2012.⁶⁶² On January 1, 2019, the eighth round of tariff reductions under the agreement took place. The United States-Panama Free Trade Commission is the central oversight body for the agreement; it last met in 2017.⁶⁶³ On March 26, 2019, the Department of Commerce (USDOC) invited the general public and other federal agencies to comment on proposed requests before the Committee for the Implementation of Textile Agreements.⁶⁶⁴

Labor

The two countries met in September 2019 to discuss various issues concerning labor law enforcement, with a dedicated focus on child labor and inspection laws.⁶⁶⁵

Environment

The United States and Panama remained engaged on issues of environmental protection and monitoring throughout 2019. The independent Secretariat for Environmental Enforcement Matters received two submissions during this reporting period alleging that Panama had violated its environmental laws regarding the development and approval of environmental management plans for the Bay of Panama and Gulf of Montijo wetland areas.⁶⁶⁶ Following the receipt of these submissions, the government of Panama published an environmental management plan for the Gulf of Montijo wetland areas and established a technical committee to oversee the Bay of Panama environmental management plan. The

⁶⁵⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.21.

⁶⁶⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.21.

⁶⁶¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.21.

⁶⁶² U.S. Department of State, “[U.S. Trade Agreements at a Glance](#)” (accessed February 10, 2020).

⁶⁶³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.22.

⁶⁶⁴ 84 Fed. Reg. 11283 (March 26, 2019).

⁶⁶⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.22.

⁶⁶⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, III.131.

United States also continued to support capacity-building efforts under the 2018–22 United States–Panama Environmental Cooperation Commission Work Program.⁶⁶⁷

U.S.-Peru TPA

The U.S.-Peru Trade Promotion Agreement (TPA) was signed April 12, 2006, and entered into force on February 1, 2009.⁶⁶⁸ All remaining tariff reductions, which cover only agricultural products, are set to be complete by 2026. The U.S.-Peru Free Trade Commission oversees the agreement and its implementation and is slated to meet in 2020.

Labor

In 2019, both the United States and Peru continued to follow up on the issues highlighted in a 2016 USDOL report. The report raised concern over Peru’s approach toward labor law adoption, maintenance, and enforcement, with a focus on laws related to nontraditional exports and the use of temporary contracts in the textile and agriculture industries.⁶⁶⁹ In April 2019, representatives of USTR and USDOL traveled to Peru to further discuss and review progress made to address the reported concerns.⁶⁷⁰ In addition to the visit, USDOL sponsored programming aimed at building labor law enforcement by engaging civil society. Peru also announced the opening of two new offices of the federal labor inspectorate (Superintendencia Nacional de Fiscalización Laboral), as well as a larger budget and workforce in 2019.⁶⁷¹

Environment

On January 4, 2019, the United States requested the “first ever” consultations under the Environment Chapter of the TPA.⁶⁷² The U.S. request came in response to Peru’s decision to make the Agency for the Supervision of Forest Resources and Wildlife (OSINFOR) a subordinate organization of the Ministry of Environment.⁶⁷³ The Environment Chapter (Forestry Annex) requires that OSINFOR be an “independent and separate agency.” On April 9, 2019, following several technical consultations and a senior-level Environmental Affairs Council meeting, the Peruvian government reversed its decision to make OSINFOR a subordinate organization of the Ministry of Environment.⁶⁷⁴

On February 21, 2019, the two countries jointly held the eighth meeting of the Environmental Affairs Council (EAC), in part to support the OSINFOR consultations and in part to review progress made under

⁶⁶⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, III.131.

⁶⁶⁸ U.S. Department of State, “[U.S. Trade Agreements at a Glance](#)” (accessed February 10, 2020).

⁶⁶⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.23.

⁶⁷⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.23.

⁶⁷¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.24.

⁶⁷² USTR, “[USTR Requests Consultations under PTPA](#),” January 4, 2019. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.24.

⁶⁷³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.24.

⁶⁷⁴ USTR, “[USTR Environment Consultations under PTPA](#),” April 9, 2019.

other TPA environment chapter obligations.⁶⁷⁵ The independent Secretariat for Environmental Enforcement Matters received four submissions by December 2019, alleging that Peru had violated its environmental laws related to (1) the regulation of sulfur levels in diesel fuel, (2) the position of OSINFOR within the Peruvian government, (3) federal road building in border areas, and (4) the Convention on Wetlands of International Importance.⁶⁷⁶

During 2019, the Committee on Sanitary and Phytosanitary Matters met to discuss issues including Peru's longstanding ban on the use of biotechnology for farming, and progress on logging issues under the TPA's Annex on Forest Sector Governance.⁶⁷⁷ This annex outlines specific standards that must be met to improve forest sector governance and deter illegal logging and illegal trade in timber and wildlife. On July 26, 2019, the United States blocked future timber imports from a Peruvian exporter on behalf of the Interagency Committee on Trade in Timber Products from Peru, after the exporter's supply chain was found to contain illegally harvested timber.⁶⁷⁸

U.S.-Singapore FTA

The U.S.-Singapore Free Trade Agreement was signed May 6, 2003, and entered into force on January 1, 2004.⁶⁷⁹ On March 19–21, 2019, the two governments convened an FTA Joint Committee meeting to discuss issues ranging from digital trade to SPS measures, agriculture, and geographical indications.⁶⁸⁰ Shortly thereafter, the United States and Singapore signed a memorandum of understanding (MOU) on March 21, 2019, to increase cooperation on infrastructure development.⁶⁸¹ The MOU promotes "information sharing, deal facilitation, structuring and capacity building initiatives in sectors of mutual interest such as energy, natural resource management, water, waste, transportation, and urban development."⁶⁸²

⁶⁷⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, III.131; USTR, "[USTR Environment Consultations under PTPA](#)," April 9, 2019.

⁶⁷⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, III.131; Secretariat for Submissions on Environmental Enforcement Matters, "[Submissions on Environmental Enforcement Matters](#)" (accessed April 8, 2020).

⁶⁷⁷ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.24.

⁶⁷⁸ USTR, "[USTR Enforcement Action to Block Illegal Timber Imports from Peru](#)," July 26, 2019; USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.24.

⁶⁷⁹ U.S. Department of State, "[U.S. Trade Agreements at a Glance](#)" (accessed February 10, 2020).

⁶⁸⁰ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020, I.24.

⁶⁸¹ Singapore Ministry of Trade and Industry, "[Memorandum of Understanding between Singapore and the United States](#)" (accessed April 8, 2020).

⁶⁸² Singapore Ministry of Trade and Industry, "[Memorandum of Understanding between Singapore and the United States](#)" (accessed April 8, 2020.)

Chapter 6

U.S. Trade Relations with Major Trading Partners

This chapter reviews U.S. bilateral trade relations with the United States' top trading partners in 2019: the European Union (EU),⁶⁸³ Mexico, Canada, China, Japan, South Korea, India, and Taiwan (ordered according to the value of their two-way merchandise trade with the United States). For each trading partner, the chapter summarizes U.S. bilateral trade, including trade in both merchandise and private services, and reports the major developments in bilateral trade policies and programs during 2019.⁶⁸⁴

European Union

U.S.–EU Trade Overview

In 2019, the EU, viewed as a single entity, remained the United States' largest trading partner in terms of two-way trade, accounting for 20.6 percent of total U.S. merchandise trade.⁶⁸⁵ U.S. merchandise trade with the EU increased by 5.8 percent from \$805.3 billion in 2018 to \$851.7 billion in 2019. At the same time, the U.S. merchandise trade deficit with the EU increased by \$9.2 billion to \$177.7 billion. The rise in the bilateral merchandise trade deficit can be attributed to a \$18.6 billion increase in U.S. exports combined with a \$27.8 billion increase in imports from 2018 to 2019 (figure 6.1).

The EU remained the largest destination market for U.S. merchandise exports in 2019, accounting for 20.5 percent of U.S. exports to the world. U.S. merchandise exports to the EU increased from \$318.4 billion in 2018 to \$337.0 billion in 2019, a 5.9 percent increase. The top U.S. exports to the EU during the year were civil aircraft and parts (\$43.7 billion), crude petroleum (\$20.4 billion), and nonmonetary gold (\$11.4 billion).

The EU surpassed China to become the largest source market of U.S. merchandise imports in 2019, accounting for 20.6 percent of U.S. imports from the world. U.S. merchandise imports from the EU rose from \$486.9 billion in 2018 to \$514.7 billion in 2019, a 5.7 percent increase. The top U.S. imports from

⁶⁸³ In 2019, the United Kingdom (UK) continued to prepare for its exit from the EU, which became official on January 31, 2020. The UK is therefore included in the section on U.S.-EU trade.

⁶⁸⁴ The figures for services trade are based on data for cross-border trade in private services, which exclude government sales and purchases of goods and services not included elsewhere (n.i.e.). The sole exceptions are the EU and India: U.S. services trade flows from the EU and India include government goods and services n.i.e. According to the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce (USDOC), trade data from EU-based and India government services providers are “suppressed to avoid the disclosure of data of individual companies.” USDOC, BEA, International Services Data, table 2.3, “U.S. Trade in Services, by Country or Affiliation and by Type of Service, European Union,” October 15, 2019. Exports and imports of government services primarily consist of services supplied in support of operations by the U.S. military and embassies abroad. USITC, [Recent Trends in U.S. Services Trade, 2019 Annual Report](#), September 2019, 9.

⁶⁸⁵ Three EU member states were among the top 10 U.S. single-country trading partners in terms of two-way trade in 2019: Germany ranked fifth, the UK seventh, and France eighth.

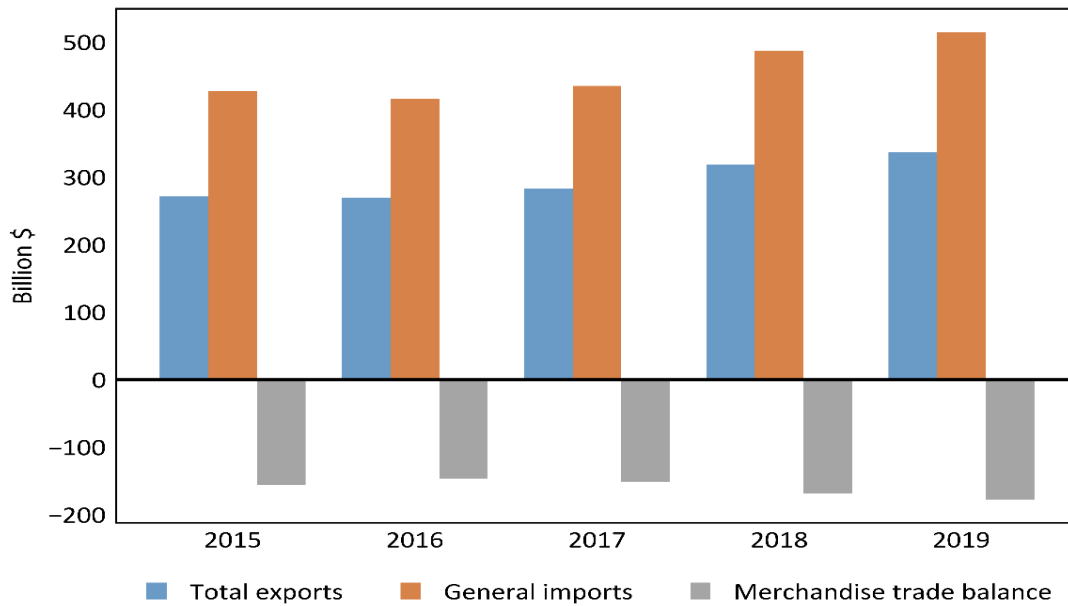
the EU during the year were medicaments (\$32.6 billion), passenger vehicles with gasoline engines between 1.5 and 3 liters (\$28.5 billion), and immunological products (\$17.2 billion).

The EU remained the United States' largest services trading partner in 2019, representing \$475.4 billion or 34.1 percent of two-way U.S. cross-border services trade. U.S. cross-border service exports to the EU increased by \$12.0 billion, or 4.7 percent, to \$265.6 billion in 2019, while U.S. cross-border service imports from the EU increased by \$11.2 billion, or 5.6 percent, to \$209.8 billion. As a result, the U.S. surplus in services trade with the EU grew by 1.4 percent to \$55.7 billion from \$55.0 billion the year before (figure 6.2).

The United States' largest services exports to the EU in 2019 included other business services (\$76.0 billion), charges for intellectual property (IP) use (\$49.3 billion),⁶⁸⁶ and travel services (\$42.4 billion). Telecommunications, computer, and information services was the fastest-growing services export sector, increasing by 16.2 percent from 2018. Major U.S. services imports from the EU were travel services (\$50.2 billion), other business services (\$47.1 billion), and transport services (\$39.4 billion). Telecommunications, computer, and information services was the fastest-growing services import sector, increasing by 9.7 percent from 2018. In terms of two-way trade, the largest sectoral surpluses between the United States and the EU were in other business services and charges for IP use, reaching \$28.8 billion and \$24.4 billion respectively. The largest U.S. deficits were in transport services and travel services at \$11.8 billion and \$7.8 billion, respectively.

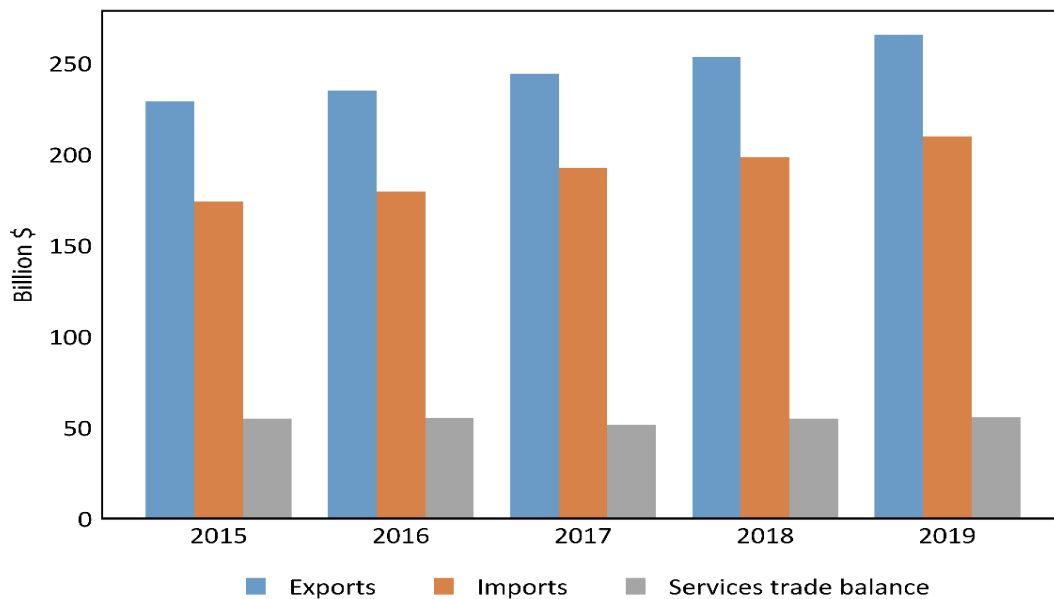
⁶⁸⁶ Charges for the use of IP n.i.e. include (1) charges for the use of proprietary rights (such as patents; trademarks; copyrights; industrial processes and designs, including trade secrets; and franchises) that can arise from research and development as well as from marketing, and (2) charges for licenses to reproduce or distribute (or both) IP embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, cinematographic works, and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcast). USDOC, BEA, [U.S. International Economic Accounts: Concepts and Methods](#), September 2014, 10–12.

Figure 6.1 U.S. merchandise trade with the EU, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).
 Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.2 U.S. cross-border trade in total services with the EU, 2015–19



Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions, table 3.2, March 19, 2020.
 Note: Data for 2019 are preliminary. Because some data have been suppressed to protect firms' confidential information, services trade with the EU are reported in terms of total trade, which includes government sales and purchases of goods and services. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments

The United States and the EU continued to work towards a trade agreement in 2019, continuing progress on goals set under the joint statement issued by President Donald Trump and European Commission President Jean-Claude Juncker on July 25, 2018.⁶⁸⁷ The year began with United States releasing negotiating objectives for a U.S.-EU trade agreement in January.⁶⁸⁸ The EU also met with the United States and Japan on January 9 and May 23, 2019, in two trilateral ministerial meetings concerning non-market-oriented policies of third countries.⁶⁸⁹ The meetings were a continuation of discussions following the release of a May 2018 joint scoping paper and statements on state-influenced market-distorting behaviors, especially as they pertain to forced technology transfer and to overcapacity and uncompetitive markets.⁶⁹⁰

Several other recurring bilateral meetings were held between the two economies in 2019 as well. The second joint meeting under the Bilateral Agreement on Prudential Measures Regarding Insurance and Reinsurance (the U.S.–EU Covered Agreement) was held on April 2, 2019, in Washington, DC. Participants discussed progress on the implementation of the agreement, which was signed by the United States and EU in 2017.⁶⁹¹ The third annual review of the U.S.–EU Privacy Shield framework was hosted by the U.S. Department of Commerce on September 12–13, 2019, in Washington, DC. Discussions between government officials, civil society stakeholders, and companies participating in the Privacy Shield focused on commercial data protection and national security data access. (Further Privacy Shield developments are discussed in greater detail later in this chapter.) Business delegations from the United States and the EU attended the 10th workshop for small and medium-sized enterprises (SMEs), which was held under the aegis of the Transatlantic Economic Council in Little Rock, Arkansas, on September 18–19, 2019.⁶⁹²

The year also saw important new developments related to two long-running World Trade Organization (WTO) disputes—cases in which the United States successfully challenged the EU and launched related investigations under section 301 of the Trade Act of 1974 to impose increased duties on EU goods. The United States and the EU agreed on a new market access arrangement for U.S. high-quality beef in 2019, the latest action stemming from a 1996 WTO dispute concerning various meat hormone directives of the EU (DS26).⁶⁹³ On July 15, 2019, the European Council approved an agreement with the United States to modify the EU tariff-rate quota (TRQ) on imports of high-quality beef. Under the new TRQ regime, 18,500 metric tons of U.S. beef exports will receive duty-free access to the EU market annually, with the

⁶⁸⁷ For more information on these developments, see chapter 5 of this report.

⁶⁸⁸ USTR, [United States-European Union Negotiations: Negotiating Objectives](#), January 2019.

⁶⁸⁹ USTR, [“Joint Statement of the Trilateral Meeting of the Trade Ministers,”](#) January 9, 2019; USTR, [“Joint Statement of the Trilateral Meeting of the Trade Ministers,”](#) May 23, 2019. The content of these meetings is discussed in greater detail in the Japan section of this chapter.

⁶⁹⁰ USTR, [“Joint Statement on Trilateral Meeting of the Trade Ministers,”](#) May 31, 2018.

⁶⁹¹ USTR, [“Second Joint Committee Meeting,”](#) April 12, 2019. For more information about the agreement, see USITC, [The Year in Trade 2017](#), July 2017, 152–53.

⁶⁹² Government of the United States and the EU, [“Joint Statement from the 10th U.S.–EU SME Workshop,”](#) September 19, 2019.

⁶⁹³ A full history of the actions resulting from the WTO dispute and the section 301 investigation is available in chapter 2 of this report.

quota growing to 35,000 metric tons over a seven-year phase-in period.⁶⁹⁴ The agreement was adopted by the European Parliament on November 28, 2019.⁶⁹⁵ The Office of the U.S. Trade Representative (USTR), in light of the successful negotiations, subsequently concluded its section 301 proceedings on the matter and determined not to reinstate previous tariff actions against the EU, effective January 1, 2020.⁶⁹⁶ The United States also received WTO authorization to apply tariffs on imports from the EU as a countermeasure to the negative effects from subsidies in the large civil aircraft industry (DS316), and did so in October 2019 following a section 301 investigation by USTR (discussed in greater detail below).

EU automotive exports to the United States were at issue in 2019 as part of an investigation initiated by the U.S. Department of Commerce (USDOC) under section 232 of the Trade Expansion Act. The investigation was instituted on May 23, 2018, to determine the effects on national security of imports of automobiles, including cars, SUVs, vans and light trucks, and automobile parts.⁶⁹⁷ The Secretary of Commerce submitted a confidential report on the investigation to the President on February 17, 2019, finding that U.S.-owned automotive research and development and manufacturing are vital to national security, and that U.S. imports of autos and auto parts should be reduced to improve domestic conditions of competition for U.S. producers. On May 17, 2019, the President issued a proclamation directing the USTR to pursue negotiations to obtain agreements with EU, Japan, and other trading partners would address the threatened impairment of U.S. national security with respect to imported automobiles and certain automobile parts.⁶⁹⁸

The UK continued to prepare for its exit from the EU (“Brexit”) in 2019, with the text of a withdrawal agreement approved by members of the UK House of Commons on December 19, 2019.⁶⁹⁹ Earlier in the year, the United States continued with its plans to negotiate a U.S.-UK Trade Agreement, as announced in October 2018. USTR held a hearing on the matter on January 29, 2019, and, after considering public submissions and hearing testimony, released its negotiating objectives for an agreement in February 2019.⁷⁰⁰ The United States also signed four mutual recognition agreements with the UK in January and

⁶⁹⁴ Before the new agreement, duty-free exports of beef from the United States to the EU were approximately 13,000 metric tons annually. USTR, [“United States and European Union Agreement on U.S. Beef Access,”](#) August 2, 2019; European Council, [“Imports of Hormone-Free Beef,”](#) July 15, 2019.

⁶⁹⁵ European Parliament, [“Agreement on the Allocation of Tariff Rate Quota for Imports of High-Quality Beef,”](#) November 28, 2019.

⁶⁹⁶ 84 Fed. Reg. 68286 (December 13, 2019).

⁶⁹⁷ 83 Fed. Reg. 24735 (May 30, 2018). A public hearing was held as part of the investigation on July 19, 2018, with EU government official stating that EU automotive exports to the United States do not threaten or impair the U.S. auto industry or national security. USTR, [“National Security Investigation of Imports of Automobiles and Automotive Parts,”](#) July 19, 2018, 187–90.

⁶⁹⁸ 84 Fed. Reg. 23433 (May 21, 2019). Protected foreign markets like the EU and Japan were highlighted as exacerbating the negative effects of imports in the President’s proclamation, as they limit entry of U.S. automotive exports, which prevents U.S. producers “from developing alternative sources of revenue for R&D in the face of declining domestic sales.”

⁶⁹⁹ The text of the agreement was further debated by the UK Committee of the Whole House of Commons from January 7–8, 2020. The House of Lords began reviewing the text on January 13, and, after some debate, accepted the text of the bill with no amendments on January 22. The bill received Royal Assent the following day, becoming law on January 23, 2020. UK Parliament, [“Brexit Bill Has Passed its Commons Stages,”](#) January 9, 2020; UK Parliament, [“European Union Bill Returns to the Lords,”](#) January 23, 2020.

⁷⁰⁰ USTR, [United States-United Kingdom Negotiations: Negotiating Objectives](#), February 2019. More information on U.S.-UK trade agreement negotiations is available in chapter 2 of this report.

February 2019 regarding products currently covered in existing agreements between the United States and the EU.⁷⁰¹ These agreements—which cover trade in wine, spirits, telecommunications equipment, pharmaceuticals, and marine equipment—were designed to ensure that trade is not disrupted when the UK leaves the EU, and will take effect on January 1, 2021, when U.S.–EU trade agreements no longer apply to the UK.⁷⁰² More information on U.S.-UK trade agreement negotiations is available in chapter 2 of this report.

Subsidies on Large Civil Aircraft

On June 5, 2019, arbitration proceedings resumed in a WTO dispute brought by the EU against the United States also concerning subsidies to large civil aircraft (DS353). The WTO's Dispute Settlement Body (DSB) adopted the Appellate Body report, which found that state-level tax incentive programs constituted subsidies to Boeing, a U.S. producer of large civil aircraft. Arbitration proceedings, which were suspended on November 28, 2012, resumed in 2019 at the request of the EU.⁷⁰³ A separate WTO dispute (DS316) brought by the United States against the EU concerning subsidies to the European large civil aircraft industry (a case also referred to as “Airbus subsidies”) was also active in 2019.⁷⁰⁴ The DSB, which had adopted the decision that the EU and certain member states gave Airbus subsidized financing which resulted in lost sales and displaced exports of U.S. civil aircraft, granted the United States authorization to retaliate on \$7.5 billion in annual trade value on October 14, 2019.⁷⁰⁵ For more information on WTO disputes, see chapter 3 of this report.

On the issue of EU subsidies to the large civil aircraft industry, USTR initiated an investigation under section 301 of the U.S. Trade Act of 1974 on April 12, 2019, after finding that consultations with the EU through these WTO proceedings had not resolved the issue. In its notice, USTR proposed determinations that the EU and other member states had denied the rights of the United States under the WTO Agreement on Subsidies and Countervailing Measures, and had failed to implement the recommendations of the DSB regarding subsidies.⁷⁰⁶ The investigation culminated in the application of duties ranging from 10 to 25 percent on \$7.5 billion of U.S. imports from the EU of certain food, alcohol,

⁷⁰¹ Government of the UK, [Agreement between the United Kingdom, Northern Ireland, and the United States on Trade in Wine](#), January 31, 2019; Government of the UK, [Agreement between the United Kingdom, Northern Ireland, and the United States on Distilled Spirits](#), January 31, 2019; Government of the UK, [Agreement of Mutual Recognition between the United States, the United Kingdom, and Northern Ireland](#), February 14, 2019; Government of the UK, [Agreement between the United Kingdom, Northern Ireland, and the United States on Marine Equipment](#), February 14, 2019.

⁷⁰² The UK formally exited the EU on January 31, 2020. Following the formal exit, the UK entered an 11-month transition period during which it is still covered by EU-third country trade agreements. After the transition period ends, EU trade agreements will no longer apply to the UK and any third-country trade agreements signed by the UK before the end of the transition period will take effect. Government of the UK, [“UK trade agreements with non-EU countries,”](#) January 29, 2020.

⁷⁰³ WTO, [“Dispute Settlement: DS353”](#) (accessed March 31, 2020).

⁷⁰⁴ Airbus is an aerospace corporation headquartered in the Netherlands with its main office in France. Launch aid is the “provision of financing for design and development to Airbus companies” from the EU and various member states. See <https://www.airbus.com/contact-us.html> for more information on Airbus. For a full history of this dispute, see WTO, [“Dispute Settlement: DS316; United States– Measures Affecting Trade in Large Civil Aircraft— Second Complaint”](#) (accessed March 25, 2020).

⁷⁰⁵ WTO, [“Dispute Settlement Body,”](#) December 12, 2019.

⁷⁰⁶ 84 Fed. Reg. 15028 (April 12, 2019).

machinery, and textile and apparel products, effective October 18, 2019.⁷⁰⁷ Later in the year, USTR determined it would adjust the list of products subject to duties and the duty rates for certain products based on public comments submitted during a review of its October 18 action. All new duty rates determined as part of the review took effect by March 18, 2020.⁷⁰⁸ For more information on this section 301 investigation, see chapter 2.

Digital Services Taxes

In March 2018, the European Commission proposed a directive to establish an interim EU-wide tax on digital services.⁷⁰⁹ Under the directive, companies exceeding a threshold global revenue of €750 million (\$817.5 million) and a threshold EU revenue of €50 million (\$54.5 million) would be subject to a 3 percent tax on revenue generated from EU user engagement with digital advertising and with goods and services marketplaces, as well as from the transmission of data collected on users within the EU.⁷¹⁰ The proposed directive was abandoned on March 12, 2019, however, when several member states voiced reservations at a meeting of the Economic and Financial Affairs Council of the European Council.⁷¹¹

Following the rejection of the European Commission directive, some EU member states passed digital services tax (DST) legislation at the national government level, with several others announcing or introducing legislation with similar tax measures.⁷¹² Of these member states, France was the first to collect a DST, requiring companies to submit payment by November 25, 2019, on taxes levied retroactively on revenues back to January 1, 2019.⁷¹³ Under the French law, companies exceeding a threshold global revenue of €750 million (\$817.5 million) and a threshold revenue of €25 million (\$27.3 million) from France are subject to a 3 percent tax on revenue generated from sales of targeted digital advertising, online marketplaces, and the sale of private data for targeted advertising.

On July 10, 2019, USTR initiated an investigation of the French law under section 301 of the Trade Act of 1974. The investigation focused on whether the DST discriminated against U.S. companies or was unreasonable as tax policy due to its retroactivity, its application on revenue rather than income, its application to revenues of companies without a permanent establishment in France, and its purpose of

⁷⁰⁷ The applied duties were commensurate with the amount decided in proceedings of the WTO arbitrator in DS316. 84 Fed. Reg. 54245 (October 9, 2019); 84 Fed. Reg. 55998 (October 18, 2019).

⁷⁰⁸ Specifically, USTR determined to increase duties on new aircraft exceeding 30,000 kg from 10 to 15 percent, and to adjust the composition of the list of products subject to additional duties of 25 percent to include the same products from different countries of origin, and new products in its March 2020 action.

⁷⁰⁹ EC, [Proposal for a Council Directive](#), March 21, 2018.

⁷¹⁰ As of May 19, 2020, the euro-U.S. dollar exchange rate was 1.09 dollars per euro. Bloomberg, "[EUR-USD X-Rate](#)" (accessed May 18, 2020).

⁷¹¹ USTR, [2019 National Trade Estimate Report](#), March 2018. The group decided that the leadership of the Economic and Financial Affairs Council would prepare the EU position on digital taxes for international discussions on the subject at the Organisation for Economic Cooperation and Development (OECD). EU Council, "[Outcome of the Council Meeting](#)," 7368/19, March 12, 2019.

⁷¹² Nearly all of the digital services taxes introduced by EU member states follow the same structure as the proposed European Commission directive, with some variation across countries in the type of services covered, the global and national revenue thresholds, and the overall tax rate. For more information on published country-specific digital services tax legislation, see USTR, [2019 National Trade Estimate Report](#), March 2018, 211–12, and USTR, [2020 National Trade Estimate Report](#), March 2020, 212–13.

⁷¹³ For more information on the French DST, see chapters 2 and 4.

penalizing particular technology companies. For more information on this investigation and its findings, please see chapter 2 of this report.

USTR issued its conclusions from the investigation in a report on December 2, 2019, finding that the DST was “unreasonable or discriminatory and burdens or restricts U.S. commerce.” On December 6, 2019, USTR proposed duties of up to 100 percent on approximately \$2.4 billion of imports of food, beverage, cosmetics, and other products from France. These duties were still only proposals by yearend 2019, with USTR requesting public comment on the appropriate action to respond to the DST and convening a hearing on the matter in early 2020.⁷¹⁴

Elsewhere in the EU, Austria and Italy each adopted legislation on DSTs in late 2019, with both tax measures entering into force on January 1, 2020.⁷¹⁵ Many EU member states with current or pending legislation on this issue have noted that they would repeal or suspend their national-level DSTs once an international solution is reached.⁷¹⁶ The work of the Organisation for Economic Co-operation and Development (OECD) on digital taxation through its Inclusive Framework on Base Erosion and Profit Sharing project is expected to produce a solution by the end of 2020.⁷¹⁷

Data Privacy in the EU Digital Market

The EU’s General Data Protection Regulation (GDPR) entered its second year of implementation in 2019. GDPR establishes strict privacy rights for individuals as regards the processing, collection, dissemination, erasure, and portability of their personal data.⁷¹⁸ Because GDPR reaches beyond the boundaries of the EU, companies that handle personal data of EU data subjects fall under EU legal jurisdiction with respect to obeying GDPR rules, regardless of the companies’ physical location.⁷¹⁹ Violators may be fined up to 4 percent of their annual global firm revenue.⁷²⁰

⁷¹⁴ On July 10, 2020, USTR determined that it would take action on section 301 investigation findings in the form of additional duties of 25 percent on approximately \$1.3 billion of imports from France. The 21 products covered under this action include certain cosmetics, soap, handbags, and beauty products. Duties are set to be applied at the end of a 180-day suspension period on January 6, 2021. 85 Fed. Reg. 43292 (July 16, 2020).

⁷¹⁵ Law Library of Congress, “[Digital Tax for Large Internet Companies](#),” November 6, 2019 citing Austrian Federal Law Gazette, [Digital Tax Act 2020](#) (in German), October 22, 2019; Government of Italy, Official Gazette of the Italian Republic, [Budget Law 2020 \(Law no.160/2019\)](#), (in Italian), December 30, 2019. The Italian Digital Services Tax was first introduced in the Italian 2019 Budget Law published in December 2018, but the law did not take effect in 2019 because no implementing rules were published. USTR, [2019 National Trade Estimate](#), March 2018, 212. On June 5, 2020, USTR initiated a section 301 investigation with respect to digital services taxes adopted or under consideration by Austria, Brazil, the Czech Republic, the EU, India, Indonesia, Italy, Spain, Turkey and the United Kingdom. Public comments in connection with these investigations were due July 15, 2020. 85 Fed. Reg. 34709 (June 5, 2020).

⁷¹⁶ OECD, “Summary Record of the 108th Meeting of Working Party 1,” June 17, 2019.

⁷¹⁷ OECD, [Programme of Work](#), May 2019, 5. For more information, see the OECD section in chapter 4 of this report.

⁷¹⁸ CRS, [Data Flows, Online Privacy, and Trade Policy](#), March 2019.

⁷¹⁹ An EU data subject is anyone whose personal data are located in the EU, regardless of the residence, citizenship, or physical location of the data subject.

⁷²⁰ USTR, [2019 National Trade Estimate Report](#), 2018.

National supervisory authorities of member states began investigating GDPR complaints as soon as the legislation was enacted on May 25, 2018, issuing fines to companies with observed violations as early as June 2018.⁷²¹ In its report on GDPR implementation, delivered on February 26, 2019, the European Data Protection Board noted that €55,995,871 (\$61,035,500) in fines had been imposed for GDPR violations since the legislation was enacted.⁷²² A single fine of €50 million (\$54.5 million) imposed on a large U.S. technology company comprised 89.3 percent of this total.⁷²³ In calendar year 2019, two of the three highest public fines for GDPR violations were imposed on U.S. companies.⁷²⁴

The United States also took actions in 2019 to protect the data privacy of EU data subjects under the U.S.–EU Privacy Shield framework. The Privacy Shield establishes the process by which companies can transfer consumer data from EU countries to the United States in compliance with EU law.⁷²⁵ Discussions at the third annual review of the Privacy Shield framework, held September 2019 in Washington, DC, highlighted the progress U.S. government and businesses have made thus far. An additional 1,000 companies made legally enforceable pledges to protect data transferred from the EU in accordance with the Privacy Shield Principles between the second and third annual reviews, with over 5,000 businesses doing so since the framework’s implementation in August 2016.⁷²⁶

In keeping with its commitments on enforcement, the United States appointed Under Secretary of State for Economic Growth, Energy, and the Environment Keith Krach to serve as ombudsperson to address potential Privacy Shield disputes in June 2019.⁷²⁷ In addition, the Federal Trade Commission—the U.S. government agency that enforces the commitments of companies under the framework—brought actions against several U.S. companies falsely claiming Privacy Shield certification in 2019.⁷²⁸ As of early December, the Federal Trade Commission had brought 21 enforcement actions since the framework was established.⁷²⁹

⁷²¹ CMS, “[GDPR Enforcement Tracker](#)” (accessed April 9, 2020).

⁷²² EDPB, [First Overview on the Implementation of the GDPR](#), February 26, 2019.

⁷²³ CNIL, “[Committee Imposes Penalty against Google LLC](#),” January 21, 2019.

⁷²⁴ CMS, “[GDPR Enforcement Tracker](#)” (accessed April 9, 2020); CNIL, “[Committee Imposes Penalty against Google LLC](#),” January 21, 2019; ICO, “[Intention to Fine Marriott International](#),” July 9, 2019.

⁷²⁵ Privacy Shield Framework, “[Privacy Shield Overview](#)” (accessed July 9, 2020). Due to a July 2020 Court of Justice of the European Union judgement, “the EU-U.S. Privacy Shield Framework is no longer a valid mechanism to comply with EU data protection requirements when transferring personal data from the European Union to the United States.” Privacy Shield Framework, “[Privacy Shield Overview](#)” (accessed August 17, 2020).

⁷²⁶ White House, “[United States Privacy Shield Framework](#),” September 11, 2019; EC, “[Joint Press Statement from Third Annual EU-U.S. Privacy Shield Review](#),” September 13, 2019.

⁷²⁷ U.S. Senate, “[PN260—Keith Krach—Department of State](#),” June 20, 2019.

⁷²⁸ USDOC, “[Remarks by Secretary Wilbur Ross at the Privacy Shield Framework](#),” September 12, 2019.

⁷²⁹ FTC, “[FTC Announces Settlements with Four Companies](#),” December 3, 2019.

Mexico

U.S.–Mexico Trade Overview

In 2019, Mexico replaced China as the United States' largest single-country trading partner in terms of two-way trade, accounting for 14.8 percent of total U.S. merchandise trade. U.S. merchandise trade with Mexico increased by 0.5 percent from \$611.5 billion to \$614.5 billion in 2019. At the same time, the U.S. merchandise trade deficit with Mexico increased by \$21.1 billion to \$101.7 billion. The increase in the bilateral merchandise trade deficit can be attributed to a \$9.0 billion decrease in U.S. exports combined with a \$12.0 billion increase in imports (figure 6.3).

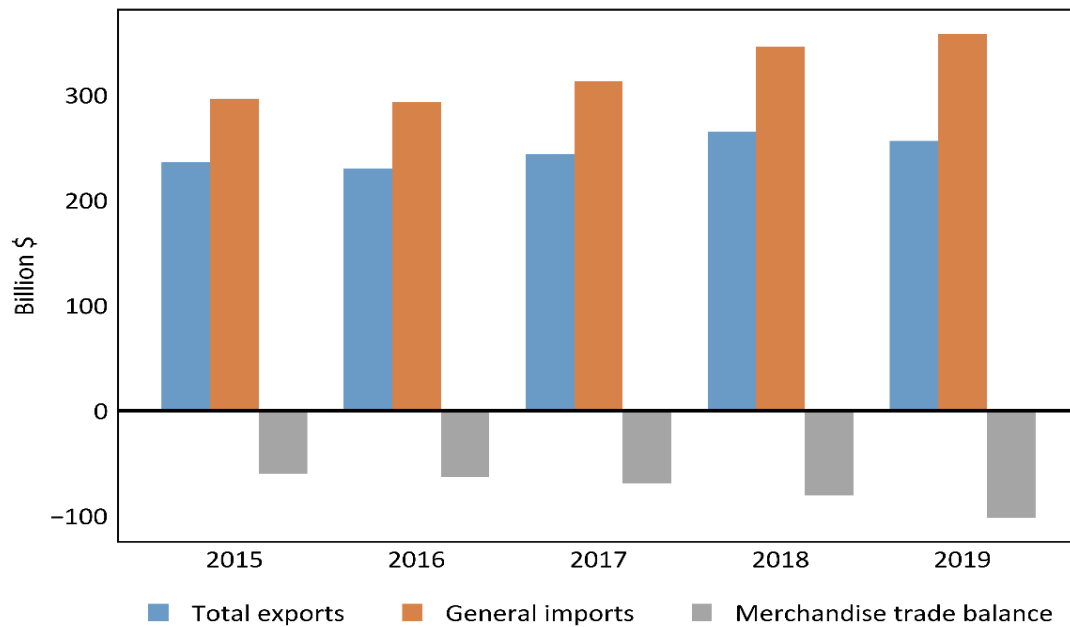
Mexico remained the second-largest single-country destination for U.S. merchandise exports in 2019, accounting for 15.6 percent of global U.S. exports. U.S. merchandise exports to Mexico fell from \$265.4 billion in 2018 to \$256.4 billion in 2019, a 3.4 percent decrease. The top U.S. exports to Mexico during the year were light oils (\$15.2 billion), refined petroleum products (\$11.8 billion), and computer parts and accessories (\$11.1 billion).

Mexico remained the second-largest single-country producer of U.S. merchandise imports in 2019, accounting for 14.3 percent of global U.S. imports. U.S. merchandise imports from Mexico grew from \$346.1 billion in 2018 to \$358.1 billion in 2019, a 3.5 percent increase. The top U.S. imports from Mexico during the year were computers (\$25.2 billion), passenger vehicles with gasoline engines between 1.5 and 3L (\$22.8 billion), and light trucks (\$16.9 billion).

In 2019, cross-border private services trade with Mexico totaled \$60.6 billion, or 4.3 percent of total U.S. private services trade. U.S. cross-border service exports to Mexico remained unchanged at \$33.4 billion in 2019, while U.S. cross-border service imports from Mexico increased by \$1.6 billion, or 6.0 percent, to \$27.2 billion. As a result, the U.S. surplus in services trade with Mexico fell by 20.0 percent, or \$1.5 billion, to \$6.2 billion (figure 6.4).

The United States' largest services exports in 2019 included travel services (\$17.2 billion) and transport services (\$4.0 billion). Insurance services were the fastest-growing service exports, increasing by 22.8 percent from 2018. Major U.S. services imports from Mexico were travel services (\$18.3 billion), transport services (\$3.6 billion), and other business services (\$2.4 billion). Insurance services was the fastest-growing services import, increasing by 185.7 percent from a low of \$7 million in 2018 and reaching \$20 million in 2019. The largest sectoral surpluses between the United States and Mexico were in charges for IP use and financial services, which reached \$2.7 billion and \$1.3 billion, respectively. The United States' largest deficit was in travel services, at \$1.1 billion.

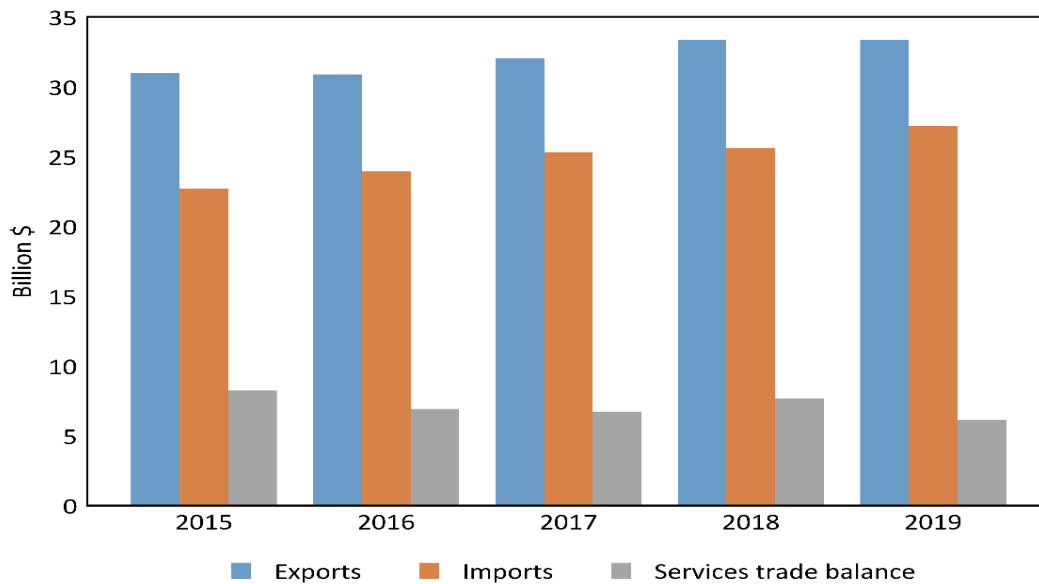
Figure 6.3 U.S. merchandise trade with Mexico, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.4 U.S. cross-border trade in private services with Mexico, 2015–19



Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions table 3.2, March 19, 2020.

Note: Data for 2019 are preliminary. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments

Most of the trade relationship between Mexico and the United States has been governed by the North American Free Trade Agreement (NAFTA) since the agreement entered into force on January 1, 1994. On August 16, 2017, the United States, Canada, and Mexico began negotiations to modernize NAFTA. On November 30, 2018, the United States, Canada, and Mexico signed the United States-Mexico-Canada Agreement (USMCA).⁷³⁰ A protocol of amendment to USMCA was negotiated during 2019. These amendments are described in the USMCA section in chapter 5 of this report. The amended version of USMCA was signed on December 10, 2019, and has been ratified by all three countries, most recently by Canada on March 13, 2020. The amended agreement entered into force on July 1, 2020.⁷³¹

Annex 23-A of USMCA, signed in 2018, had committed Mexico to enact legislation regarding its labor laws. On May 1, 2019, Mexico's president signed into law a labor reform bill. Major changes include offering workers the right to vote for union representatives by secret ballot, establishing the right to join unions of choice, and creating an independent court to resolve disputes and register contracts.⁷³²

Section 232 Steel and Aluminum Tariffs

On June 1, 2018, Mexico's exemption from 25 percent and 10 percent tariffs on steel and aluminum, respectively, expired; these had been implemented by the United States following investigations under section 232 of the Trade Expansion Act of 1962 (section 232).⁷³³ In response to the expiration of these tariff exemptions, the Mexican government imposed duties ranging from 5 percent to 25 percent on U.S. imports under 71 Harmonized System (HS) tariff codes on June 5, 2018.⁷³⁴ Additionally, Mexico challenged the U.S. measures by filing a complaint under the WTO dispute settlement provisions and requested consultation with the United States concerning certain measures imposed by the United States to allegedly adjust imports of steel and aluminum into the United States.⁷³⁵

Following negotiations with Mexico and Canada, on May 17, 2019, the United States announced an agreement to remove the section 232 tariffs for steel and aluminum imports from those countries and the removal of all retaliatory tariffs imposed on American goods by those countries.⁷³⁶ On May 28, 2019, Mexico and the United States notified the Dispute Settlement Body (DSB) of the WTO that they had

⁷³⁰ USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019, 11.

⁷³¹ CBP, "[U.S.-Mexico-Canada Agreement \(USMCA\)](#)" (accessed June 30, 2020).

⁷³² CRS, "[USMCA: Labor Provisions](#)," January 10, 2020.

⁷³³ Proclamation 9758, 83 Fed. Reg. 25849 (May 31, 2018); Proclamation 9759, 83 Fed. Reg. 25857, May 31, 2018.

⁷³⁴ The complete list of HS codes appears in the [Diario Oficial de la Federación](#) (Mexican Official Gazette), June 5, 2018.

⁷³⁵ WTO, "[Dispute Settlement: DS551; United States—Certain Measures on Steel and Aluminum Products](#)" (accessed on May 8, 2020).

⁷³⁶ USTR, "United States Announces [Deal with Canada and Mexico to Lift Retaliatory Tariffs](#)," May 17, 2019; USTR, "Joint Statement by the [United States and Mexico on Section 232 Duties on Steel and Aluminum](#)," May 17, 2019; Proclamation 9894, 84 Fed. Reg. 23987 (May 23, 2019).

reached a mutually agreed solution, which consisted of the United States' elimination of certain duties on steel and aluminum products from Mexico.⁷³⁷

Modern Borders

In 2019, the United States and Mexico continued to make progress on cross-border infrastructure improvements, under a joint effort to enhance trade and trade facilitation established in April 2017 in Mexico City between officials in U.S. Customs and Border Protection and Mexico's Tax Administration.⁷³⁸ The pilot programs to improve cargo inspections in the Mariposa Port of Entry in Nogales, Arizona, and the Otay Mesa Cargo Facility in San Diego County, California, which promoted infrastructure improvement in ports of entry, were a success.⁷³⁹ In 2018, the U.S. General Services Administration (GSA) continued to modernize and expand infrastructure in ports of entry. This included doubling the number of pedestrian processing facilities in Otay Mesa, the creation of privately owned vehicle inspection facilities, and the expansion of port facilities for commercial inspections as part of Phase 1 improvements at the Calexico Land Port.⁷⁴⁰

In 2019, GSA received appropriations for phase 2 for continued expansion and improvements of existing infrastructure at the Calexico West Land Port of Entry. This phase includes the construction of six additional northbound inspection lanes for noncommercial vehicles, with canopies and inspection booths; a new administration building; and an employee parking structure.⁷⁴¹ Other ports of entry completed either modernization and expansion phases or their entire project in 2019. The San Ysidro Land Port of Entry concluded its modernization and expansion project on December 17, 2019, for example. Constructed in three phases, this 10-year project replaced the port's 1970 infrastructure to include 63 vehicle inspection booths over 34 lanes, two pedestrian inspection facilities, and expanded inspection facilities for southbound and northbound secondary vehicles.⁷⁴²

⁷³⁷ WTO, "[Dispute Settlement: DS551; United States—Certain Measures on Steel and Aluminium Products](#),"; WTO, "[Mexico—Additional Duties on Certain Products from the United States—Notification of a Mutually Agreed Solution](#)," May 28, 2019 (accessed May 8, 2020).

⁷³⁸ CBP, "[United States and Mexico Meeting to Strengthen Economic Competitiveness and Security](#)," April 20, 2017.

⁷³⁹ CBP, "[CBP Announces Unified Cargo Inspection Pilot Program, September 20, 2017](#)"; CBP, "[Readout of Acting Commissioner Kevin McAleenan's Trip to Mexico City, April 21, 2017](#)" (accessed June 18, 2020).

⁷⁴⁰ GSA, "[Otay Mesa Land Port of Entry](#)" (accessed June 17, 2020).

⁷⁴¹ GSA, "[Federal Budget for Calexico West Port of Entry](#)" (accessed March 25, 2020).

⁷⁴² GSA, "[San Ysidro Land Port of Entry Expansion Project Completion](#)" (accessed March 25, 2020).

Canada

U.S.–Canada Trade Overview

In 2019, Canada remained the United States' second-largest single-country trading partner in terms of two-way trade, accounting for 14.8 percent of total U.S. merchandise trade. U.S. merchandise trade with Canada decreased by 1.0 percent from \$618.5 billion to \$612.1 billion in 2019. At the same time, the U.S. merchandise trade deficit with Canada increased by \$8.4 billion to \$27.3 billion. The increase in the bilateral merchandise trade deficit can be attributed to a \$7.4 billion decrease in U.S. exports combined with a \$0.9 billion increase in imports (figure 6.5).

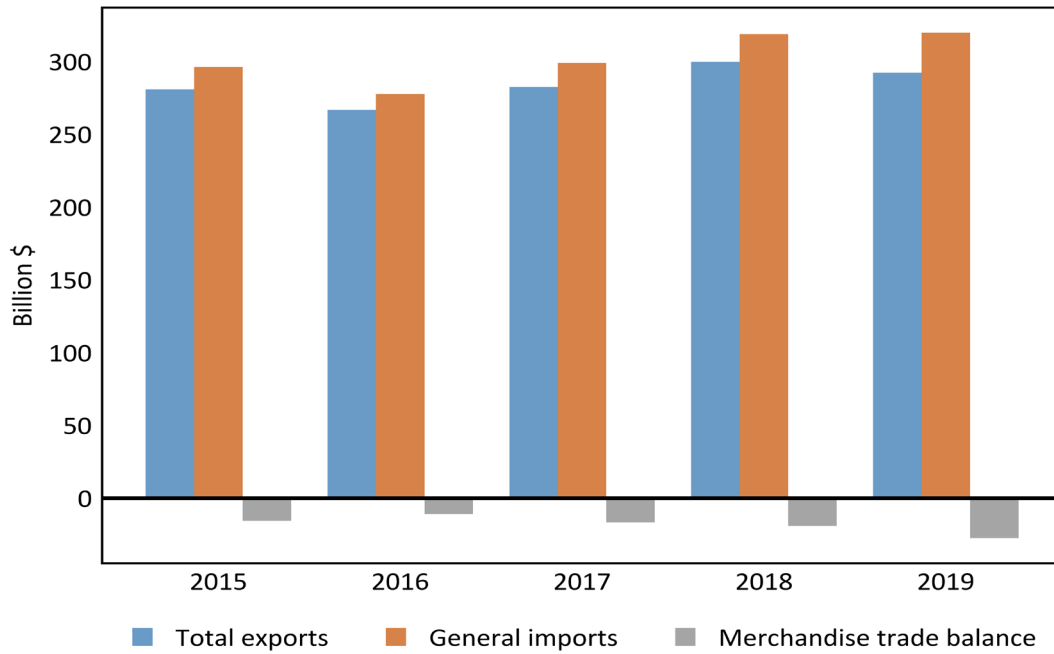
Canada remained the largest single-country destination for U.S. merchandise exports in 2019, accounting for 17.8 percent of global U.S. exports. U.S. merchandise exports to Canada declined from \$299.8 billion in 2018 to \$292.4 billion in 2019, a 2.5 percent decrease. The top U.S. exports to Canada during the year were crude petroleum (\$10.1 billion), civil aircraft and parts (\$9.4 billion), and light trucks (\$9.4 billion).

Canada remained the third-largest single-country source of U.S. merchandise imports in 2019, accounting for 12.8 percent of global U.S. imports. U.S. merchandise imports from Canada rose from \$318.8 billion in 2018 to \$319.7 billion in 2019, a 0.3 percent increase. The top U.S. imports from Canada during the year were crude petroleum (\$62.7 billion), passenger vehicles with gasoline engines exceeding 3L (\$14.5 billion), and passenger vehicles with gasoline engines between 1.5 and 3L (\$14.4 billion).

In 2019, U.S. cross-border private services trade with Canada totaled \$101.5 billion, or 7.3 percent of total U.S. private services trade. U.S. cross-border service exports to Canada increased by \$0.6 billion, or 1.0 percent, to \$64.3 billion in 2019, while U.S. cross-border service imports from Canada increased by \$1.6 billion, or 4.5 percent, to \$37.2 billion. As a result, the U.S. surplus in services trade with Canada fell 3.5 percent to \$27.0 billion from \$28.0 billion the year before (figure 6.6).

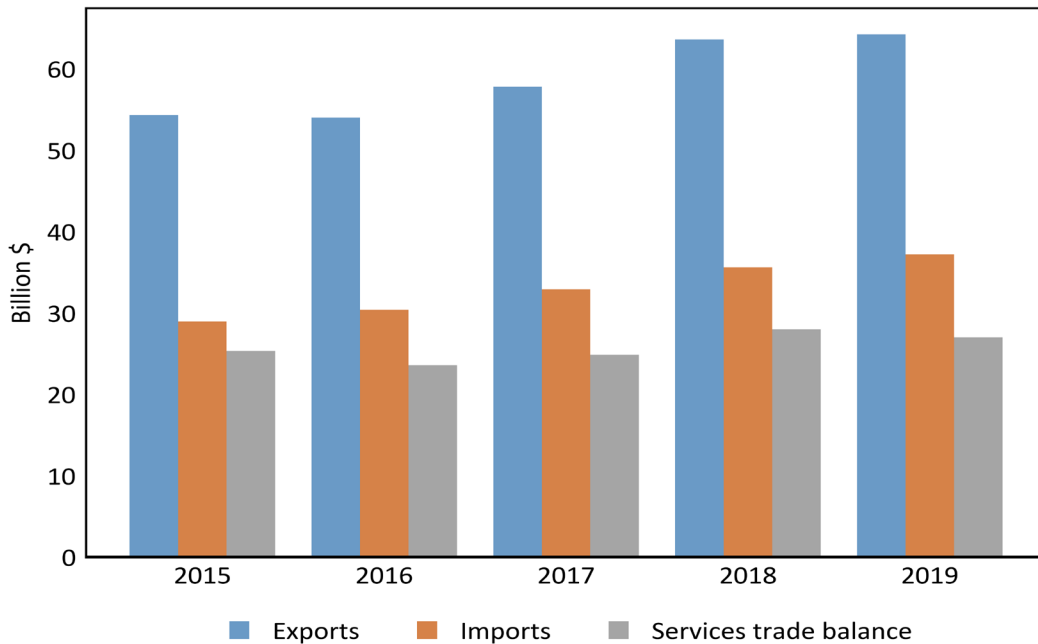
The United States' largest services exports in 2019 included travel services (\$18.0 billion), other business services (\$14.1 billion), and charges for IP use (\$8.6 billion). Insurance services were the fastest-growing service exports, rising by 11.7 percent from 2018. Major U.S. services imports from Canada were other business services (\$9.6 billion), travel services (\$9.4 billion), and transport services (\$5.5 billion). Maintenance and repair services were the fastest-growing services import, increasing by 13.2 percent from 2018. The largest sectoral surpluses between the United States and Canada were in travel services and charges for IP use, reaching \$8.6 billion and \$6.2 billion, respectively. The largest U.S. deficits were in telecommunications, computer, and information services (\$6 million) and maintenance and repair services (\$5 million).

Figure 6.5 U.S. merchandise trade with Canada, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).
 Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.6 U.S. cross-border trade in private services with Canada, 2015–19



Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions table 3.2, March 19, 2020.
 Note: Data for 2019 are preliminary. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments

After the United States-Mexico-Canada Agreement (USMCA) was signed in November 2018, various steps in the domestic ratification process in each country took place throughout 2019. A protocol of amendment was signed by the three parties on December 10, 2019. On March 13, 2020, Canada's Parliament ratified the revised USMCA text. The amended agreement entered into force on July 1, 2020. For more details about USMCA, see chapter 5.

Section 232 Steel and Aluminum Tariffs

On June 1, 2018, Canada's exemption from a 25 percent tariff on steel and a 10 percent tariff on aluminum expired; these tariffs were implemented by the United States following investigations under section 232 of the Trade Expansion Act of 1962 (section 232).⁷⁴³ In July 2018, Canada imposed countermeasures in the form of tariffs on approximately \$13 billion worth of U.S. exports of steel, aluminum, and other products.⁷⁴⁴

Upon the request of the United States, a WTO panel was established to examine these countermeasures on January 25, 2019.⁷⁴⁵ In subsequent months, Canada repealed some of the measures at issue. On April 30, 2019, Canada unilaterally excluded certain recreation boats from its countermeasures to address negative impacts felt by the Canadian marine industry.⁷⁴⁶ On May 17, 2019, the United States announced an agreement with Canada and Mexico to remove section 232 tariffs on steel and aluminum, and Canada agreed to remove the countermeasures in return.⁷⁴⁷ With this agreement, the United States and Canada terminated all pending litigation at the WTO, and on May 27, 2019, agreed to monitor aluminum and steel trade between the two countries.⁷⁴⁸

Softwood Lumber

In 2016, the U.S. lumber industry petitioned the Commission and USDOC for trade remedy investigations on imports of softwood lumber from Canada.⁷⁴⁹ In 2017 USDOC and Commission investigations resulted in the imposition of antidumping and countervailing duty duties on softwood lumber from Canada.⁷⁵⁰

⁷⁴³ 83 Fed. Reg. 25849 (May 31, 2018); Proclamation 9759, 83 Fed. Reg. 25857, May 31, 2018.

⁷⁴⁴ Government of Canada, International Trade and Investment, "[Steel and Aluminum](#)" (accessed March 25, 2020); Inside Trade, "[Canada Removes Some Boating Equipment from Retaliation List](#)," May 6, 2019.

⁷⁴⁵ WTO, "[Dispute Settlement: DS557; Canada—Additional Duties on Certain Products from the United States](#)" (accessed July 9, 2020).

⁷⁴⁶ Inside Trade, "[Canada Removes Some Boating Equipment from Retaliation List](#)," May 6, 2019. Affected products accounted for less than approximately \$8 million in U.S. exports to Canada in 2019. Government of Canada, "[Countermeasures in Response to Unjustified Tariffs](#)" (accessed April 9, 2020); USITC DataWeb/USDOC, HTS subheading 8903.10.00, 8903.91.00, 98063.92.00, 8903.99.90 (accessed April 9, 2020).

⁷⁴⁷ USTR, "[United States Announces Deal with Canada and Mexico to Lift Retaliatory Tariffs](#)," May 17, 2019.

⁷⁴⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 95.

⁷⁴⁹ USITC, [Softwood Lumber Products from Canada](#), December 2017, I–12. For more details, see USITC, [The Year in Trade 2018](#), October 2019, 191–92.

⁷⁵⁰ Antidumping and countervailing duties are the result of a positive determination in a series of investigations by USDOC and the Commission into whether an imported product is sold in the United States at less than fair value (dumped) or its production is subsidized by a foreign government (countervailing) and is causing material injury to

Subsequently, Canada requested panel reviews of these determinations in 2017 and 2018 under chapter 19 of NAFTA.⁷⁵¹ Canada also filed disputes under the WTO Dispute Settlement Understanding regarding U.S. softwood lumber antidumping and countervailing duty measures in 2017. After consultations failed to resolve the disputes, the WTO Dispute Settlement Body (DSB) established panels in both disputes in 2018 at the request of Canada. On June 4, 2019, Canada notified the DSB of its decision to appeal the panel's findings.⁷⁵²

In the case of USITC Injury Determination in the matter of Softwood Lumber from Canada (USA–CDA–2018–1904–03), the NAFTA dispute settlement panel convened a hearing in Washington, DC, on May 7, 2019. The panel issued its interim decision and order to remand (return for further consideration) the findings of the Commission on September 4, 2019.⁷⁵³ The Commission filed its remand determinations in December 2019, and Canadian parties filed their comments on the remand in early February 2020.⁷⁵⁴ For additional information, see chapter 3, “Reports in Which the United States Was the Respondent,” and table 3.2 of this report.

Wine, Beer, and Spirits

According to USTR, market access barriers in several Canadian provinces have hampered exports of U.S. wine and spirits to Canada for many years. Among these were measures governing the sale of wine in grocery stores maintained by the provincial liquor board in British Columbia that appear to provide advantages to British Columbian wine through an exclusive retail sales channel not available to imported wines. Consequently, the United States requested WTO dispute-settlement consultations with Canada in two disputes in 2017.⁷⁵⁵

On November 30, 2018, addressing the U.S. dispute in the WTO, Canada committed to ensure that British Columbia would stop its practice of allowing only local wines to be stocked in supermarkets by no later than November 1, 2019. In July 2019, the government of British Columbia made changes to its regulations, which now permit the sale of imported wine on grocery store shelves alongside British Columbian wine.⁷⁵⁶

Agriculture

The United States and several other countries raised the issue of Canada's supply management system for dairy, poultry, and egg products in Canada's trade policy review at the WTO.⁷⁵⁷ However, under

the domestic industry. and USITC, “[Softwood Lumber from Canada Injures U.S. Industry](#),” December 7, 2017; 82 Fed. Reg. 61587, December 28, 2017.

⁷⁵¹ NAFTA Secretariat, “[Dispute Settlement: Status Report of Panel Proceedings](#)” (accessed July 1, 2019).

⁷⁵² On June 4, 2019, Canada notified the DSB of its decision to appeal the panel's findings that zeroing is permissible under Article 2.4.2 of the Anti-Dumping Agreement. WTO, “Dispute Settlement: DS534; United States—Anti-Dumping Measures Applying Differential Pricing Methodology to Softwood Lumber from Canada” (accessed July 1, 2019); WTO, “[Dispute Settlement: DS533; United States—Countervailing Measures on Softwood Lumber from Canada](#)” (accessed July 1, 2019).

⁷⁵³ See the “NAFTA Dispute Settlement” section in chapter 5 of this report for further details on this process.

⁷⁵⁴ The Commission filed its remand response in April 2020, and the panel was to issue its decision in May 2020.

⁷⁵⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 50–51.

⁷⁵⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 50–51.

⁷⁵⁷ Inside Trade, “[U.S. Singles Out Supply Management in Canada's WTO Trade Review](#),” June 12, 2019.

USMCA, the United States gained increased access to Canada’s dairy, poultry, and egg product markets in return for increased access for Canada to U.S. markets for dairy products, peanuts, and some sugar products.⁷⁵⁸ USMCA requires Canada to change certain aspects of its milk pricing policy, which had decreased exports of U.S. dairy ingredients to Canada and increased Canada’s exports of skim milk powder.⁷⁵⁹

USTR Special 301 Watch List

On April 25, 2019, USTR removed Canada from its Special 301 priority watch list. In doing so, USTR cited provisions in USMCA which addressed issues of border and law enforcement with respect to counterfeit or pirated goods, patents and pricing for pharmaceuticals, copyright protections, and transparency about geographical indications that had been raised in the *2018 Special 301 Report*.⁷⁶⁰

China

U.S.–China Trade Overview

In 2019, China fell from its leading position to become the United States’ third-largest single-country trading partner in terms of two-way trade, accounting for 13.5 percent of total U.S. merchandise trade. U.S. merchandise trade with China decreased by 15.3 percent in 2019, falling from \$659.8 billion to \$558.9 billion. At the same time, the U.S. merchandise trade deficit with China shrank by 17.6 percent, or \$73.9 billion, to \$345.6 billion. The reduction in the bilateral merchandise trade deficit can be attributed to a \$13.5 billion decrease in U.S. exports combined with a \$87.5 billion decrease in imports (figure 6.7).

China remained the third-largest single-country destination for U.S. merchandise exports in 2019, accounting for 6.5 percent of global U.S. exports. U.S. merchandise exports to China dropped from \$120.1 billion in 2018 to \$106.6 billion in 2019, an 11.3 percent decrease. The top U.S. exports to China during the year were civil aircraft and parts (\$10.5 billion), soybeans (\$8.0 billion), and processors and controllers (\$6.5 billion). The decrease in U.S. merchandise exports to China in 2019 was principally attributable to an escalation of trade tensions. The largest decreases were due to the lower volume of some of the top U.S. merchandise exports to China, including civilian aircraft and parts, as well as petroleum products.

China remained the largest single-country source of U.S. merchandise imports in 2019, accounting for 18.1 percent of global U.S. imports. U.S. merchandise imports from China decreased from \$539.7 billion in 2018 to \$452.2 billion in 2019, a 16.2 percent decrease. The top U.S. imports from China during the year were cellphones (\$38.8 billion), portable computers and tablets (\$37.4 billion), and telecommunications equipment (\$16.9 billion). The decrease in U.S. merchandise imports from China,

⁷⁵⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 2 and 113.

⁷⁵⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 113.

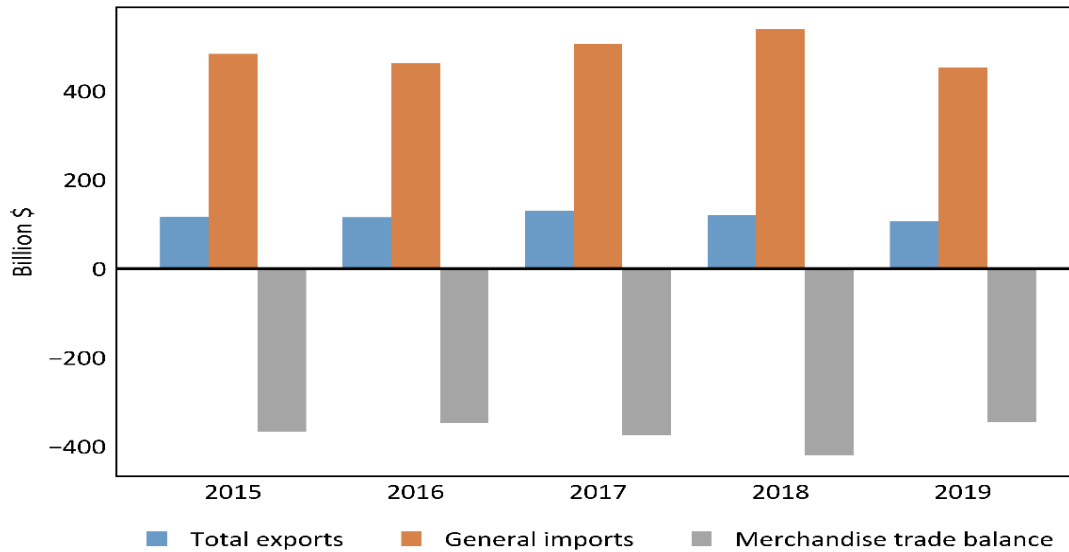
⁷⁶⁰ USTR, [2018 Special 301 Report](#), April 3, 2018. Inside Trade, [“Canada, Colombia Removed from Special 301 Priority Watch List,”](#) April 25, 2019. For more on the Special 301 Priority Watch List and Watch List, see chapter 2 of this report. A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation due to that origin. WIPO, [“Geographical Indications”](#) (accessed May 17, 2020).

also resulting from mounting trade tensions, were mainly attributable to a fall in computer parts as well as wireless phones and their parts.

In 2019, U.S. cross-border private services trade with China totaled \$74.9 billion, or 5.4 percent of total U.S. private services trade. U.S. cross-border service exports to China fell by \$0.4 billion, or 0.8 percent, to \$56.3 billion in 2019, while U.S. cross-border service imports from China rose by \$0.4 billion, or 2.2 percent, to \$18.7 billion. As a result, the U.S. surplus in services trade with China decreased 2.2 percent to \$37.6 billion from \$38.4 billion the year before (figure 6.8).

The United States' largest services exports in 2019 included travel services (\$31.1 billion), charges for IP use (\$9.2 billion), and transport services (\$5.2 billion). Telecommunications, computer, and information services was the fastest-growing service export sector, increasing by 11.6 percent from 2018. Major U.S. services imports from China were other business services (\$6.1 billion), transport services (\$4.9 billion), and travel services (\$4.4 billion). Charges for IP use was the fastest-growing services import, increasing by 30.9 percent from 2018. The largest sectoral surpluses between the United States and China were in travel services and charges for IP use, reaching \$26.7 billion and \$8.2 billion respectively. The largest U.S. deficits were in other business services and insurance services, at \$2.6 billion and \$0.3 billion respectively.

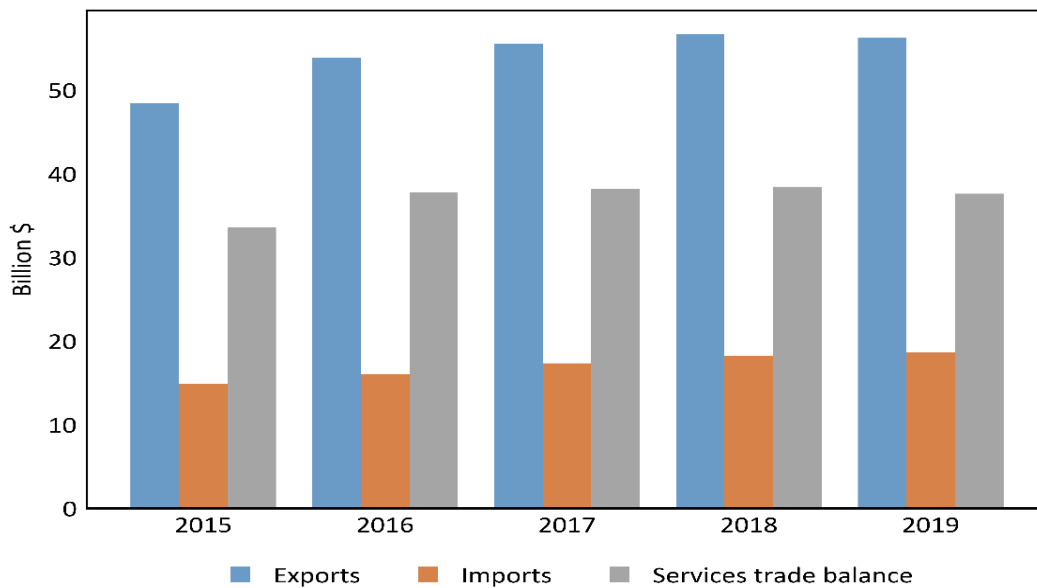
Figure 6.7 U.S. merchandise trade with China, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.8 U.S. cross-border trade in private services with China, 2015–19



Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions table 3.2, March 19, 2020.

Note: Data for 2019 are preliminary. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments⁷⁶¹

Since China's accession to the WTO in 2001, the United States has filed 23 WTO disputes against the country.⁷⁶² China has filed a total of 23 WTO disputes since its accession, 16 of which have been against the United States.⁷⁶³ While the United States did not file any new WTO disputes against China in 2019, there were a few developments related to ongoing disputes.

On March 18, 2018, the United States filed a dispute against China concerning certain measures pertaining to the protection of intellectual property rights (IPRs).⁷⁶⁴ That dispute was filed following the release of USTR's *Findings of the Investigation into China's Acts, Policies, and Practices related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974*.⁷⁶⁵ In its complaint, the United States claimed that certain measures by China appear to be inconsistent with Articles 3.28.1(a) and (b) and 28.2 of the TRIPS Agreement.⁷⁶⁶ More specifically, the United States claimed that China breached WTO rules in ways that harmed the intellectual property rights of U.S. companies and innovators.⁷⁶⁷ At the request of the United States, a panel was established and composed, and in June 2019, with the agreement of China, the United States requested that the panel suspend its proceedings until the end of 2019. The panel granted the request and granted additional requests to suspend through May 2020.⁷⁶⁸

On January 25, 2019, the WTO composed a different dispute settlement panel concerning additional duties imposed by China on certain U.S. products.⁷⁶⁹

Two WTO dispute panel reports were issued during 2019 with respect to the United States and China. On February 28, 2019, the WTO dispute settlement panel found that China had provided price supports to its domestic producers of wheat, indica rice, and japonica rice beyond commitments agreed upon under WTO rules.⁷⁷⁰ According to USTR, China's market price support policy artificially raised Chinese prices for grains above market levels, creating incentives for increased Chinese production of

⁷⁶¹ Chapter 2 provides a more detailed treatment of the section 301 trade developments between the United States and China.

⁷⁶² WTO, "[Dispute Settlement Database](#)" (accessed February 23, 2020).

⁷⁶³ WTO, "[Dispute Settlement Database](#)" (accessed February 23, 2020).

⁷⁶⁴ WTO, "[Dispute Settlement: DS542; China—Certain Measures Concerning the Protection of Intellectual Property Rights](#)" (accessed March 2, 2020).

⁷⁶⁵ Consultations were requested on March 23, 2018, one day after the release of the USTR report. WTO, "[Dispute Settlement: DS542; China—Certain Measures Concerning the Protection of Intellectual Property Rights](#)" (accessed March 2, 2020). USTR, *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974*, March 22, 2018.

⁷⁶⁶ WTO, "[Dispute Settlement: DS542; China—Certain Measures Concerning the Protection of Intellectual Property Rights](#)" (accessed March 2, 2020).

⁷⁶⁷ USTR, *Annual Intellectual Property Right Report to Congress*, March 2020, 16. USTR, *Findings of the Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974*, March 22, 2018.

⁷⁶⁸ WTO, "[Dispute Settlement: DS542; China—Certain Measures Concerning the Protection of Intellectual Property Rights](#)" (accessed March 2, 2020).

⁷⁶⁹ WTO, "[Dispute Settlement: DS558; China—Additional Duties on Certain Products from the United States](#)" (accessed March 2, 2020).

⁷⁷⁰ WTO, "[Dispute Settlement: DS511; China—Domestic Support for Agricultural Producers](#)," February 28, 2019.

agricultural products and reduced imports.⁷⁷¹ On April 18, 2019, a WTO dispute settlement panel found that China's tariff-rate quotas (TRQs) were not administered in a way that was consistent with China's obligations under WTO to be transparent, predictable, and fair.⁷⁷²

On July 16, 2019, the WTO's Appellate Body released a report stating that the manner in which the United States calculated countervailing duties for China through third-country markets was inconsistent with obligations set forth in the Agreement on Subsidies and Countervailing Measures.⁷⁷³ The panel, however, "rejected China's claims against the USDOC's findings (i) that there was 'market distortion' justifying the use of an out-of-country benchmark in the benefit calculation; (ii) that there was sufficient evidence of financial contributions by public bodies and of specificity to justify the initiation of countervailing duty investigations; and (iii) on the use of 'adverse facts available.'"⁷⁷⁴ According to USTR, the WTO's finding showed that the United States has proven that "China uses Chinese SOEs [state-owned enterprises] to subsidize and distort its economy."⁷⁷⁵

A series of high-level bilateral consultations took place in 2019 between the United States and China. These bilateral consultations took the place of more formal discussions that previously fell under the umbrella of the U.S.-China Joint Commission on Commerce and Trade, the U.S.-China Strategic Economic Dialogue (SED), the U.S.-China Strategic and Economic Dialogue (S&ED), and the U.S.-China Comprehensive Economic Dialogue, which the Administration had established in April 2017.⁷⁷⁶ USTR recently described such formal forums as "largely ineffective."⁷⁷⁷

The high-level U.S.-China bilateral consultations that did take place in 2019 mostly focused on issues related to escalated tariff conditions. On January 7–9, 2019, a U.S. delegation headed by Deputy USTR Jeffrey Gerrish and senior officials from the White House and five U.S. Departments—Agriculture, Commerce, Energy, State, and Treasury—visited counterparts in China's Foreign Ministry and other institutions to discuss evolving bilateral trade conditions.⁷⁷⁸ Chief among those issues were those related to structural reforms in China, including IP protections, technology transfer issues, cyber theft of trade secrets for commercial purposes, and nontariff barriers. Other major points of discussion included a need for ongoing verification and effective enforcement in any agreement, as well as China's pledge to purchase substantial amounts of agricultural, energy-related, and manufactured goods from the United

⁷⁷¹ USTR, "[United States Wins WTO Dispute Finding China Provides Excessive Government Support to its Grain Producers](#)," May 28, 2019.

⁷⁷² WTO, "[Dispute Settlement: DS517; China—Tariff Rate Quotas for Certain Agricultural Products](#)," February 28, 2019.

⁷⁷³ WTO, "[Dispute Settlement: DS437; United States—Countervailing Duty Measures on Certain Products from China](#)," November 15, 2019.

⁷⁷⁴ WTO, "[Dispute Settlement: DS437; United States—Countervailing Duty Measures on Certain Products from China](#)," November 15, 2019.

⁷⁷⁵ USTR, "[Statement on WTO Appellate Report on China Countervailing Duties](#)," July 16, 2019.

⁷⁷⁶ The U.S.-China Strategic and Economic Dialogue (S&ED) was known as the SED from 2006 to 2009.

⁷⁷⁷ USTR, [2018 Report to Congress on China's WTO Compliance](#), February 2019, 21. In November 2018, institutions such as the U.S.-China Economic and Security Review Commission noted that high-level institutional bilateral discussions were far less structured in 2018, and even called into question the future of such forums. See U.S.-China Economic and Security Review Commission, [2018 Report to Congress](#), November 2018, 93.

⁷⁷⁸ USTR, "[Statement Regarding the United States Delegation to China](#)," January 4, 2019; USTR, "[Statement on the United States Trade Delegation's Meetings in Beijing](#)," January 9, 2019.

States.⁷⁷⁹ On September 20, 2019, deputy-level negotiations from both countries continued in Washington, DC, and were followed by a principals-level meeting in October.⁷⁸⁰

On December 13, 2019, USTR announced that the United States and China had reached a “Phase One” trade deal.⁷⁸¹ According to USTR, the agreement requires China to undertake reform in the areas of intellectual property, technology transfer, agriculture, financial services, and currency. Meanwhile, the United States agreed to modify its section 301 tariff actions in a “significant” way.⁷⁸² Nevertheless, USTR stated that the United States will maintain a 25 percent tariffs on about \$250 billion of Chinese imports and a 7.5 percent tariff on about \$120 billion in Chinese imports.⁷⁸³

Tariff Escalations

U.S.-China trade relations remained strained in 2019, as reflected by a continued escalation of tariffs from both countries in that year. Bilateral trade relations began eroding roughly in August 2017, after the U.S. President issued a memorandum directing USTR to conduct a section 301 investigation to determine whether any of China’s laws, policies, practices, or actions were unreasonable or discriminatory and might harm American IPRs, innovation, or technology development.⁷⁸⁴ USTR initiated a section 301 investigation on August 18, 2017, focusing on whether several Chinese practices were unreasonable or discriminatory to U.S. commerce.⁷⁸⁵ Specifically, that investigation examined China’s use of foreign ownership restrictions and technology regulations, its facilitation of investment in and acquisition of U.S. companies by Chinese companies, and its support of theft from and intrusions into computer networks of U.S. companies.⁷⁸⁶

When it issued its finding on March 22, 2018, USTR set forth four key conclusions—namely, that China had not made fundamental structural changes to strengthen its system of IP protection and enforcement, had not fully opened its market to foreign investment, had not allowed the market to play a decisive role in allocating resources, and had not refrained from government interference in private sector decisions about technology transfer.⁷⁸⁷ While China’s Ministry of Commerce claimed that the United States’ section 301 investigation was a “clear violation of the basic WTO principle of most-favored-nation treatment,” referring to its right to treatment as a most-favored nation under WTO

⁷⁷⁹ USTR, [“Statement on the United States Trade Delegation’s Meetings in Beijing,”](#) January 9, 2019 .

⁷⁸⁰ USTR, [“Statement on the United States Deputy Level Trade Talks with China,”](#) September 20, 2019; White House, [“Statement from the Press Secretary,”](#) October 7, 2020; Reuters, [“Who’s Who in the High-Level Chinese Trade Delegation in Washington,”](#) October 10, 2020.

⁷⁸¹ USTR, [“United States and China Reach Phase One Trade Agreement,”](#) December 13, 2019. The trade agreement was ultimately signed on January 15, 2020. White House, [“Remarks by President Trump at Signing of the U.S.-China Phase One Trade Agreement,”](#) January 15, 2020.

⁷⁸² USTR, [“United States and China Reach Phase One Trade Agreement,”](#) December 13, 2019.

⁷⁸³ USTR, [“United States and China Reach Phase One Trade Agreement,”](#) December 13, 2019.

⁷⁸⁴ 82 Fed. Reg. 39007 (August 17, 2017); USTR, [2018 Trade Policy Agenda and 2017 Annual Report](#), March 2018.

⁷⁸⁵ USTR, [“USTR Announces Initiation of Section 301 Investigation of China,”](#) August 18, 2017.

⁷⁸⁶ USTR, [Findings of the Investigation into China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974](#), March 22, 2018.

⁷⁸⁷ USTR, [2019 Special 301 Report](#), April 2019. These findings are summarized in greater detail in Chapter 2.

membership, USTR claimed that such conditions resulted from China’s failure to make long-term structural changes—changes that China has committed to but has not successfully implemented.⁷⁸⁸

Based on the findings of its section 301 investigation, and under the direction of the President, USTR imposed a series of tariffs on China in 2018 that were countered by the Chinese government’s imposition of additional tariffs on U.S. products, at least in part. The tariff increases by the United States, which have thus far been imposed on a variety of lists of Chinese imports between 2018 and 2019, have also been subject to an exclusion process coordinated by USTR.⁷⁸⁹

In a continued escalation of these trade actions, on May 9, 2019, USTR announced an intention to increase its ad valorem tariffs from 10 percent to 25 percent on “List 3” of Chinese imported products following public comment and a hearing.⁷⁹⁰ The goods on the list corresponded to approximately \$200 billion (in annual trade values) in U.S. imports from China.⁷⁹¹

On May 17, 2019, the United States announced an intention to impose an additional tariff on a “List 4” set of Chinese imports. This entailed an increase in tariffs on about \$300 billion in goods (in annual trade values), and consisted of products not currently covered by other actions in the section 301 investigation.⁷⁹² Tariffs for these “List 4” goods were separated into two groups with different effective dates: goods in “List 4a” had a September 1, 2019, implementation date, and goods in “List 4b” had a December 15, 2019, implementation date.⁷⁹³ USTR also developed an exclusion process for the imported goods in List 4a, with a deadline for submitting requests of January 31, 2020.⁷⁹⁴ While the tariff rates for these imports were changed a few times in 2019, on December 18, 2019, they were indefinitely suspended for List 4b goods, and on January 22, 2020, they were reduced to 7.5 percent for List 4a goods.⁷⁹⁵

⁷⁸⁸ USTR, [Findings of the Investigation into China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974](#), March 22, 2018; Xinhuanet, [“Statement on U.S. Section 301 Investigation,”](#) July 13, 2017; Xinhuanet, [“China’s MOC Issues Statement on U.S. Section 301 Investigation,”](#) July 13, 2018 ; [“U.S. Section 301 Investigation Update,”](#) November 22, 2019.

⁷⁸⁹ The exclusion process allows stakeholders to request that specific products be excluded from the additional duties. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020. For additional information on the tariff escalation on the first two lists of imports from China in 2018, see USITC, [The Year in Trade 2018](#), October 2019.

⁷⁹⁰ List 3 was the third tranche of tariffs imposed on imports of goods from China, following List 1 and List 2, which were announced in June and August 2018. USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

⁷⁹¹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

⁷⁹² 84 Fed. Reg. 22564 (May 17, 2019); USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

⁷⁹³ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

⁷⁹⁴ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44.

⁷⁹⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 44; 84 Fed. Reg. 69447 (December 18, 2019); 85 Fed. Reg. 3741 (January 22, 2020). The reduction of the rate of additional duties on products of China covered by List 4A from 15 percent to 7.5 percent took effect on February 14, 2020.

Currency Manipulation

On August 5, 2019, under the provisions of the Omnibus Trade and Competitiveness Act of 1988 (1988 Act), the U.S. Department of the Treasury (Treasury) designated China a “currency manipulator.”⁷⁹⁶ According to the authorizing statute, Treasury analyzes the exchange policies of major U.S. trading partners and “consider[s] whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade.”⁷⁹⁷ According to the provisions of the 1988 Act, if manipulation is found to have been carried out by any U.S. trading partners that have material global current account surpluses and significant bilateral trade surpluses with the United States, Treasury would initiate negotiations with that country bilaterally or in consultation with the International Monetary Fund (IMF), to remedy the condition.⁷⁹⁸

Treasury did not find China to be manipulating its currency under the provisions set forth in a more recent law, the Trade Facilitation and Trade Enforcement Act of 2015. According to the newer provisions, a U.S. trading partner would be considered a currency manipulator if it maintains a significant bilateral trade surplus with the United States, possesses a material currency account surplus, and engages in persistent one-sided interventions in foreign exchange markets.⁷⁹⁹ As Treasury found that only one of the necessary three criteria were met for a “currency manipulator” designation to be applied to China (regarding the size of its bilateral merchandise trade surplus with the United States), it did not designate China as a currency manipulator in its May 2019 report.⁸⁰⁰

Given the terms of the Phase One agreement that was negotiated in late 2019 and early 2020 (see below for more details), Treasury determined that China should no longer be designated a currency manipulator.⁸⁰¹ Treasury explained that China has made enforceable commitments to refrain from competitive devaluations and has agreed to publish information related to exchange rate fluctuations and its external balances.⁸⁰²

The U.S.–China Economic and Trade “Phase One” Agreement

On December 13, 2019, the United States and China reached a “Phase One” Economic and Trade Agreement.⁸⁰³ According to USTR, the agreement requires China to undertake structural and other types

⁷⁹⁶ U.S. Treasury, “[Treasury Designates China as a Currency Manipulator](#),” August 5, 2019; Authorizing Statute of the Omnibus Trade and Competitiveness Act of 1988 (H.R. 3), § 3004, “International Negotiations on Exchange Rate and Economic Policies.” “Authorizing statute” is not part of the name of the statute.

⁷⁹⁷ Authorizing Statute of the Omnibus Trade and Competitiveness Act of 1988 (H.R. 3), § 3004, “International Negotiations on Exchange Rate and Economic Policies.”

⁷⁹⁸ Authorizing Statute of the Omnibus Trade and Competitiveness Act of 1988 (H.R. 3), § 3004, “International Negotiations on Exchange Rate and Economic Policies.”

⁷⁹⁹ 19 U.S.C. § 4421, Trade Facilitation and Trade Enforcement Act of 2015, § 701.

⁸⁰⁰ U.S. Treasury, “[Macroeconomic and Foreign Exchange Policies of Major Trading Partners](#),” May 2019.

⁸⁰¹ U.S. Treasury, “[Macroeconomic and Foreign Exchange Policies of Major Trading Partners](#),” January 2020, 2.

⁸⁰² U.S. Treasury, “[Macroeconomic and Foreign Exchange Policies of Major Trading Partners](#),” January 2020, 1-2.

⁸⁰³ USTR, “[United States and China Reach Phase One Trade Agreement](#),” December 13, 2019.

of reforms as they relate to intellectual property,⁸⁰⁴ technology transfers, agriculture, financial services, and currency and foreign exchange.⁸⁰⁵ Additionally, according to USTR, the agreement includes commitments from China to import various U.S. goods and services over the next two years in a total amount that exceeds China’s annual level of imports for those goods and services in 2017 by no less than \$200 billion, and establish a strong dispute resolution system with the United States to ensure prompt and effective implementation and enforcement.⁸⁰⁶ In return, the United States agreed to modify its section 301 tariff actions in a “significant” way.⁸⁰⁷

The Phase One Economic and Trade Agreement entered into force on February 14, 2020. By that time, USTR and USDA stated that progress was under way.⁸⁰⁸ Specifically, USTR stated that China had started to take measures to lift restrictions on U.S. fresh chipping potatoes, poultry products, pet foods containing ruminant materials, seafood, feed additives, and other agricultural products.⁸⁰⁹ By March 2020, USTR also stated that China had started to take measures to lift its import restrictions on U.S. beef, pork, distillers dried grains with solubles, and other agricultural exports.⁸¹⁰ In early 2020, USTR also stated that it was forming a new Bilateral Evaluation and Dispute Resolution Office to monitor China’s implementation of its Phase One Agreement commitments and interact with its counterpart agency in China.⁸¹¹

Short-Term Agricultural Relief Programs

In July 2019, USDA announced the details of its \$16 billion support package for American farmers who have been adversely affected by deteriorating trade conditions.⁸¹² Similar to the 2018 trade aid support measures that amounted to \$12 billion, the 2019 program consists of three complementary programs:

⁸⁰⁴ IPR reforms—especially in the areas of trademarks, trade secrets, and geographical indicators in the pharmaceutical and other sectors—are to include enforcement measures against pirated and counterfeit products. With regard to changes to technology transfer practices, China agreed to cease its practice of compelling foreign firms to transfer their technology in exchange for market access, administrative approvals, and other advantages. According to USTR, reductions in trade barriers in key sectors, including agriculture and financial services, will lead to dramatic growth of U.S. agricultural exports to China and a reduction of longstanding barriers to China’s banking, insurance, securities, and credit rating services. With regard to currency devaluations, USTR indicated that the agreement would include greater transparency in foreign exchange operations and mechanisms to ensure accountability. USTR, [“Economic and Trade Agreement between the United States of America and the People’s Republic of China: Fact Sheet,”](#) January 15, 2020.

⁸⁰⁵ USTR, [“Economic and Trade Agreement between the United States of America and the People’s Republic of China: Fact Sheet,”](#) January 15, 2020.

⁸⁰⁶ USTR, [“United States and China Reach Phase One Trade Agreement,”](#) December 13, 2019; USTR, [“Economic and Trade Agreement between the United States of America and the People’s Republic of China: Fact Sheet,”](#) January 15, 2020.

⁸⁰⁷ USTR, [“United States and China Reach Phase One Trade Agreement,”](#) December 13, 2019; USTR, [“Economic and Trade Agreement between the United States of America and the People’s Republic of China: Fact Sheet,”](#) January 15, 2020.

⁸⁰⁸ USTR, [“Progress on Implementation of U.S.-China Phase One Agreement,”](#) February 25, 2020.

⁸⁰⁹ USTR, [“Progress on Implementation of U.S.-China Phase One Agreement,”](#) February 25, 2020.

⁸¹⁰ USTR, [“Progress on Implementation of U.S.-China Phase One Agreement,”](#) March 24, 2020..

⁸¹¹ USTR, [“Bilateral Evaluation and Dispute Resolution Office,”](#) February 14, 2020.

⁸¹² USDA, [“USDA Announces Details of Supports Package for Farmers,”](#) July 25, 2019.

the Market Facilitation Program (MFP), the Agricultural Trade Promotion Program (ATP), and the Food Purchase and Distribution Program (FPDP).

Administered by USDA's Farm Service Agency, the MFP was designed to compensate American farmers who have been directly impacted by tariff-related countermeasures, resulting in the loss of traditional exports.⁸¹³ Direct payments of up to \$14.5 billion were allocated for the 2019 MFP program, compared to up to \$10 billion in 2018.⁸¹⁴ A second agricultural relief program, ATP, was also tasked with helping U.S. farmers find new export markets, but administered by the USDA's Foreign Agricultural Service. Its 2019 budget was \$100 million, which was halved from \$200 million in 2018.⁸¹⁵

Finally, the FPDP, administered through USDA's Agricultural Marketing Services, was established to purchase surplus commodities that were not exported due to the deterioration of trade conditions in 2019. Fruits, vegetables, certain processed foods, beef, pork, lamb, poultry, and milk were the eligible commodities, and were purchased and redistributed to food banks, schools, and other institutions supporting low-income individuals.⁸¹⁶ The 2019 FPDP was budgeted \$1.4 billion for these purposes, which was up from \$1.2 billion the year before.⁸¹⁷

Japan

U.S.–Japan Trade Overview

In 2019, Japan remained the United States' fourth-largest single-country trading partner in terms of two-way trade, accounting for 5.3 percent of total U.S. merchandise trade. U.S. merchandise trade with Japan increased by 0.3 percent from \$217.7 billion to \$218.3 billion in 2019. At the same time, the U.S. merchandise trade deficit with Japan increased by \$1.8 billion to \$69.0 billion. The increase in the bilateral merchandise trade deficit can be attributed to a \$0.5 billion decrease in U.S. exports, combined with a \$1.2 billion increase in imports (figure 6.9).

Japan remained the fourth-largest single-country destination for U.S. merchandise exports in 2019, accounting for 4.5 percent of global U.S. exports. U.S. merchandise exports to Japan dipped from \$75.2 billion in 2018 to \$74.7 billion in 2019, an 0.8 percent decrease. The top U.S. exports to Japan during the year were civil aircraft and parts (\$7.5 billion), liquefied propane (\$4.3 billion), and corn (\$2.0 billion).

Japan was also the fourth-largest single-country source of U.S. merchandise imports in 2019, accounting for 5.8 percent of global U.S. imports. U.S. merchandise imports from Japan rose slightly from \$142.4 billion in 2018 to \$143.6 billion in 2019, a 0.9 percent increase. The top U.S. imports from Japan during the year were passenger vehicles with gasoline engines between 1.5 and 3L (\$24.6 billion), passenger vehicles with gasoline engines exceeding 3L (\$8.8 billion), and parts for airplanes or helicopters (\$4.0 billion).

⁸¹³ USDA, Farm Service Agency, "[Market Facilitation Program](#)," September 2019.

⁸¹⁴ CRS, "[Farm Policy: USDA's 2019 Trade Aid Package](#)," November 26, 2019; and USDA, "[USDA Assists Farmers Impacted by Unjustified Retaliation](#)," July 24, 2018.

⁸¹⁵ CRS, "[Farm Policy: USDA's 2019 Trade Aid Package](#)," November 26, 2019.

⁸¹⁶ USDA, "[USDA Announces Details of Supports Package for Farmers](#)," July 25, 2019.

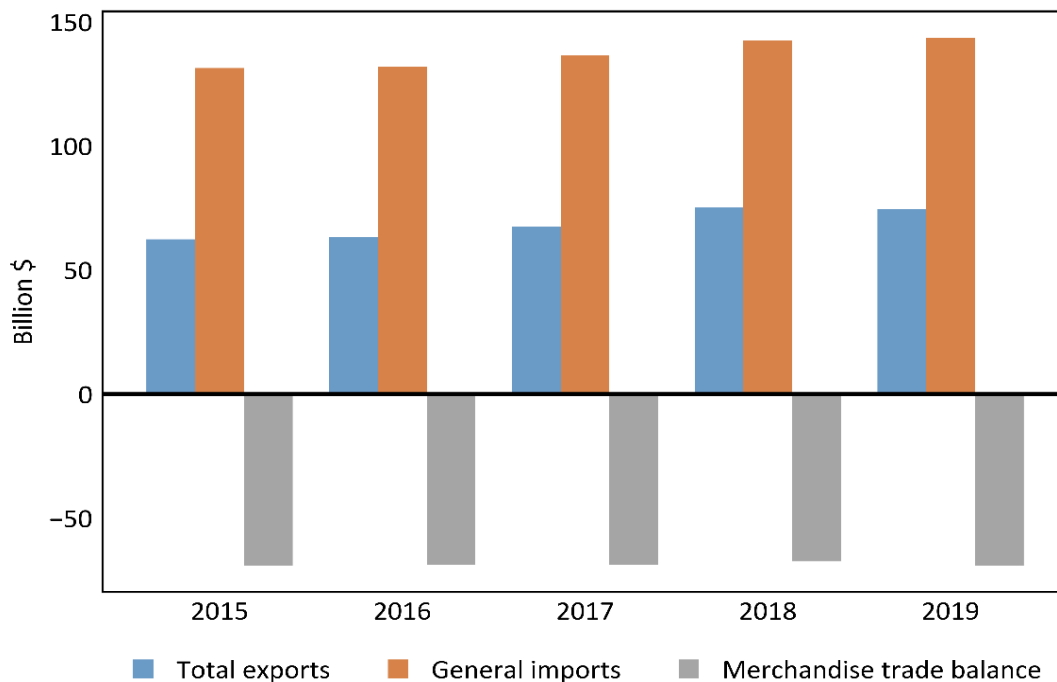
⁸¹⁷ CRS, "[Farm Policy: USDA's 2019 Trade Aid Package](#)," November 26, 2019.

Year in Trade

In 2019 U.S. cross-border trade in private services with Japan totaled \$79.4 billion, or 5.7 percent of U.S. private services trade. U.S. cross-border service exports to Japan increased by \$3.7 billion, or 8.3 percent, to \$48.1 billion in 2019, while U.S. cross-border service imports from Japan increased by \$0.9 billion, or 2.9 percent, to \$31.3 billion. As a result, the U.S. surplus in services trade with Japan increased 20.0 percent to \$16.8 billion from \$14.0 billion the year before (figure 6.10).

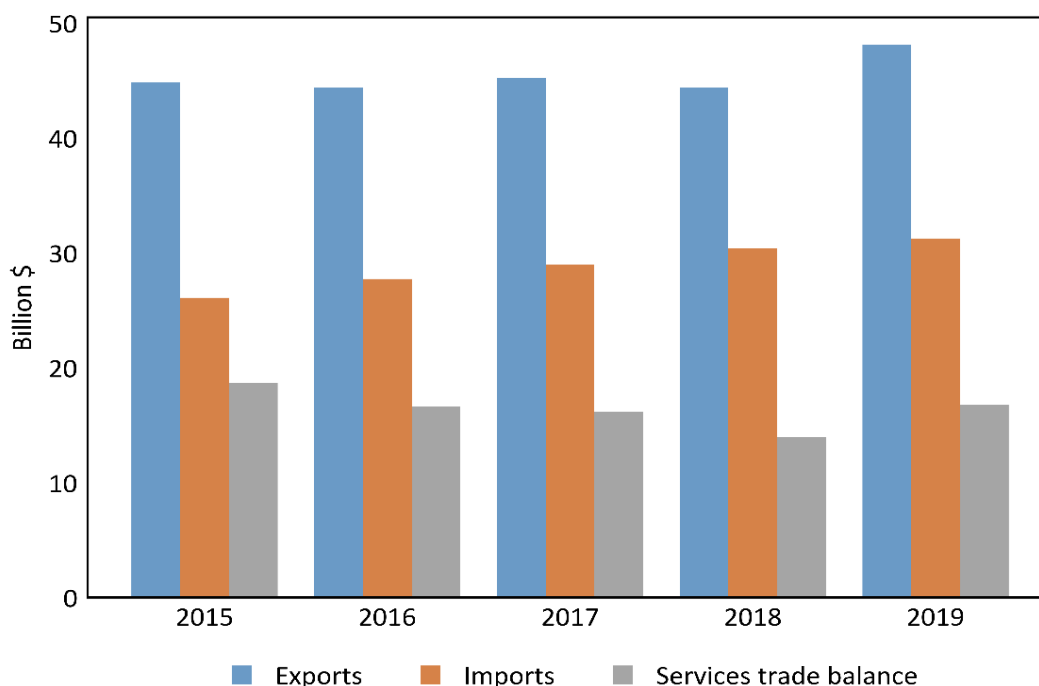
The United States' largest services exports to Japan in 2019 included travel services (\$10.6 billion), transport services (\$9.8 billion), and other business services (\$8.6 billion). Insurance services was the fastest-growing service export, increasing by 42.1 percent from 2018. Major U.S. services imports from Japan were charges for IP use (\$11.4 billion), transport services (\$9.6 billion), and travel services (\$4.0 billion). Maintenance and repair services was the fastest-growing services import in 2019, increasing by 99.0 percent from 2018, from \$100 million to \$199 million. The largest sectoral surpluses between the United States and Japan were in travel services and other business services, reaching \$6.6 billion and \$5.0 billion, respectively. The largest U.S. deficit was in charges for IP use at \$4.4 billion.

Figure 6.9 U.S. merchandise trade with Japan, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.10 U.S. cross-border trade in private services with Japan, 2015–19

Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions table 3.2, March 19, 2020.

Note: Data for 2019 are preliminary. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments

In 2019, the United States-Japan Trade Agreement (USJTA) was negotiated, drafted, and completed. In a joint statement, the two countries announced the elimination or reduction of tariffs on “certain agricultural and industrial products,” stating that these actions will “enhance bilateral trade in a robust, stable and mutually beneficial manner.”⁸¹⁸ The United States and Japan signed USJTA along with the United States-Japan Digital Trade Agreement (USJDTA) on October 7, 2019.⁸¹⁹ In line with USTR’s objectives seeking to negotiate trade agreements with Japan in stages, the United States intends to enter into new negotiations (stage two).⁸²⁰ Areas for future negotiations include customs duties and other trade restrictions, barriers to trade in services and investment, and other issues affecting both nations that can lead to mutually beneficial trade.⁸²¹ For further detail on USJTA and USJDTA, see chapter 5.

In May 2019, USDOC presented its section 232 national security investigation of imports of automobiles and automotive parts under the Trade Expansion Act of 1962 to the President.⁸²² Following the

⁸¹⁸ White House, “[Joint Statement of the United States and Japan](#),” September 25, 2019.

⁸¹⁹ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 119.

⁸²⁰ White House, “[Joint Statement of the United States and Japan](#),” September 25, 2019. USTR, [United States-Japan Trade Agreement \(USJTA\) Negotiations: Summary of Specific Negotiating Objectives](#), December 10, 2018.

⁸²¹ White House, “[Joint Statement of the United States and Japan](#),” September 25, 2019.

⁸²² 83 Fed. Reg. 24735 (May 30, 2018).

investigation, the President proclaimed motor vehicle and parts imports, particularly from Japan and the EU, a threat to U.S. national security.⁸²³ USJTA does not include any commitments on motor vehicles, which are planned for stage two of the negotiations.

The United States, along with Japan and the EU, also worked to advance issues related to non-market economic policies negatively affecting fair trade. Furthermore, several trade developments related to agricultural products, passenger motor vehicles, and supercomputers occurred between Japan and the United States in 2019, which are discussed below.⁸²⁴

Agricultural Products

The most relevant U.S.-Japan agricultural trade development was the ratification of USJTA.⁸²⁵ USJTA eliminated Japanese tariffs on approximately \$4.3 billion in U.S. agricultural products.⁸²⁶ Additionally, Japan agreed to have country-specific safeguards for U.S. beef exports as well as alter its pork safeguard mechanisms to match those in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Other benefits for U.S. agriculture include U.S.-specific quotas for products such as wheat, malt, and processed cheese, among others. Overall, over 90 percent of U.S. food and agricultural products imported into Japan are either duty-free or receive preferential tariff access. For further detail on USJTA and its benefits to agriculture, see chapter 5.

On May 17, 2019, U.S. beef of all ages gained access to Japan's \$3.5 billion meat import market.⁸²⁷ In previous years, Japan maintained age-based restrictions due to concerns about bovine spongiform encephalopathy (BSE), popularly known as mad cow disease. This elimination of beef restrictions came after a removal of safeguards was negotiated in 2018 on U.S. sheep and goat meat exports to Japan.⁸²⁸ The new policy marked the first time since 2003 that all beef products regardless of age were allowed access to the Japanese market. In 2019, Japan imported 47.6 percent of its bovine animal meats from Australia and 40.5 percent from the United States.⁸²⁹ U.S. exports of bovine animal meats to Japan totaled \$1.5 billion (22.6 percent of U.S. beef exports).⁸³⁰

Several market access issues continued to affect U.S. agricultural exports to Japan in 2019. Japan continues to operate a TRQ of 682,200 metric tons for imported rice. USTR maintains that Japan's rice TRQ inhibits U.S. rice producers from accessing final consumers in Japan. USTR has also identified Japan's state-operated wheat import system and its "gate price mechanism" for pork as ongoing barriers

⁸²³ 84 Fed. Reg. 23433 (May 21, 2019).

⁸²⁴ USTR, [2020 National Trade Estimate Report](#), March 2020.

⁸²⁵ USDA, "[Statement on Signing of US-Japan Trade Agreement](#)," September 25, 2019.

⁸²⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February, 2020, 5.

⁸²⁷ USDA, "[US Beef Gains Full Access to Japan](#)," May 17, 2019. IHS Markit, Global Trade Atlas database, HS subheadings 0201 and 0202 (accessed April 3, 2020).

⁸²⁸ USDA, FAS, "[Japan Reopens Market of U.S. Lamb](#)," July 12, 2018.

⁸²⁹ IHS Markit, Global Trade Atlas database, HS subheadings 0201 and 0202 (accessed March 18, 2020).

⁸³⁰ IHS Markit, Global Trade Atlas database, HS subheadings 0201 and 0202 (accessed March 18, 2020).

to U.S. agricultural exports.⁸³¹ With the implementation of USJTA, the pork gate price mechanism has been reduced but not eliminated.⁸³²

Supercomputers

In 2019, Japan revised its “Procedures to Introduce Supercomputers,” which apply to public-sector supercomputer procurement. The revision updates the procurement standards to reflect technological advances in computing capacity, raising the threshold beyond which special procurement procedures apply from 50 teraflops to 2 petaflops.⁸³³ Additionally, the government of Japan expressed an intent to continually update the procedures and to increase computing capacity thresholds on December 23, 2020 and 2021.⁸³⁴ The revision achieved one of the goals set by the United States in the 2018 U.S.-Japan Economic Dialogue’s trade and investment pillar.⁸³⁵

Non-market Economic Policy

In 2019, USTR Lighthizer met with Japanese Minister of Economy, Trade, and Industry Hiroshige Seko and EU Trade Commissioner Cecilia Malmström, hosting two trilateral ministerial-level meetings to address non-market issues negatively affecting trade. These meetings were the third and fourth such gatherings convened among the three trade ministers following the release of a joint scoping paper in May 2018. In the paper, all parties agreed to “deepen and accelerate” discussions on possible new WTO rules for industrial subsidies and state-owned enterprises, with a view toward future negotiations.

At the January 2019 meeting in Washington, DC, the parties continued talks on their shared objectives, discussing the intensification of exchange of information and identifying additional criteria that indicate market-oriented conditions. They also pushed for cooperation on enforcement, rule development, national security provisions, and export controls due to forced technology transfers. The ministers also agreed to intensify engagement with other trading partners.⁸³⁶

At the May 2019 meeting in Paris, the parties continued discussions on their shared objectives, with an emphasis on state enterprises and industrial subsidies. The participants expressed a growing concern about “the development of State Enterprises into national champions, disrupting market-oriented trade, and directing State Enterprises to dominate global markets.” The ministers affirmed their commitment to engage in deeper discussions on enforcement and rulemaking as instruments to address these issues. At the same time, they welcomed the progress on the work done in the topic of industrial subsidies. The ministers directed their respective staffs to continue text-based work on transparency, benchmarking,

⁸³¹ Japan uses a “gate price system” for managing imports of pork. Imports of pork below a specific per-unit price are subject to additional tariffs under this system.

⁸³² USTR, [2020 National Trade Estimate Report](#), March 2020, 283.

⁸³³ “Flops” are “floating point operations per second,” a measure of computing capacity. A teraflop is 1 trillion floating point operations per second, while a petaflop is 1 quadrillion floating-point operations per second.

⁸³⁴ USDOC, ITA, Enforcement and Compliance, [“December 2019 Exchange of Letters on Supercomputer Thresholds,”](#) December 18, 2019.

⁸³⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), March 2020, 29-30.

⁸³⁶ USTR, [“Joint Statement of the Trilateral Meeting of the Trade Ministers of the European Union, Japan, and the United States,”](#) January 9, 2019.

and identification of harmful subsidies. They also proposed continued outreach to key WTO members in order to address industrial subsidies through stronger rules.⁸³⁷

Republic of Korea (South Korea)

U.S.–South Korea Trade Overview

In 2019, South Korea remained the United States' sixth-largest single-country trading partner in terms of two-way trade, accounting for 3.2 percent of total U.S. merchandise trade with the world. U.S. merchandise trade with South Korea increased by 2.8 percent from \$130.7 billion to \$134.3 billion in 2019. At the same time, the U.S. merchandise trade deficit with South Korea increased by \$2.8 billion to \$20.5 billion in 2019. The growth in the bilateral merchandise trade deficit can be attributed to a \$0.4 billion increase in U.S. exports combined with a \$3.2 billion increase in imports from the previous year (figure 6.11).

South Korea remained the seventh-largest single-country destination for U.S. merchandise exports in 2019, accounting for 3.5 percent of global U.S. exports. U.S. merchandise exports to South Korea increased from \$56.5 billion in 2018 to \$56.9 billion in 2019, an 0.7 percent increase. U.S. exports of crude petroleum, the top export to South Korea for the past two years, increased by \$3.5 billion (60.3 percent) from 2018, reaching \$9.3 billion in 2019. Other top U.S. exports to South Korea during the year included processors and controllers (\$2.5 billion), and civil aircraft and parts (\$2.2 billion).

South Korea remained the sixth-largest single-country source market of U.S. merchandise imports in 2019, accounting for 3.1 percent of global U.S. imports. U.S. merchandise imports from South Korea grew from \$74.2 billion in 2018 to \$77.4 billion in 2019, a 4.4 percent increase. The top U.S. imports from South Korea during the year were passenger vehicles with gasoline engines between 1.5 and 3 liters (\$9.6 billion), followed by computer parts and accessories (\$4.2 billion), and cellphones (\$3.7 billion).

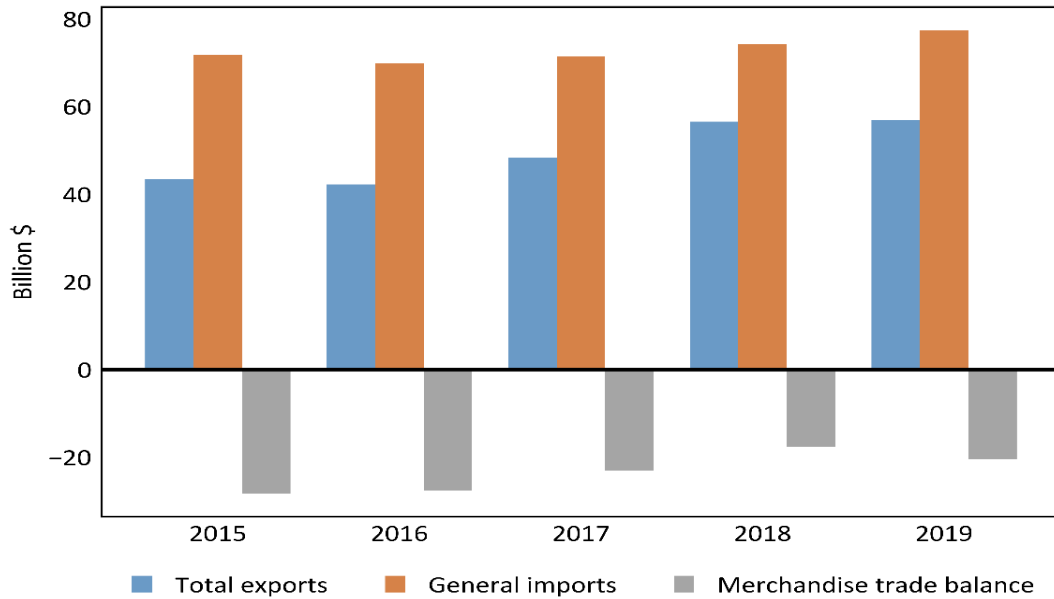
In 2019 U.S. cross-border private services trade with South Korea totaled \$33.2 billion, representing 2.4 percent of total U.S. private services trade. U.S. cross-border service exports to South Korea increased by \$1.0 billion, or 4.8 percent, to \$22.9 billion in 2019, while U.S. cross-border service imports from South Korea increased by \$0.4 billion, or 4.3 percent, to \$10.3 billion. As a result, the U.S. surplus in services trade with South Korea grew by 5.2 percent to \$12.7 billion from \$12.0 billion the year before (figure 6.12).

The United States' largest services exports in 2019 included travel services (\$9.5 billion), charges for IP use (\$4.1 billion), and other business services (\$3.3 billion). Other business services was the fastest-growing services export sector in 2019, increasing by 102.7 percent from 2018. Major U.S. services imports from South Korea were transport services (\$6.5 billion), travel services (\$1.5 billion), and other business services (\$1.1 billion). Telecommunications, computer, and information services was the fastest-growing services import, increasing by 353.5 percent from 2018. The largest sectoral surpluses between the United States and South Korea were in travel services and charges for IP use in 2019,

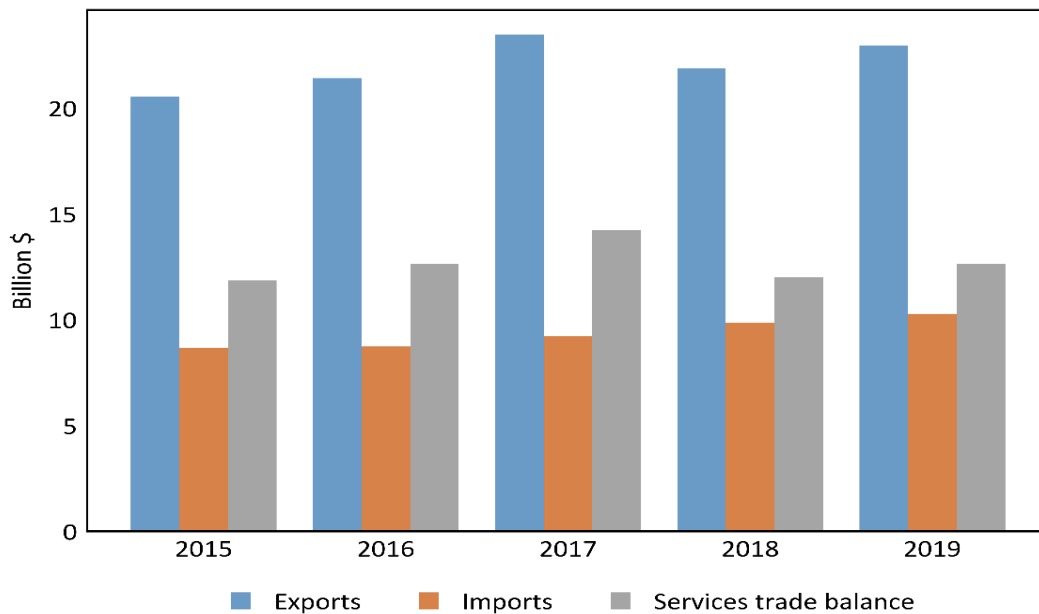
⁸³⁷ USTR, "[Joint Statement of the Trilateral Meeting of the Trade Ministers of the United States, European Union, and Japan](#)," May 23, 2019.

reaching \$8.0 billion and \$3.5 billion respectively. The largest U.S. deficit with South Korea in 2019 was in cross-border services trade in the transport services sector, at \$3.8 billion.

Figure 6.11 U.S. merchandise trade with South Korea, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).
 Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.12 U.S. cross-border trade in private services with South Korea, 2015–19

Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions, table 3.2, March 19, 2020.
 Note: Data for 2019 are preliminary. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments

South Korea and the United States saw developments in their trade relationship in 2019 in bilateral and multilateral settings. Amendments to the United States-Korea Free Trade Agreement (KORUS) went into effect on January 1, 2019, modifying several tariff and nontariff measures impacting trade between the two economies. Modifications enacted in the amendments included extending the phaseout of U.S. tariffs and the harmonization of standards and testing practices for certain automotive products, changing South Korean customs procedures for verifying U.S.-originating exports, and ensuring implementation of South Korean commitments on the nondiscriminatory treatment of pharmaceuticals. The amendments also included language to clarify the investor-state dispute settlement mechanism, increase the transparency of trade remedy procedures, and modify the treatment of rules of origin for South Korean textiles. Later in the year, two additional developments took place under KORUS as USTR requested consultations with South Korea under the agreement’s Environment and Competition chapters. This request marked the first time that the United States had ever sought consultations under either KORUS chapter.⁸³⁸ In both cases, South Korea’s National Assembly responded by proposing legislation to address the concerns at issue in the consultations.⁸³⁹ For more information, see the KORUS section in chapter 5.

⁸³⁸ USTR, “[USTR Requests First-Ever Consultations under KORUS](#),” March 15, 2019; USTR, “[USTR to Request First-Ever Environment Consultations under KORUS in Effort to Combat Illegal Fishing](#),” September 19, 2019.

⁸³⁹ USTR, “[USTR Pursues Competition-Related Concerns under U.S.-Korea Free Trade Agreement](#),” July 9, 2019; USTR, “[Passage of Amendments to Korea’s Distant Water Fisheries Development Act](#),” November 1, 2019.

On September 23, 2019, South Korean Trade, Industry and Energy Minister Sung Yun-mo signed an agreement in New York committing South Korea's state-run natural gas company, KOGAS, to import 1.58 million tons of liquid natural gas from the United States over 18 years.⁸⁴⁰ South Korean President Moon Jae-in and President Trump announced the agreement in remarks at a bilateral meeting in New York held on the same day.⁸⁴¹

Three different WTO disputes involving the United States and South Korea were active in 2019. The dispute regarding U.S. antidumping measures on certain oil country tubular goods from South Korea (DS488) saw developments in July and August 2019, when South Korea proposed suspension of concessions and the United States objected to South Korea's proposed levels. The matter was referred to arbitration by the DSB on August 9, 2019.⁸⁴²

Two of the three active 2019 U.S.-South Korea WTO disputes involve South Korea as the complainant on the issue of U.S. imports of large residential washers (LRWs). In the dispute regarding U.S. antidumping and countervailing measures on LRWs from South Korea (DS464), the WTO arbitrator circulated its decision to members on February 8, 2019. The arbitrator determined that South Korea could impose suspension of concessions on the United States of up to \$84.8 million with respect to U.S. noncompliance with earlier DSB recommendations and rulings on LRWs from South Korea. The United States completed implementation of the DSB's recommendation concerning this dispute on May 6, 2019, when antidumping and countervailing duty orders on South Korean washers were revoked by USDOC.⁸⁴³ In a separate dispute regarding the United States' safeguard actions in response to the imports of LRWs (DS546), a panel was composed on July 1, 2019, with delivery of a final report expected in early 2021.⁸⁴⁴

Market Access for U.S. Rice

On November 11, 2019, the WTO concluded its verification of South Korea's market access treatment for rice, which is administered by a tariff-rate quota (TRQ) of 5 percent on in-quota and 513 percent on out-of-quota imported rice. Under the TRQ, 408,700 tons enter at the in-quota rate, and of this, 388,700 tons are allocated specifically to imports from Australia, China, Thailand, the United States, and Vietnam. The agreement on South Korea's market access treatment for rice also provides enhanced

⁸⁴⁰ Government of South Korea, MOTIE, "[Minister Sung Attends Signing Ceremony](#)," September 25, 2019.

⁸⁴¹ White House, "[Remark by President Trump and President Moon](#)," September 23, 2019.

⁸⁴² WTO, "[Dispute Settlement: DS488; United States—Anti-Dumping Measures on Certain Oil Country Tubular Goods from Korea](#)" (accessed February 20, 2020).

⁸⁴³ WTO, "[Dispute Settlement: DS464; United States—Anti-Dumping and Countervailing Measures on Large Residential Washers from Korea](#)," May 17, 2019. The orders were revoked in response to the April 30, 2019, USITC determination in a five-year sunset review that the removal of the antidumping and countervailing duty orders on LRWs from South Korea would not lead to the continuation or recurrence of injury to the U.S. industry. 84 Fed. Reg. 19763 (May 6, 2019); 84 Fed. Reg. 18319 (April 30, 2019); USITC, [Large Residential Washers from Korea and Mexico](#), April 2019; WTO, "[Dispute Settlement: DS464; United States—Anti-Dumping and Countervailing Measures on Large Residential Washers from Korea](#)" (accessed February 20, 2020).

⁸⁴⁴ WTO, "[Dispute Settlement: DS546; United States—Safeguard Measure on Imports of Large Residential Washers](#)" (accessed February 20, 2020).

disciplines related to the administration of the U.S.-specific quota, which is set at 132,304 tons of rice annually. The agreement entered into force on January 1, 2020.⁸⁴⁵

The WTO verification process was initiated on January 1, 2015, when South Korea introduced a new regime for its rice imports, eliminating its previous import quotas.⁸⁴⁶ In place of the quotas, South Korea instituted “tariffication” (a WTO obligation to convert quantitative restrictions to tariffs), established a global TRQ, and eliminated country-specific quotas for its rice imports.⁸⁴⁷ The United States, however, along with Australia, China, Thailand, and Vietnam, notified objections to the modified South Korean tariff schedule for rice, voicing questions in various WTO committees over the institution of the high out-of-quota duty rate of the new TRQ and updates to country-specific market access.⁸⁴⁸ In response, South Korea consulted with the governments of the objecting countries, holding bilateral talks to address their concerns on these issues.⁸⁴⁹

South Korea was the fourth-largest destination market for U.S. rice in 2019, receiving \$135.1 million of U.S. rice exports.⁸⁵⁰ From 2017 to 2019, the United States was among the three largest sources of rice to South Korea.⁸⁵¹

Commercial Fishing Activities

For the first time since 2013, South Korea was listed for reported illegal, unreported, and unregulated (IUU) fishing activities in the U.S. National Marine Fisheries’ biennial report to Congress.⁸⁵² According to

⁸⁴⁵ Government of South Korea, MAFRA, “[WTO rice tariff verification finished in five years](#)” (in Korean), November 19, 2019; USTR, “[United States and South Korea Reach Agreement on Access for American Rice](#),” November 11, 2019.

⁸⁴⁶ WTO, [Trade Policy Review: Report by the Secretariat](#), WT/TPR/S/346, September 6, 2016, 9.

⁸⁴⁷ Before January 1, 2015, South Korea’s rice imports entered under a minimum market access arrangement set during the Uruguay Round and subsequently extended for 10 years in 2005. During the Uruguay Round, South Korea negotiated an exception to the tariffication of its rice imports in exchange for increasing its annual rice import quota. Under the extension of South Korea’s tariffication exception negotiated in 2005, South Korea agreed to increase its total annual rice imports over a 10-year period and to establish country-specific quotas of rice imports from China, Thailand, Australia, and the United States. USTR, [2016 National Trade Estimate Report](#), March 2016, 276–7.

⁸⁴⁸ Vietnam was not part of the pre-2015 minimum market access arrangement. It still negotiated with South Korea on the modified rice tariff schedule, however. WTO, Committee on Market Access, [Rectification and Modification of Schedules](#), September 30, 2014; WTO, Committee on Agriculture, “[Points Raised by Members under the Review Process](#),” September 9, 2015; WTO Committee on Market Access, “[Minutes of the Committee on Market Access](#),” G/MA/M/64, January 31, 2017, 15–16; WTO, Committee on Agriculture, “[Points Raised by Members under the Review Process](#),” November 16, 2018.

⁸⁴⁹ USTR, “[United States and South Korea Reach Agreement on Access for American Rice](#),” November 11, 2019; WTO, Committee on Agriculture, “[Responses to Points Raised by Members under the Review Process](#),” G/AG/W/191, December 18, 2018.

⁸⁵⁰ USITC DataWeb/USDOC, HS subheadings 1006.20, and 1006.30 (accessed February 20, 2020).

⁸⁵¹ IHS Markit, Global Trade Atlas, HS subheadings 1006.20 and 1006.30 (accessed February 21, 2020).

⁸⁵² Mexico and Ecuador were also listed for illegal, unreported and unregulated (IUU) fishing activities in the 2019 report. NMFS, NOAA, [Improving International Fisheries Management](#), September 2019. In 2013, South Korea was listed for reported IUU fishing in the U.S. National Marine Fisheries’ report to Congress for that year. In response to this designation, South Korea revised its legal and regulatory system with respect to its deep-water fishing fleet, and was de-listed from the National Oceanic and Atmospheric Administration (NOAA) 2015 report on illegal and

the September 2019 report, South Korea “failed to apply sufficient sanctions to deter its vessels” from engaging in IUU fishing in an incident involving the illegal harvest of toothfish in December 2017. Such actions violated Conservation Measure 31-02 of the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR), which both South Korea and the United States have adopted under KORUS.⁸⁵³

USTR sought consultations with the South Korean government on this issue under the Environment Chapter of KORUS on September 19, 2019.⁸⁵⁴ Consultations were held in Seoul on October 17, 2019, with representatives from South Korea’s Ministry of Trade, Industry, and Energy, Ministry of Ocean and Fisheries, Ministry of Foreign Affairs, and South Korean Coast Guard attending. Following the consultations, the South Korean National Assembly passed several amendments to South Korea’s Distant Water Fisheries Act on November 1, 2019. These amendments enable the South Korean Minister of Oceans and Fisheries to apply administrative sanctions against offending South Korean vessels for actions not in conformity with conservation and management measures of regional fisheries management organizations, including CCAMLR.⁸⁵⁵

In 2019, the United States imported \$32.5 million of toothfish, also known as Chilean sea bass, from South Korea. South Korea was among the two largest sources of toothfish to the United States from 2017 to 2019, with 15.3 percent of all U.S. toothfish imports in 2019 coming from South Korea.⁸⁵⁶

Oil-related Exports

South Korea has become one of the United States’ biggest customers for crude petroleum, due to both rising U.S. crude exports and actions by the United States and its trading partners. From 2018 to 2019, U.S. crude petroleum exports to South Korea nearly doubled in quantity and increased by 60.3 percent in value, with the United States exporting 155.6 million barrels in 2019 to South Korea, compared to 88.3 million barrels in 2018. As a destination market for U.S. crude petroleum exports, South Korea was second only to Canada in terms of export value in 2019. Compared to 2017, when South Korea imported \$1.1 billion of crude petroleum from the United States and was the fifth-most-common destination for

unreported fishing practices as result. Included in the revisions to South Korea’s regulatory framework on IUU fishing was the passage of the Distant Water Fisheries Act, the creation of a vessel monitoring center, mandatory use of vessel monitoring tracking systems for deepwater fleets, increased inspections, and stricter penalties for violations. USTR, [2016 Trade Policy Agenda and 2015 Annual Report](#), March 2016, 154.

⁸⁵³ NMFS, NOAA, [Improving International Fisheries Management](#), September 2019, 29–30; Government of the United States and Government of South Korea, [Chapter 20: Environment](#) (accessed February 11, 2020).

⁸⁵⁴ USTR, [“USTR Request Environment Consultations under KORUS,”](#) September 19, 2019. The two countries also engaged on the issue of IUU fishing in other forums in 2019 as well. At the Our Ocean 2019 Conference on October 23–24, 2019 in Oslo, Norway, the United States, South Korea, and eight other economies pledged not to subsidize fishing operators engaged in IUU fishing activities. USDOS, [“Commitments Announced at Our Ocean 2019 Conference,”](#) October 24, 2019. See <https://ourocean2019.no/> for more information.

⁸⁵⁵ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 2020, 132; USTR, [“Amendments to Korea’s Distant Water Fisheries Development Act,”](#) November 11, 2019. As a result of these consultations and reforms, South Korean government sources reported that the country was removed from the U.S. list of countries identified for reported IUU fishing violations in January 2020. Government of South Korea, MOF, [“Early cancellation after 4 months of designation”](#) (in Korean), January 21, 2020; Chase, [“US Removes South Korea From Potential IUU List,”](#) January 30, 2020.

⁸⁵⁶ USITC DataWeb/USDOC, HS subheadings 0302.83, 0303.83, 0304.46, 0304.55, 0304.85, and 0304.92 (accessed February 11, 2020).

U.S. oil exports, the value of 2019 U.S. crude petroleum exports to South Korea represent a 730.2 percent increase.

Rising U.S. crude petroleum exports to South Korea are part of a larger U.S. national trend. U.S. crude petroleum exports have increased globally since 2015, when a 40-year U.S. government ban on most exports of crude petroleum to countries other than Canada was lifted. Recently, this uptick in exports has been driven by higher U.S. production and an incompatibility between the type of oil produced by the United States and the type of oil which U.S. refineries are configured to process. Another factor was the completion of efficiency-enhancing modifications to the U.S. oil-exporting infrastructure along the Gulf Coast in 2018.

As a destination market, South Korea has both the infrastructure and demand to receive this increase in U.S. petroleum exports. Three of the 10 largest refineries in the world are located in South Korea, and recent capacity additions for manufacturing petrochemical inputs have increased demand for light sweet crude in South Korean refineries.⁸⁵⁷ South Korea's status as a major U.S. crude petroleum export destination has also been driven by a decline in Chinese imports of U.S. crude petroleum beginning in the second half of 2018. China was the largest destination market in Asia for U.S. crude petroleum in the first half of 2018, but it stopped importing crude petroleum from the United States from August to October 2018 due to actions related to the section 301 trade dispute.⁸⁵⁸ Although Chinese imports of U.S. crude petroleum resumed in November 2018, the reduction of U.S. crude petroleum exports to China continued into 2019, with South Korea receiving the majority of the increase of U.S. crude exports bound for Asia in the second half of 2018 through 2019.⁸⁵⁹

India

U.S.–India Trade Overview

In 2019, India was the United States' ninth-largest single-country trading partner in terms of two-way trade, a position it has maintained since 2016. Merchandise trade with India accounted for 2.2 percent of total U.S. merchandise trade during 2019. U.S. merchandise trade with India increased by 5.1 percent in 2019, rising from \$87.5 billion to \$91.9 billion. Concurrently, the U.S. merchandise trade deficit with India expanded by 13.0 percent, or \$2.7 billion, to \$23.1 billion. This \$2.7 billion growth in the bilateral merchandise trade deficit can be attributed to a \$0.9 billion increase in U.S. exports, fully negated by a \$3.6 billion increase in imports (figure 6.13).

⁸⁵⁷ EIA, "[South Korea](#)" (accessed February 26, 2020); Statista, "[Largest Oil Refineries Worldwide](#)" (accessed February 26, 2020) (subscription required).

⁸⁵⁸ Around this time, China had temporarily included U.S. crude on a list of goods potentially subject to an increase in import tariffs as part of the U.S.-China section 301 dispute, and the spread between U.S. crude oil futures prices and the international crude oil Brent benchmark narrowed. Both these events caused a slowdown in the Chinese purchase of U.S. crude. EIA, "[This Week in Petroleum](#)," March 20, 2019. Crude petroleum was ultimately not included in the final lists of products subject to Chinese tariffs enacted in 2018. Yap, "[China's Tariff Turnaround: U.S. Crude Oil](#)," August 9, 2018; EIA, "[The U.S. Exported 2 Million Barrels per Day](#)," April 15, 2019. See for USDOC, ITA, "[Current Foreign Retaliatory Actions](#)" (accessed March 23, 2020) for links to the lists issued by the Chinese government.

⁸⁵⁹ EIA, "[This Week in Petroleum](#)," March 20, 2019.

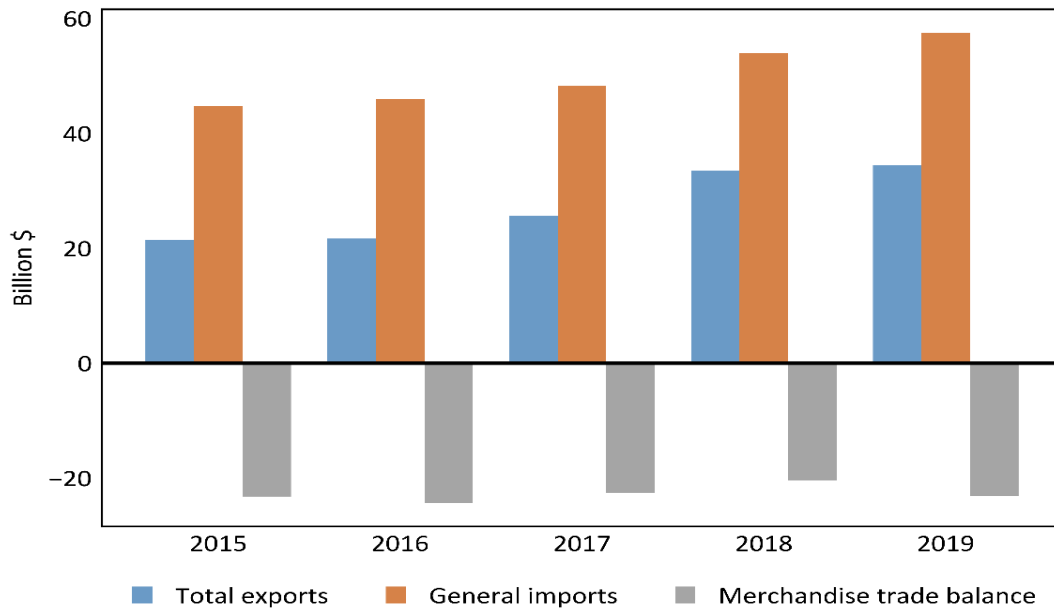
India remained the 12th-largest single-country destination for U.S. merchandise exports in 2019, accounting for 2.1 percent of global U.S. exports. U.S. merchandise exports to India rose from \$33.5 billion in 2018 to \$34.4 billion in 2019, a 2.7 percent increase. Leading U.S. exports to India during the year were crude petroleum (\$5.6 billion), nonindustrial diamonds (\$4.3 billion), and nonmonetary gold (\$1.5 billion).

India also remained the 10th-largest single-country source of U.S. merchandise imports in 2019, accounting for 2.3 percent of global U.S. imports. U.S. merchandise imports from India grew from \$53.9 billion in 2018 to \$57.5 billion in 2019, a 6.6 percent increase. The top U.S. imports from India during the year were nonindustrial diamonds (\$8.0 billion), medicaments (\$6.2 billion), and frozen shrimps and prawns (\$2.1 billion).

In 2019 U.S. cross-border services trade with India totaled \$56.7 billion, or 4.1 percent of total U.S. services trade. U.S. cross-border service exports to India increased by \$1.2 billion (or 4.9 percent) to \$26.4 billion in 2019, while U.S. cross-border service imports from India simultaneously increased by \$0.7 billion (or 2.4 percent) to \$30.3 billion. As a result, the U.S. services trade deficit with India decreased 11.6 percent to \$3.9 billion from \$4.4 billion the year before (figure 6.14).

The United States' largest services exports in 2019 included travel services (\$15.1 billion), charges for IP use (\$3.5 billion), and other business services (\$1.8 billion). The category "other business services" was the fastest-growing service export, increasing by 22.5 percent from 2018. Major U.S. services imports from India were telecommunications, computer, and information services (\$16.0 billion), other business services (\$8.2 billion), and travel services (\$3.3 billion). Charges for IP use was the fastest-growing services import sector, increasing by 18.1 percent from 2018. The largest sectoral surpluses between the United States and India were in travel services and charges for IP use, reaching \$11.8 billion and \$2.0 billion respectively. The largest U.S. services trade deficits were in two areas—telecommunications, computer, and information services, and other business services—at \$14.7 billion and \$6.4 billion, respectively.

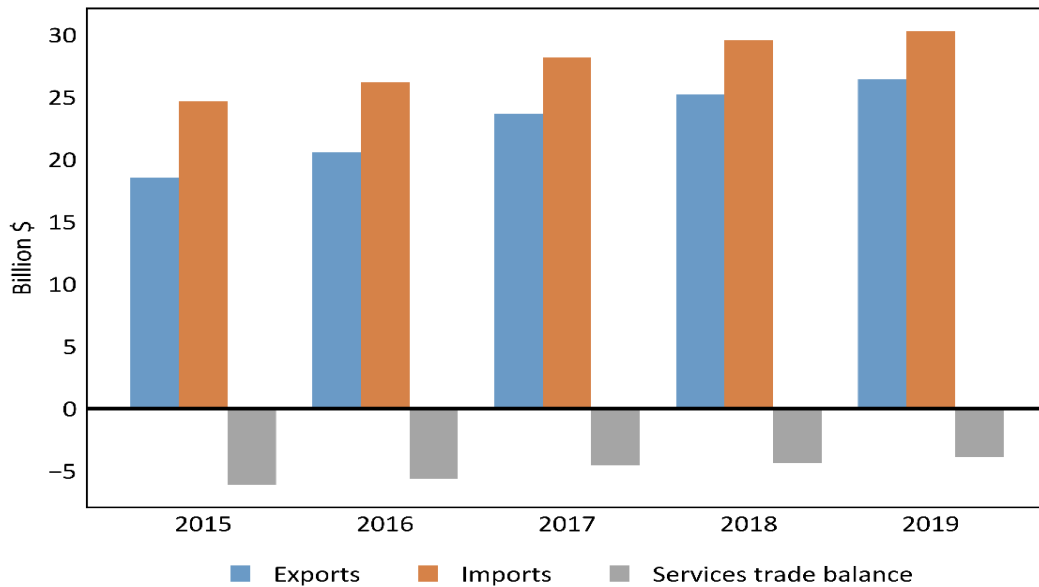
Figure 6.13 U.S. merchandise trade with India, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.14 U.S. cross-border trade in total services with India, 2015– 19



Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions table 3.2, March 19, 2020.

Note: Data for 2019 are preliminary. Because some data have been suppressed to protect firms' confidential information, services trade with India are reported in terms of total trade, which includes government sales and purchases of goods and services. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments

In 2019, there were several significant events in U.S.-India trade relations. Among the important developments were the revocation of India's Generalized System of Preferences (GSP) designation, Indian retaliatory tariffs, and further United States WTO counternotifications. These topics are discussed in detail below.

There were five active WTO dispute settlement proceedings involving the United States and India in 2019. Three of these cases involved the United States responding to complaints by India concerning U.S. measures on imports of steel and aluminum, domestic content requirements in the renewable energy sector, and imposition of countervailing duties on certain hot-rolled carbon steel flat products. Two of the cases involved India responding to complaints by the United States concerning (1) India's imposition of additional duties on certain U.S. products and (2) India's provision of export subsidies to Indian producers of steel products, pharmaceuticals, chemicals, information technology products, textiles, and apparel.

In January 2019, the WTO composed a panel in response to a request by India to investigate if the United States had imposed measures to adjust imports of steel and aluminum. A WTO report on this matter is expected by autumn 2020.⁸⁶⁰

The WTO also released a panel report following a request by India to investigate multiple U.S. state-level measures requiring domestic content and subsidies in the renewable energy sector, including measures involving solar, wind, and ethanol. In June 2019, this WTO panel reported that all these U.S. domestic content measures were inconsistent with the General Agreement on Tariffs and Trade (GATT) 1994, as the measures offer an advantage to the use of domestic products and therefore give less favorable treatment to like imported products. In August 2019, the United States appealed the decision.⁸⁶¹

A WTO compliance panel report released in November 2019 also found that the United States had undertaken measures deemed inconsistent and noncompliant with the recommendations and rulings of the Dispute Settlement Body regarding the United States' imposition of countervailing duties on certain hot-rolled carbon steel flat products from India. In December 2019, the United States appealed the decision.⁸⁶²

In 2019, there were two WTO cases involving India as the respondent with the United States as the complainant, as noted above. In July 2019, the United States requested dispute settlement consultations with India regarding India's imposition of additional duties on 28 different industrial and agricultural products originating from the United States, worth approximately \$1.4 billion. The additional duties were imposed by India in response to the United States' imposition of tariffs on imported steel and

⁸⁶⁰ WTO, "[Dispute Settlement: DS547; United States—Certain Measures on Steel and Aluminum Products](#)" (accessed March 23, 2020).

⁸⁶¹ WTO, "[Dispute Settlement: DS510; United States—Certain Measures Relating to the Renewable Energy Sector](#)" (accessed March 23, 2020).

⁸⁶² WTO, "[Dispute Settlement: DS436; United States—Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India](#)" (accessed March 23, 2020).

aluminum in 2018 under section 232 of the Trade Expansion Act of 1962 (section 232). A panel was established in October 2019 and composed in January 2020. A report is forthcoming.⁸⁶³

In October 2019, a WTO panel ruled that India had provided prohibited export subsidies to Indian producers, with the United States establishing the existence of financial benefits conferred upon Indian suppliers, contingent upon export performance. The panel found that India provided export subsidies worth over \$7 billion annually to Indian exporters of steel products, pharmaceuticals, chemicals, information technology products, textiles, and apparel, all of which adversely affected U.S. manufacturers and workers.⁸⁶⁴ The panel recommended that India withdraw the prohibited subsidies; India appealed the ruling in November 2019.⁸⁶⁵

Furthermore, following the issuance of the United States' first-ever counternotification at the WTO regarding India's price support for wheat, rice, and cotton in 2018, the United States issued additional counternotifications in February 2019 regarding India's market price support for chickpeas, pigeon peas, black matpe, mung beans, and lentils.⁸⁶⁶ The United States argued that India substantially underreported its market price support for these products and exceeded its allowable WTO levels of trade-distorting support.⁸⁶⁷ India rebutted these charges at the WTO Committee on Agriculture, stating that the United States' counternotification was based on incomplete and inaccurate information. Some members of the WTO Committee on Agriculture agreed that further examination of India's notification processes was warranted.⁸⁶⁸

Termination of GSP Country Eligibility and Retaliation

Following a review of India's eligibility for benefits under the GSP begun in 2018, the United States terminated India's designation on March 4, 2019, effective on June 5, 2019. USTR found that India had implemented multiple barriers to trade, thereby negatively impacting U.S. commerce. USTR found that India had failed to provide the United States with equitable and reasonable access to numerous market sectors, a necessary criterion for eligibility under the GSP program.⁸⁶⁹

India responded to the revocation of GSP eligibility by issuing retaliatory tariffs on 28 U.S. products, broadly targeting agricultural products but impacting the steel and chemical sectors as well.⁸⁷⁰ These tariffs hit U.S. almond and apple exporters particularly hard, with India being the destination for more than half of all U.S. almond exports and being the second-largest destination for U.S. apples in 2018.⁸⁷¹

⁸⁶³ WTO, "[Dispute Settlement: DS585; India—Additional Duties on Certain Products from the United States](#)" (accessed March 23, 2020).

⁸⁶⁴ USTR, "[United States Wins WTO Challenge to Indian Export Subsidies](#)," October 31, 2019.

⁸⁶⁵ WTO, "[Dispute Settlement: DS541; India—Export Related Measures](#)" (accessed March 23, 2020).

⁸⁶⁶ WTO rules require member countries to notify the Agriculture Committee on the levels of agricultural subsidization. Members can submit counternotifications claiming other members have under-reported agricultural production subsidies to the Agriculture Committee. WTO, "[Counter-notification of India's Farm Subsidy Spending](#)," June 12, 2018.

⁸⁶⁷ USTR, "[United States Issues WTO Counter Notification](#)," February 15, 2019.

⁸⁶⁸ WTO, "[Members Target June for Finalizing Quota Review](#)," February 27, 2019.

⁸⁶⁹ USTR, "[United States Will Terminate GSP Designation of India and Turkey](#)," March 4, 2019.

⁸⁷⁰ USTR, "[First Written Submission of the United States of America, DS585](#)," February 27, 2020.

⁸⁷¹ Reuters, "[India to Impose Retaliatory Tariffs on 28 U.S. Goods from Sunday](#)," June 15, 2019.

In total, these tariffs affect approximately \$1.3 billion worth of exports, with almonds and apples making up \$609 million and \$96 million of this total, respectively.⁸⁷²

Intellectual Property

India remained on USTR’s Priority Watch List in the *2019 Special 301 Report* due to a failure to address long-standing issues concerning weak protection and enforcement of IPRs. U.S. companies have raised complaints regarding India’s narrow patentability standards, the potential threat of compulsory licensing and patent revocations, and overly broad criteria for issuing and revoking such licenses under the India Patents Act. USTR reports that issues involving Indian patents are notably burdensome, involving costly and time-consuming patent opposition battles, excessive delays in receiving patent approvals, and excessive reporting requirements. USTR further notes that India especially lacks an effective system for protecting against unfair commercial use of products from the pharmaceutical and agricultural chemical sectors. USTR additionally reports that high levels of piracy and counterfeit sales are pervasive across all sectors.⁸⁷³

The report noted that while India took actions to improve its IPR protection, such as acceding to the World Intellectual Property Organization’s (WIPO) Internet Treaties and the Nice Agreement, it also took steps backward.⁸⁷⁴ India has placed further restrictions on information transparency about state-issued manufacturing licenses. The licensing system fails to notify interested parties of marketing approvals, thereby reducing the efficacy of early resolution of potential patent disputes.

USTR’s *2019 Out-of-Cycle Review of Notorious Markets Report* identified several online or physical marketplaces of concern in India that reportedly engage in or facilitate commercial-scale copyright piracy and trademark counterfeiting. In particular, the report noted markets in India for counterfeit apparel and footwear, electronic items, cosmetics, and pirated software and media.⁸⁷⁵

Taiwan

U.S.–Taiwan Trade Overview

In 2019, Taiwan climbed in the rankings to become the United States’ 10th-largest single-country trading partner in terms of two-way trade, accounting for 2.1 percent of total U.S. merchandise trade. U.S. merchandise trade with Taiwan increased by 12.0 percent from \$76.3 billion to \$85.5 billion in 2019. At the same time, the U.S. merchandise trade deficit with Taiwan increased by 51.6 percent, or \$7.8 billion, to \$23.0 billion. The growth in the bilateral merchandise trade deficit can be attributed to a \$0.6 billion increase in U.S. exports combined with a \$8.5 billion increase in imports (figure 6.15).

⁸⁷² Peterson Institute, “[Trump’s Mini-Trade War with India](#),” July 8, 2019.

⁸⁷³ USTR, [2019 Special 301 Report](#), April 2019, 50–52.

⁸⁷⁴ WIPO administers the “WIPO Copyright Treaty” and “WIPO Performances Phonogram Treaty,” which are known together as the Internet Treaties. These treaties set down international guidelines for preventing illegal access and use of creative works on the internet. The Nice agreement establishes a classification of goods and services for the purposes of registering trademarks and service marks. WIPO, “[WIPO Internet Treaties](#)” (accessed June 8, 2020); WIPO, “[Nice Agreement](#)” (accessed June 8, 2020).

⁸⁷⁵ USTR, [2019 Out-of-Cycle Review of Notorious Markets](#), April 2020.

Year in Trade

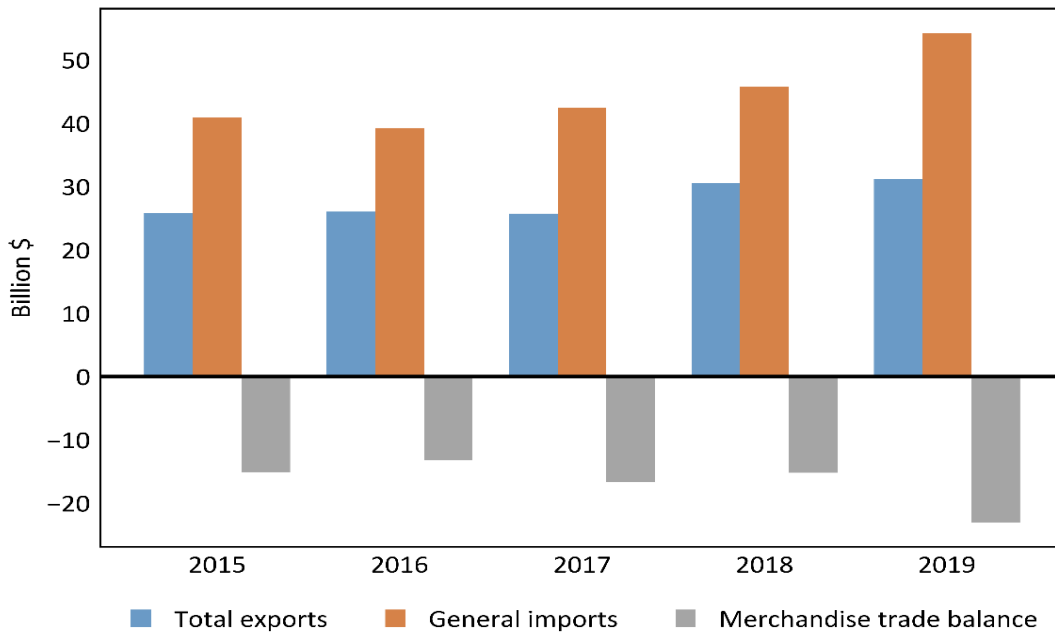
Taiwan became the 14th-largest single-country destination for U.S. merchandise exports in 2019, accounting for 1.9 percent of global U.S. exports. U.S. merchandise exports to Taiwan rose from \$30.6 billion in 2018 to \$31.2 billion in 2019, a 2.2 percent increase. The top U.S. exports to Taiwan during the year were crude petroleum (\$3.5 billion), machines for semiconductor boules or wafer manufacturing (\$2.8 billion), and civil aircraft and parts (\$2.5 billion).

Taiwan remained the 13th-largest single-country source of U.S. merchandise imports in 2019, accounting for 2.2 percent of global U.S. imports. U.S. merchandise imports from Taiwan grew from \$45.8 billion in 2018 to \$54.3 billion in 2019, an 18.6 percent increase. The top U.S. imports from Taiwan during the year were computer parts and accessories (\$4.6 billion), telecommunications equipment (\$3.2 billion), and computers (\$3.0 billion).

In 2019, U.S. cross-border private services exports to Taiwan totaled \$18.2 billion, or 1.3 percent of total U.S. private services trade. U.S. cross-border service exports to Taiwan increased by \$0.6 billion, or 6.5 percent, to \$10.2 billion in 2019, while U.S. cross-border service imports from Taiwan decreased by \$0.2 billion, or 2.4 percent, to \$8.0 billion. As a result, the U.S. surplus in services trade with Taiwan rose 59.7 percent to \$2.2 billion from \$1.4 billion the year before (figure 6.16).

The United States' largest services exports to Taiwan in 2019 included charges for IP use (\$2.8 billion), transport services (\$2.4 billion), and travel services (\$2.2 billion). Financial services was the fastest-growing service export, increasing by 31.1 percent from 2018, reaching \$772 million in 2019. Major U.S. services imports from Taiwan were transport services (\$5.7 billion), travel services (\$1.2 billion), and other business services (\$0.7 billion). Transport services was the only service category that did not experience a decline in imports from 2018, remaining unchanged at \$5.7 billion. The largest sectoral surpluses between the United States and Taiwan were in charges for IP use and in maintenance and repair services, reaching \$2.7 billion and \$1.2 billion, respectively. The largest U.S. deficits were in transport services and other business services, at \$3.3 billion and \$0.1 billion, respectively.

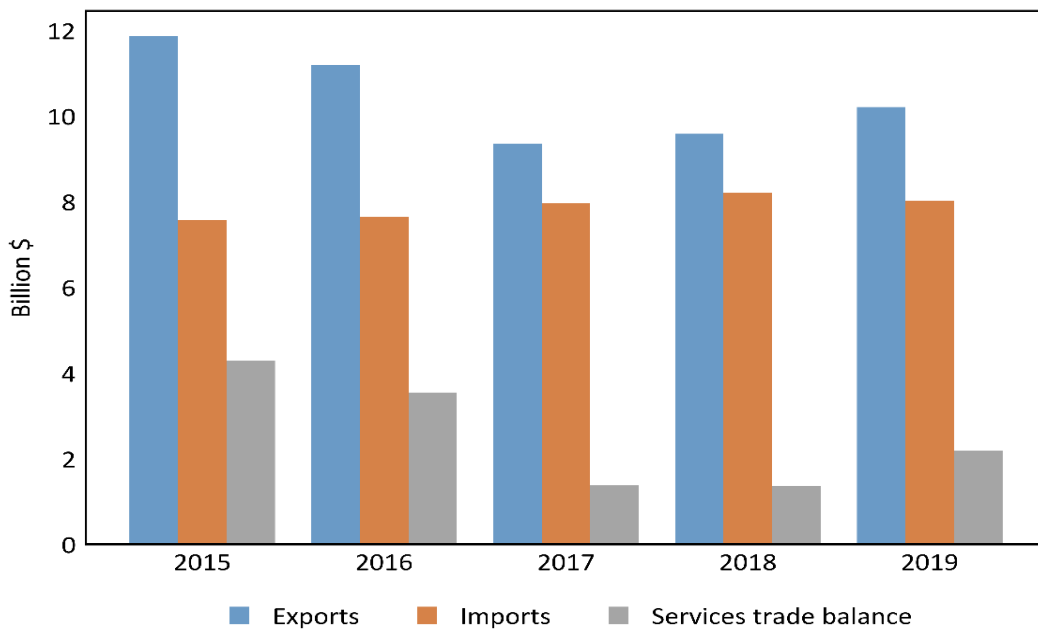
Figure 6.15 U.S. merchandise trade with Taiwan, 2015–19



Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: Underlying data for this table can be found in appendix table [B.11](#).

Figure 6.16 U.S. cross-border trade in private services with Taiwan, 2015–19



Source: USDOC, BEA, International Services, tables 2.2 and 2.3, and International Transactions table 3.2, March 19, 2020.

Note: Data for 2019 are preliminary. Underlying data for this table can be found in appendix table [B.13](#).

Trade Developments

The U.S.-Taiwan Trade and Investment Framework Agreement (TIFA), signed in 1994, continues to serve as the primary channel for discussions between the United States and Taiwan on enhancing bilateral trade and investment. The TIFA Council last met formally in 2016, but bilateral discussions were held in September 2018 to discuss agricultural trade barriers, technical barriers to trade, improving bilateral investment, and IP issues, among others.⁸⁷⁶

During an April 2019 meeting with David Meale, Deputy Assistant Secretary for Trade Policy and Negotiations for the U.S. Department of State, Taiwan's President Tsai Ing-wen reaffirmed her interest in resuming TIFA Council meetings to secure a bilateral trade agreement with the United States.⁸⁷⁷ In March 2020 the U.S. President signed the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019, which calls for both sides to initiate talks to establish a free trade agreement.⁸⁷⁸ Furthermore, the U.S. Senate introduced the Taiwan Assurance Act in 2019, although it has not yet been voted on; this act encourages USTR to resume the TIFA meetings with Taiwan to secure a bilateral trade agreement.⁸⁷⁹ Despite the lack of official TIFA Council meetings in 2019, both sides continued to raise concerns regarding agricultural trade barriers, IP theft, and pharmaceutical patents through trade missions and USTR's trade policy agenda. In addition, there were several trade and investment policy developments which furthered objectives of the TIFA framework.

Intellectual Property Rights Protection

USTR recognized Taiwan in its 2019 Special 301 report as making progress in strengthening its policies for protecting trade secrets. The report noted that Taiwan had worked with stakeholders to organize campaigns to educate students about IP infringement and held organized training sessions for several government sectors to discuss IP rights, piracy, and illegal "camcording."⁸⁸⁰

In line with the TIFA, Taiwan implemented an amendment in 2019 to its Pharmaceutical Affairs Act which creates a patent linkage registration system. Under this system, producers of newly approved drugs can list any patent protecting their products and assert those against generic drug applicants, a

⁸⁷⁶ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

⁸⁷⁷ Office of the President of the Republic of China (Taiwan), "April 12, 2019; Office of the President of the Republic of China (Taiwan), ["President Tsai Meets US Deputy Assistant Secretary of State,"](#) April 12, 2019; *Diplomat*, ["Tsai Ing-wen Calls for Taiwan-US Bilateral Trade Agreement,"](#) November 22, 2019.

⁸⁷⁸ Public Law 116-135 (March 26, 2020); S.1678—116th Congress (2019–2020).

⁸⁷⁹ The U.S. House of Representatives passed a similar bill, the "Taiwan Assurance Act," which focuses on strengthening U.S.-Taiwan military ties; it is similar to the Senate version, but does not advocate for a bilateral trade agreement. Biologic medications include a wide variety of products derived from human, animal, or microorganisms by using biotechnology. The bill was introduced in the Senate on March 26, 2019, and referred in the Senate on May 8, 2019. No further action has been taken on the bill. H.R.2002—[Taiwan Assurance Act of 2019](#) (2019); S.878—[Taiwan Assurance Act of 2019](#) (2019).

⁸⁸⁰ "Camcording" is the practice of using a video camera to illegally record a film playing in a cinema. USTR, [2019 Special 301 Report](#), April 2019, 32.

system that can support early resolution of patent disputes.⁸⁸¹ The patent registration system also includes patents for biologic medications.⁸⁸²

USTR continued to encourage Taiwan to better enforce the Copyright Act by increasing prosecution of online piracy cases, including those involving pirated reading materials from education institutions, and prosecuting cases of stream-ripping, in which streamed online content is illegally downloaded. USTR also called for Taiwan to enact legislation requiring internet service providers to block access to websites committing copyright infringement and for Taiwan to consider internet piracy a “public crime” in order to enable prosecution.⁸⁸³ According to USTR, Taiwan continues to address reforms as part of the Digital Anti-Piracy Working Plan that it agreed to with the United States in 2018. These reforms include encouraging only dissemination of education materials that do not infringe on copyright and, in July 2019, signing a voluntary cooperation agreement with the UK-based Digital Market Association to expand efforts to publicize infringing websites and discourage advertising on such sites.⁸⁸⁴

Investment

Lowering barriers to investment has been another focus of this TIFA. Taiwan currently limits investment into certain sectors, including agriculture; some manufacturing, including chemicals; and some services, such as water, sewage, public education, childcare, and healthcare. Taiwan’s cabinet approved a draft bill in January 2019 to amend the Statute for Investment by Foreign Nationals to remove pre-investment approval requirements for investments in Taiwan of less than \$1 million by foreign nationals and Taiwan nationals.⁸⁸⁵

The SelectUSA Investment Summit, hosted by the U.S. Department of Commerce to encourage foreign direct investment (FDI) into the United States, occurred June 10–12, 2019. The summit was attended by 112 delegates from Taiwan. Delegates represented the advanced manufacturing, biotechnology, electricity and petrochemical, electronics, and steel industries, among others.⁸⁸⁶ U.S. FDI stock in Taiwan was \$17.5 billion in 2018 (latest available data), a 2.9 percent increase from 2017.⁸⁸⁷ Taiwan’s FDI stock in the United States was \$14.1 billion in 2018 (latest available data).

Agricultural Products

The United States continued to press Taiwan in 2019 to remove certain barriers hindering U.S. exports of agricultural products to Taiwan, including U.S. pork, beef, and rice. The United States also continued to press Taiwan to remove its import ban against U.S. pork products and some beef produced using the feed additive ractopamine.⁸⁸⁸ A USDA delegation met with Taiwanese officials as part of a trade mission

⁸⁸¹ Mondaq, [“Taiwan’s Patent Linkage System Takes Effect,”](#) August 22, 2019.

⁸⁸² USTR, [2020 National Trade Estimate Report](#), March 2019, 464.

⁸⁸³ USTR [2019 Special 301 Report](#), April 2019, 32.

⁸⁸⁴ USTR, [2020 National Trade Estimate Report](#), March 2019, 464.

⁸⁸⁵ Focus Taiwan, [“Cabinet Approves Regulations to Simplify Foreign Investment Procedures,”](#) January 3, 2019.

⁸⁸⁶ Taiwan Ministry of Economic Affairs, Bureau of Foreign Trade, [“Taiwan Attended the 2019 SelectUSA Investment Summit to Promote Industrial Cooperation,”](#) July 2, 2019.

⁸⁸⁷ USTR, [2020 National Trade Estimate Report](#), March 2019, 462.

⁸⁸⁸ USTR, [2020 Trade Policy Agenda and 2019 Annual Report](#), February 6, 2020.

in April 2019, during which the issue of ractopamine in meat products was discussed. The delegation was accompanied by trade representatives from 49 agribusiness and industry associations.⁸⁸⁹

Another important agricultural development involved Taiwan's Organic Agriculture Promotion Act. Passed by the Legislative Yuan (Taiwan's legislature) in 2017, this law took effect in May 2019. It has the aim of regulating the production, marketing, testing, and labeling of organic products, and also applies to imported products. The act empowers Taiwan to revoke the recognition of imported organic products if the source country does not recognize Taiwan's own organic program for the same product. This provision aims to promote growth of Taiwan's exports of its organic products.⁸⁹⁰

In September 2019, Taiwan signed a letter of intent to buy \$3.6 billion worth of U.S. agriculture products between 2020 and 2021, including \$1.1 billion of corn, \$1.1 billion of soybeans, \$960 million of beef products, and \$576 million in wheat products.⁸⁹¹ This demand helps replace lost demand from China, as the products Taiwan intends to purchase were subject to tariffs by China in response to the U.S. China 301 tariffs.⁸⁹²

Other Technical Barriers

In 2019 there were several other developments regarding technical barriers faced by U.S. exporters to Taiwan that have been raised in previous TIFA meetings. These included labeling and certification requirements for genetically engineered foods and feed, as well as cosmetic products, chemical substances, and organic products.

The United States continued to raise concerns about Taiwan implementing a proposed amendment to Taiwan's Act Governing Food and Safety Sanitation. The amendment would require importers and producers of genetically engineered products to put in place systems to be able to trace such products and to maintain system records for five years. USTR claimed the proposed requirements create additional costs for global supply chains, for food safety reasons that the United States claims are not backed by science.⁸⁹³

Taiwan also began in 2019 to implement amendments to the Act for Cosmetics Hygiene Safety Administration (Cosmetic Act). U.S. stakeholders had reservations about measures included in the amendments, such as a new requirement that product information files, which are a legally required product label for cosmetics in Taiwan, received a signature from a product safety evaluator. Stakeholders also raised concerns over a requirement that certain good manufacturing practices guidelines be followed.⁸⁹⁴

In January 2019, Taiwan's President enacted amendments to Taiwan's Toxic and Concerned Chemical Substances Control Act. U.S. stakeholders expressed concerns about the thresholds set by the

⁸⁸⁹ *Taiwan News*, "[USDA Wraps Up Trade Mission to Taiwan](#)," April 25, 2019.

⁸⁹⁰ USTR, [2020 National Trade Estimate Report](#), March 2019, 459.

⁸⁹¹ Hoeven, "[Taiwan to Purchase \\$3.6 Billion of U.S. Agriculture Products](#)," September 18, 2019.

⁸⁹² Patton et al., "[China to Impose Extra Tariffs on U.S. Soy, Beef, and Pork](#)," August 23, 2019.

⁸⁹³ USTR, [2020 National Trade Estimate Report](#), March 2019, 461.

⁸⁹⁴ USTR, [2020 National Trade Estimate Report](#), March 2019, 461.

amendments for handling volume and chemical concentrations. The amendments also impose more stringent requirements to apply for protection of confidential business information.⁸⁹⁵

⁸⁹⁵ USTR, [2020 National Trade Estimate Report](#), March 2019, 462.

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Appendix A

Please visit <https://www.usitc.gov/sites/default/files/publications/332/other/appendixa.html> for an interactive table containing all appendix A tables.

Appendix B

Table B.1 U.S. goods and services trade balance, 2005-19 (million dollars)

	Balance on goods	Balance on services
2005	-782,804	68,558
2006	-837,289	75,573
2007	-821,196	115,821
2008	-832,492	123,765
2009	-509,694	125,920
2010	-648,671	153,446
2011	-740,999	191,300
2012	-741,119	203,711
2013	-700,539	239,404
2014	-749,917	260,333
2015	-761,868	263,343
2016	-749,801	246,819
2017	-805,200	255,077
2018	-887,338	259,659
2019	-866,244	249,819

Source: USDOC, BEA, U.S. International Transactions, Services, & IIP, "Table 1.2: U.S. International Transactions, Expanded Detail," April 14, 2020.

Note: Corresponds to figure [ES.1](#).

Table B.2 U.S. merchandise trade with major bilateral trading partners, 2019 (million dollars)

	European Union	Canada	China	Mexico	Japan	South Korea	India	Taiwan
Goods imports	514,692	358,108	319,728	452,240	143,636	77,426	57,499	54,256
Goods exports	337,020	256,374	292,382	106,627	74,653	56,897	33,503	30,560

Source: USITC DataWeb/USDOC (accessed February 14, 2020);

Note: Corresponds to figure [ES.2](#).

Table B.3 U.S. trade in private services with major bilateral trading partners, 2019 (million dollars)

	European Union	Canada	China	Mexico	Japan	South Korea	India	Taiwan
Services imports	250,177 ^a	37,560	18,742	27,350	35,984	12,833	30,300 ^a	8,045
Services exports	326,252 ^a	64,700	56,666	33,843	48,699	23,148	26,424 ^a	10,504

Source: USDOC, BEA, Interactive data, International Transactions, Services, & IIP, International Transactions, tables 1.2 and 1.3 (accessed April 14, 2020.)

Note: Corresponds to figure [ES.3](#).

^a Services trade from the EU for 2016–19 and India for 2019 are overstated because the data include government goods and services not included elsewhere (n.i.e.).

Table B.4 U.S. real gross domestic product (GDP), percentage change, 2015–19

Year	Real GDP % change
2015	2.9
2016	1.6
2017	2.2
2018	2.9
2019	2.3

Note: Corresponds to figure [1.1](#).

Table B.5 Economic growth (real GDP) trends in the world, the United States, and major trading partners, 2017–19

Year	World	United States	European Union	Canada	China	India	Japan	South Korea	Mexico	Taiwan
2017	3.9	2.4	2.9	3.2	6.9	7.0	2.2	3.2	2.1	3.3
2018	3.6	2.9	2.3	2.0	6.8	6.1	0.3	2.7	2.1	2.7
2019	2.9	2.3	1.7	1.6	6.1	4.2	0.7	2.0	-0.1	2.7

Note: Corresponds to figure [1.2](#).

Table B.6 Leading U.S. export markets and U.S. import sources, by share, 2019

Country/region	U.S. total exports (Billion \$)	U.S. general imports (Billion \$)	Share of total exports (%)	Share of general imports (%)
European Union	337.0	514.7	20.5	20.6
Canada	292.4	319.7	17.8	12.8
China	256.4	452.2	15.6	18.1
Mexico	106.6	358.1	6.5	14.5
Japan	74.7	143.6	4.5	5.8
South Korea	56.9	77.4	3.5	3.1
India	34.4	57.5	2.1	2.3
Taiwan	31.2	54.3	1.9	2.2
Vietnam	10.9	66.7	0.7	2.7
All others	444.7	453.2	27.0	18.1
World	1,645.2	2,498.4	100.0	100.0

Note: Corresponds to figures [1.5](#) and [1.6](#).

Table B.7 U.S. cross-border trade in private services with the world, 2017–18

	2017	2018	2019
Export	779.3	805.7	823.7
Import	521.8	544.3	571.3
Trade balance	257.5	261.4	252.4

Source: USDOC, BEA, Interactive data, International Transactions, Services, and International Investment Position, International Transactions, Table 3.1, “U.S. International Trade in Services” (accessed March 19, 2020).

Note: Data for 2019 are preliminary. Corresponds to Figure [1.7](#).

^a Services imports from the EU for 2016–19 and India for 2019 are overstated because the data include government goods and services not included elsewhere (n.i.e.).

Table B.8 Top 10 U.S. export and import markets for private services, by share, 2019

	U.S. exports	Share of exports	U.S. imports	Share of imports
	(Billion \$)	(%)	(Billion \$)	(%)
European Union	265.6 ^a	32.2 ^a	209.8 ^a	25.5 ^a
Canada	64.3	7.8	37.2	4.5
Mexico	33.4	4.1	27.2	3.3
China	56.3	6.8	18.7	2.3
Japan	48.1	5.8	31.3	3.8
South Korea	23.0	2.8	10.3	1.2
India	26.4 ^a	3.2 ^a	30.3 ^a	3.7 ^a
Singapore	22.6	2.7	9.7	1.2
Taiwan	10.2	1.2	8.0	1.0
Brazil	26.1	3.2	6.1	0.7
All others	247.8	30.1	182.6	22.2
Total	823.7	100.0	571.3	100.0

Source: USDOC, BEA, Interactive data, International Transactions, Services, and International Investment Position, International Transactions, table 1.3, "U.S. International Transactions, Expanded Detail by Area and Country" (accessed March 19, 2020).

Note: U.S. trade with the EU and India includes government goods and services. Data are preliminary. Corresponds to figures [1.8](#) and [1.9](#).

^a Services trade from the EU for 2016–19 and India for 2019 are overstated because the data include government goods and services not included elsewhere (n.i.e.).

Table B.9 Products at issue in active section 337 investigation proceedings, 2019

Category	Share of total (%)
Computer and telecommunications	28.9
Consumer electronics	6.3
Pharmaceuticals and medical devices	14.8
Automotive/manufacturing/transportation	11.7
Small consumer products	6.3
Lighting	6.3
Other	25.8

Source: USITC calculations.

Note: Corresponds to figure [2.1](#).

Table B.10 Share of Trade Adjustment Assistance for Workers (TAA) petitions certified by industry sector in FY 2019

Industry	Share of total (%)
Manufacturing	53.1
Professional, scientific, and technical services	14.3
Finance and insurance	9.0
Information	8.3
Administrative and support and waste management and remediation services	4.6
Wholesale trade	4.5
Other	6.3
Total	100.0

Source: USDOL, ETA, email message to USITC staff, March 4, 2020. "Other" includes all industry sectors where less than 30 TAA petitions were certified in FY 2019.

Note: Corresponds to figure [2.2](#).

Table B.11 U.S. merchandise trade with major trading partners and the world (billion dollars), 2015–19

Country/region	Trade flow	2015	2016	2017	2018	2019
European Union						
	Total exports	271.9	269.7	283.3	318.4	337.0
	General imports	427.8	416.2	434.7	486.9	514.7
	Merchandise trade balance	-155.9	-146.6	-151.5	-168.5	-177.7
Mexico						
	Total exports	236.5	230.2	243.5	265.4	256.4
	General imports	296.4	293.5	312.8	346.1	358.1
	Merchandise trade balance	-60.0	-63.3	-69.3	-80.7	-101.7
Canada						
	Total exports	280.9	266.7	282.5	299.8	292.4
	General imports	296.3	277.7	299.1	318.8	319.7
	Merchandise trade balance	-15.4	-11.0	-16.6	-19.0	-27.3
China						
	Total exports	115.9	115.6	129.8	120.1	106.6
	General imports	483.2	462.4	505.2	539.7	452.2
	Merchandise trade balance	-367.3	-346.8	-375.4	-419.5	-345.6
Japan						
	Total exports	62.4	63.2	67.6	75.2	74.7
	General imports	131.4	132.0	136.4	142.4	143.6
	Merchandise trade balance	-69.1	-68.8	-68.8	-67.2	-69.0
South Korea						
	Total exports	43.5	42.3	48.4	56.5	56.9
	General imports	71.8	69.9	71.4	74.2	77.4
	Merchandise trade balance	-28.3	-27.6	-23.1	-17.7	-20.5
India						
	Total exports	21.5	21.6	25.6	33.5	34.4
	General imports	44.8	46.0	48.2	53.9	57.5
	Merchandise trade balance	-23.3	-24.3	-22.6	-20.4	-23.1
Taiwan						
	Total exports	25.8	26.0	25.7	30.6	31.2
	General imports	40.9	39.2	42.4	45.8	54.3
	Merchandise trade balance	-15.1	-13.2	-16.7	-15.2	-23.0
World						
	Total exports	1,503.3	1,451.5	1,546.5	1,666.0	1,645.2
	General imports	2,248.8	2,186.8	2,339.9	2,540.8	2,498.4
	Merchandise trade balance	-745.5	-735.3	-793.4	-874.8	-853.2

Source: USITC DataWeb/USDOC (accessed February 14, 2020).

Note: Corresponds to figures [1.4](#), [6.1](#), [6.3](#), [6.5](#), [6.7](#), [6.9](#), [6.11](#), [6.13](#), [6.15](#).

Table B.12 U.S. merchandise trade with major trading partners and the world, 2019

Country/region	U.S. total exports (Billion \$)	U.S. general imports (Billion \$)	Share of total exports (%)	Share of total imports (%)
European Union	337.0	514.7	20.5	20.6
Mexico	256.4	358.1	15.6	14.3
Canada	292.4	319.7	17.8	12.8
China	106.6	452.2	6.5	18.1
Japan	74.7	143.6	4.5	5.7
South Korea	56.9	77.4	3.5	3.1
India	34.4	57.5	2.1	2.3
Taiwan	31.2	54.3	1.9	2.2
All Others	455.6	520.8	27.7	20.8
World	1,645.2	2,498.4	100.0	100.0

Source: Official trade statistics of the U.S. Department of Commerce (USDOC), accessible via USITC DataWeb (accessed February 14, 2020).

Note: Corresponds to figures [1.5](#) and [1.6](#).

Table B.13 U.S. private cross-border services trade with selected major trading partners and the world, 2015–19 (billion dollars)

Country/region	Trade flow	2015	2016	2017	2018	2019
European Union						
	Exports	229.1	235.0 ^a	244.3 ^a	253.6 ^a	265.6 ^a
	Imports	174.2	179.6 ^a	192.6 ^a	198.6 ^a	209.8 ^a
	Services trade balance	54.9	55.5 ^a	51.7 ^a	55.0 ^a	55.7 ^a
Mexico						
	Exports	31.0	30.9	32.1	33.4	33.4
	Imports	22.8	24.0	25.4	25.7	27.2
	Services trade balance	8.3	6.9	6.7	7.7	6.2
Canada						
	Exports	54.3	54.0	57.8	63.6	64.3
	Imports	29.0	30.4	32.9	35.6	37.2
	Services trade balance	25.4	23.6	24.9	28.0	27.0
China						
	Exports	48.5	53.9	55.6	56.7	56.3
	Imports	14.9	16.1	17.3	18.3	18.7
	Services trade balance	33.6	37.8	38.2	38.4	37.6
Japan						
	Exports	44.8	44.4	45.2	44.4	48.1
	Imports	26.1	27.7	29.0	30.4	31.3
	Services trade balance	18.7	16.7	16.2	14.0	16.8
South Korea						
	Exports	20.6	21.4	23.5	21.9	23.0
	Imports	8.7	8.8	9.2	9.9	10.3
	Services trade balance	11.9	12.7	14.3	12.0	12.7
India						
	Exports	18.5	20.6	23.6	25.2	26.4 ^a
	Imports	24.7	26.2	28.2	29.6	30.3 ^a
	Services trade balance	-6.1	-5.6	-4.6	-4.4	-3.9 ^a
Taiwan						
	Exports	11.9	11.2	9.4	9.6	10.2
	Imports	7.6	7.7	8.0	8.2	8.0
	Services trade balance	4.3	3.6	1.4	1.4	2.2
World						
	Exports	735.2	739.7	779.3	805.7	823.7
	Imports	470.4	490.1	521.8	544.3	571.3
	Services trade balance	264.8	249.5	257.5	261.4	252.4

Source: USDOC, BEA, Interactive data, International Transactions, Services, & IIP, International Transactions, "Table 1.2 U.S. International Trade in Services," and "Table 1.3 U.S. International Transactions," expanded detail by area and country (accessed March 19, 2020).

Note: Data for 2019 are preliminary.

Note: Corresponds to figures [1.7](#), [6.2](#), [6.4](#), [6.6](#), [6.8](#), [6.10](#), [6.12](#), [6.14](#), [6.16](#).

^a Services trade from the EU for 2016–19 and India for 2019 are overstated because the data include government goods and services not included elsewhere (n.i.e.).

Table B.14 U.S. private cross-border services trade with major trading partners and the world, 2019

Country/region	U.S. exports (Billion \$)	U.S. imports (Billion \$)	Share of total exports (%)	Share of total imports (%)
European Union	265.6 ^a	209.8 ^a	32.2 ^a	36.7 ^a
Mexico	33.4	27.2	4.1	4.8
Canada	64.3	37.2	7.8	6.5
China	56.3	18.7	6.8	3.3
Japan	48.1	31.3	5.8	5.5
South Korea	23.0	10.3	2.8	1.8
India	26.4 ^a	30.3 ^a	3.2 ^a	5.3 ^a
Taiwan	10.2	8.0	1.2	1.4
All others	296.5	198.2	36.0	34.7
World	823.7	571.0	100.0	100.0

Source: USDOC BEA, Interactive data, International Transactions, Services, & IIP, International Transactions, "Table 1.2 U.S. International Trade in Services," and "Table 1.3 U.S. International Transactions," March 19, 2020.

Note: Because of rounding, figures may not add up to 100 percent. Data are preliminary. Corresponds to figures [1.8](#) and [1.9](#).

^a Services trade from the EU for 2016–19 and India for 2019 are overstated because the data include government goods and services not included elsewhere (n.i.e.).

Appendix C

Table C.1 U.S. imports for consumption from GSP beneficiaries, 2017–19

	2017	2018	2019
GSP imports from LDBDCs (million \$) ^a	104	142	182
GSP imports from non-LDBDCs (million \$) ^b	21,504	23,695	20,686
Subtotal, GSP imports (million \$) ^c	21,608	23,837	20,869
All other imports (million \$)	192,881	213,464	213,814
Total imports from GSP beneficiaries (million \$)	214,488	237,301	234,682
GSP imports from LDBDCs (percent) ^a	0.0	0.1	0.1
GSP imports from non-LDBDCs (percent) ^b	10.0	10.0	8.8
Subtotal, GSP imports (percent) ^c	10.1	10.0	8.9
All other imports (percent)	89.9	90.0	91.1
Total imports from GSP beneficiaries (percent)	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained on the USITC DataWeb.

Note: Because of rounding, figures may not add to totals shown. LDBDC = least-developed beneficiary developing country. Corresponds to table 2.6.

^a Eligible products from least-developed beneficiary developing countries (LDBDCs)- are those for which the rate of duty of “free” appears in the special rate column of the HTS, followed by the symbol “A+” in parentheses. The symbol “A+” indicates that all LDBDCs (and only LDBDCs) are eligible for duty-free treatment with respect to all articles listed in the designated provisions.

^b Non-LDBDC-eligible products are those for which a rate of duty of “free” appears in the special rate column of the HTS, followed by the symbols “A” or “A*” in parentheses. The symbol “A” indicates that all beneficiary countries are eligible for duty-free treatment with respect to all articles listed in the designated provisions. The symbol “A*” indicates that certain beneficiary countries (specified in general note 4(d) of the HTS) are not eligible for duty-free treatment with respect to any article listed in the designated provision.

^c Not all products are eligible for GSP.

Table C.2 U.S. imports for consumption from Nepal, 2017–19

	2017	2018	2019
Imports under NTPP (thousand \$)	2,368	3,127	3,061
Imports under GSP (thousand \$)	8,567	9,256	12,783
Subtotal, imports under NTPP and GSP (thousand \$)	10,935	12,383	15,844
All other imports (thousand \$)	80,746	86,143	75,028
Total imports, Nepal (thousand \$)	91,681	98,526	90,872
Imports under NTPP (percent)	2.6	3.2	3.4
Imports under GSP (percent)	9.3	9.4	14.1
Subtotal, imports under NTPP and GSP (percent)	11.9	12.6	17.4
All other imports (percent)	88.1	87.4	82.6
Total imports, Nepal (percent)	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: Eligible products under the Nepal Trade Preference Program (NTPP) are those for which a rate of duty of “free” appears in the special rate column of the HTS, followed by the symbol “NP” in parentheses. The symbol “NP” indicates that Nepal is eligible for duty-free treatment with respect to all articles listed in the designated provisions. Includes imports for which preferential tariff treatment was claimed for NTPP-eligible goods by U.S. importers under GSP, for HTS rate lines with special duty symbols “A,” “A*,” or “A+.” Corresponds to table 2.7.

Table C.3 U.S. imports for consumption from AGOA beneficiaries, 2017–19

	2017	2018	2019
Imports under AGOA, excluding GSP (million \$)	12,235	10,791	7,328
Imports under GSP, AGOA eligible (million \$)	1,314	1,234	1,072
Imports under AGOA (million \$) ^a	13,550	12,025	8,400
All other imports (million \$)	11,319	12,499	12,363
Total imports from AGOA countries (million \$)	24,868	24,524	20,763
Imports under AGOA, excluding GSP (percent)	49.2	44.0	35.3
Imports under GSP, AGOA eligible (percent)	5.3	5.0	5.2
Imports under AGOA (percent) ^a	54.5	49.0	40.5
All other imports (percent)	45.5	51.0	59.5
Total imports from AGOA countries (percent)	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: Corresponds to table 2.8.

^a Eligible products under the African Growth and Opportunity Act (AGOA) are those for which a rate of duty of “free” appears in the special rate column of the HTS, followed by the symbol “D” in parentheses. The symbol “D” indicates that all AGOA beneficiaries are eligible for duty-free treatment with respect to all articles listed in the designated provisions. In addition, provisions of subchapters II and XIX of chapter 98 of the HTS set forth specific categories of AGOA-eligible products, under the terms of separate country designations enumerated in subchapter notes. Includes imports for which preferential tariff treatment was claimed for AGOA-eligible goods by U.S. importers under GSP, for HTS rate lines with special duty symbols “A,” “A*” (unless the AGOA beneficiary country is excluded), or “A+.”

Table C.4 U.S. imports for consumption from CBERA countries, 2017–19

	2017	2018	2019
Imports under CBTPA (million \$) ^a	344	344	410
Imports under CBERA, excluding CBTPA (million \$) ^b	617	687	241
Imports under CBERA/CBTPA (million \$)	960	1,031	651
All other imports (million \$)	4,840	4,989	4,908
Total imports from CBERA countries (million \$)	5,800	6,020	5,559
Imports under CBTPA (percent) ^a	5.9	5.7	7.4
Imports under CBERA, excluding CBTPA (percent) ^b	10.6	11.4	4.3
Imports under CBERA/CBTPA (percent)	16.6	17.1	11.7
All other imports (percent)	83.4	82.9	88.3
Total imports from CBERA countries (percent)	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: The data for U.S. imports under the Caribbean Basin Economic Recovery Act (CBERA) include U.S. imports under CBERA as amended by both U.S.-Caribbean Basin Trade Partnership Act (CBTPA) and the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) HOPE and Haiti Economic Lift Program (HELP) Acts. In previous Year in Trade reports, trade data under the HOPE and HELP Acts were reported and analyzed separately only in the “Haiti Initiatives” section. Thus, numbers from the previous report are not comparable to the numbers in the table above. USITC staff have tracked U.S. Census data for textile and apparel imports under HOPE/HELP at the shipment level. These data are cross-checked against aggregate figures from USDOC’S Office of Textiles and Apparel (OTEXA), which is part of the International Trade Administration, to ensure an accurate reporting of HOPE/HELP utilization rates. Corresponds to table 2.9.

^a CBTPA-eligible products are those for which a special duty rate appears in the special rate column of the HTS, followed by the symbol “R” in parentheses. The symbol “R” indicates that all CBTPA beneficiary countries are eligible for special duty-rate treatment with respect to all articles listed in the designated provisions. In addition, subchapters II and XX of chapter 98 set forth provisions covering specific products eligible for duty-free entry, under separate country designations enumerated in those subchapters (and including former CBTPA beneficiaries El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic, Costa Rica, and Panama).

^b CBERA (excluding CBTPA)-eligible products are those for which a special duty rate appears in the special rate column of the HTS, followed by the symbols “E” or “E*” in parentheses. The symbol “E” indicates that all beneficiary countries are eligible for special duty rate treatment with respect to all articles listed in the designated provisions. The symbol “E*” indicates that certain articles, under general note 7(d) of the HTS, are not eligible for special duty treatment with respect to any article listed in the designated provision.

Table C.5 U.S. imports of apparel for consumption from Haiti, 2017–19

	2017	2018	2019
CBERA/CBTPA (million \$)	277	254	255
HOPE and HELP Acts (million \$)	577	642	720
Apparel imports under a trade preference program (million \$)	854	896	975
Total apparel imports from Haiti excluding trade preference program (million \$)	8	28	31
Total apparel imports from Haiti (million \$)	862	924	1,006
CBERA/CBTPA (percent)	32.1	27.5	25.3
HOPE and HELP Acts (percent)	66.9	69.5	71.6
Apparel imports under a trade preference program (percent)	99.0	97.0	96.9
Total apparel imports from Haiti excluding trade preference program (percent)	1.0	3.0	3.1
Total apparel imports from Haiti (percent)	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: These data reflect detailed U.S. general import data under trade preference programs sorted by category and published by the Office of Textiles and Apparel at USDOC (accessed April 8, 2019, and March 13, 2020). Corresponds to table [2.10](#).

Table C.6 U.S. merchandise exports to FTA partners, by FTA partner, 2017–19

FTA partner	2017	2018	2019
	(Million \$)	(Million \$)	(Million \$)
Canada	282,473	299,769	292,382
Mexico	243,508	265,443	256,374
NAFTA	525,980	565,211	548,756
Israel	12,548	13,707	14,377
Jordan	1,921	1,581	1,474
Chile	13,633	15,377	15,776
Singapore	29,649	32,747	31,550
Australia	24,518	25,310	26,025
Morocco	2,218	3,011	3,479
Bahrain	898	2,042	1,408
CAFTA-DR ^a	30,586	32,715	32,750
Oman	1,984	2,415	1,938
Peru	8,668	9,724	9,687
South Korea	48,350	56,507	56,897
Colombia	13,375	15,158	14,780
Panama	6,290	6,838	7,721
Non-NAFTA partners	194,637	217,133	217,863
FTA partners total	720,618	782,344	766,619
All other exports total	825,856	883,648	878,555
Total U.S. exports	1,546,473	1,665,992	1,645,174
FTA partner share of U.S. exports (percent)	46.6	47.0	46.6
Non-FTA partner share of U.S. exports (percent)	53.4	53.0	53.4
Total U.S. exports (percent)	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: Corresponds to table [5.1](#).

^a The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Table C.7 U.S. merchandise imports with free trade agreement (FTA) partners, by FTA partner, 2017–19

FTA partner	2017	2018	2019
	(Million \$)	(Million \$)	(Million \$)
Canada	299,050	318,757	319,728
Mexico	312,804	346,097	358,108
NAFTA	611,854	664,854	677,835
Israel	21,941	21,770	19,507
Jordan	1,687	1,814	2,170
Chile	10,550	11,387	10,394
Singapore	19,368	26,612	26,370
Australia	10,049	10,123	10,854
Morocco	1,237	1,553	1,581
Bahrain	996	991	1,045
CAFTA-DR ^a	23,548	25,172	25,878
Oman	1,066	1,275	1,160
Peru	7,270	7,888	6,145
South Korea	71,416	74,197	77,426
Colombia	13,486	13,783	14,111
Panama	442	421	452
Non-NAFTA partners	183,056	196,986	197,091
FTA partners	794,910	861,840	874,926
All other imports	1,543,776	1,677,499	1,622,542
Total imports	2,338,686	2,539,339	2,497,468
FTA partner share of U.S. imports (percent)	34.0	33.9	35.0
Non-FTA partner share of U.S. imports (percent)	66.0	66.1	65.0
Total U.S. imports (percent)	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: Corresponds to table [5.2](#).

^a The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Table C.8 U.S. merchandise trade balance with FTA partners, by FTA partner, 2017–19

FTA Partner	2017	2018	2019
	(Million \$)	(Million \$)	(Million \$)
Canada	-16,578	-18,989	-27,346
Mexico	-69,296	-80,654	-101,734
NAFTA	-85,874	-99,643	-129,079
Israel	-9,394	-8,063	-5,130
Jordan	234	-232	-696
Chile	3,082	3,989	5,382
Singapore	10,281	6,135	5,180
Australia	14,469	15,187	15,171
Morocco	982	1,458	1,898
Bahrain	-98	1,051	363
CAFTA-DR ^a	7,039	7,542	6,872
Oman	918	1,140	778
Peru	1,398	1,837	3,543
South Korea	-23,066	-17,690	-20,528
Colombia	-112	1,375	670
Panama	5,847	6,417	7,269
Non-NAFTA partners	11,582	20,147	20,772
FTA partners	-74,292	-79,496	-108,307
All other trade balance	-717,920	-793,851	-743,986
Total trade balance	-792,213	-873,347	-852,293

Source: Official USDOC trade statistics as maintained by USITC.

Note: Corresponds to table 5.3.

^a The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Table C.9 U.S. imports for consumption entered under FTA provisions, by FTA partner, 2017–19

FTA partner	2017	2018	2019
	(Million \$)	(Million \$)	(Million \$)
Canada	130,006	129,434	124,048
Mexico	183,638	200,365	202,575
NAFTA	313,644	329,799	326,623
Israel	2,738	2,882	2,882
Jordan	1,487	1,611	1,862
Chile	5,952	6,404	5,438
Singapore	1,811	4,484	5,044
Australia	4,036	3,750	3,956
Morocco	205	238	257
Bahrain	583	510	602
CAFTA-DR ^a	13,693	14,711	14,924
Oman	704	905	744
Peru	3,301	3,694	3,534
South Korea	33,147	33,280	36,354
Colombia	5,010	5,728	6,022
Panama	56	50	50
Non-NAFTA partners	72,722	78,246	81,671
FTA partners	386,366	408,045	408,294
All other imports	1,939,796	2,142,896	2,093,750
Total imports	2,326,162	2,550,941	2,502,043

Source: Official USDOC trade statistics as maintained by USITC.

Note: Corresponds to table [5.4](#).

^a The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Table C.10 Share of total U.S. imports for consumption under FTA provisions, by FTA partner, 2017–19

FTA partner	2017	2018	2019
	(%)	(%)	(%)
Canada	5.6	5.1	5.0
Mexico	7.9	7.9	8.1
Subtotal, NAFTA	13.5	12.9	13.1
Israel	0.1	0.1	0.1
Jordan	0.1	0.1	0.1
Chile	0.3	0.3	0.2
Singapore	0.1	0.2	0.2
Australia	0.2	0.1	0.2
Morocco	0.0	0.0	0.0
Bahrain	0.0	0.0	0.0
CAFTA-DR ^a	0.6	0.6	0.6
Oman	0.0	0.0	0.0
Peru	0.1	0.1	0.1
South Korea	1.4	1.3	1.5
Colombia	0.2	0.2	0.2
Panama	0.0	0.0	0.0
Other FTA partners	3.1	3.1	3.3
Subtotal, FTA partners	16.6	16.0	16.3
All other imports	83.4	84.0	83.7
Total imports	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: Corresponds to table 5.4.

^a The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

Table C.11 Share of total U.S. imports for consumption entered under FTA provisions, by FTA partner, 2017–19

FTA partner	2017	2018	2019
	(%)	(%)	(%)
Canada	43.5	40.6	38.8
Mexico	58.7	57.9	56.6
NAFTA	51.3	49.6	48.2
Israel	12.5	13.2	14.8
Jordan	88.2	88.8	85.8
Chile	56.4	56.2	52.3
Singapore	9.3	16.8	19.1
Australia	40.2	37.0	36.4
Morocco	16.6	15.4	16.3
Bahrain	58.5	51.5	57.6
CAFTA-DR ^a	58.1	58.4	57.7
Oman	66.0	71.0	64.2
Peru	45.4	46.8	57.5
South Korea	46.4	44.9	47.0
Colombia	37.1	41.6	42.7
Panama	12.7	11.9	11.2
Non-NAFTA partners	39.7	39.7	41.4
FTA partner total	48.6	47.3	46.7
All other total	51.4	52.7	53.3
Total share of imports	100.0	100.0	100.0

Source: Official USDOC trade statistics as maintained by USITC.

Note: Corresponds to table 5.5.

^a CAFTA-DR is a multiparty FTA that includes the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica, as well as the United States.

