



United States
International Trade Commission

The Year in Trade 2020

Operation of the Trade Agreements
Program
72nd Report

September 2021
Publication Number: 5228

United States International Trade Commission

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Preface

This report is the 72nd 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)), under predecessor legislation, and pursuant to request. 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 U.S. trade policy and its administration for 2020. 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
AMCA	American Manufacturing Competitiveness Act of 2016
AMS	Agricultural Marketing Service (USDA)
APEC	Asia-Pacific Economic Cooperation
ATAP	U.S.-Israel Agreement on Trade in Agricultural Products
ATEC	Agreement on Trade and Economic Cooperation
BDCs	beneficiary developing countries
BEA	Bureau of Economic Analysis (USDOC)
BEPS	Base Erosion and Profit Shifting Project (OECD/G20)
BIS	Bureau of Industry and Security (USDOC)
Brexit	Britain's vote to leave the European Union
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Agreement
CBERA	Caribbean Basin Economic Recovery Act
CBP	U.S. Customs and Border Protection (USDHS)
CBTPA	Caribbean Basin Trade Partnership
CEC	Commission for Environmental Cooperation
CEIC	Census and Economic Information Center
CETA	Comprehensive Economic and Trade Agreement
CETR	U.S.-Brazil Commission on Economic and Trade Relations (ATEC)
CFR	Code of Federal Regulations
CJEU	Court of Justice of the European Union
CLDP	Commercial Law Development Program (USDOC)
CNL	competitive need limitation
CP-TPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CRS	Congressional Research Service
CTG	Council for Trade in Goods (WTO)
CTPA	U.S.-Colombia Trade Promotion Agreement
CVD	countervailing duty
DIT	Department for International Trade (UK)
DRC	Democratic Republic of the Congo
DS	Dispute Settlement (WTO)
DSB	Dispute Settlement Body (WTO)
DST	digital services tax
DSU	Dispute Settlement Understanding (WTO)
e-commerce	electronic commerce
EAC	East African Community
EC	European Commission
ECA	Environmental Cooperation Agreement
EDA	Economic Development Administration (USDOC)
EIA	Energy Information Administration (USDOE)
EIAP	Earned Import Allowance Programs
ETA	Employment and Training Administration (USDOL)
EU	European Union
Fed. Reg. or FR	<i>Federal Register</i>
FDI	foreign direct investment

Acronyms	Term
U.S.-UK FIP	U.S.-UK Financial Innovation Partnership
FIPS	Federal Information Processing Standards
FSIS	Food Safety and Inspection Service (USDA)
FTA	free trade agreement
FTC	Free Trade Commission
FY	fiscal year
G7	Group of Seven
G20	Group of Twenty
GACC	General Administration of Customs of China
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GC	General Council (WTO)
GDP	gross domestic product
GDPR	General Data Protection Regulation (EU)
GE	genetically engineered
GI	geographical indications
GloBE	Global Anti-Base Erosion proposal (OECD/G20)
GOES	grain-oriented electrical steel
GOS	group of services
GSP	U.S. Generalized System of Preferences
GSP-LDBC	U.S. Generalized System of Preferences for least developed beneficiary developing countries
HELP	Haitian Economic Lift Program
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement Act
HS	Harmonized Commodity Description and Coding System (Harmonized System)
HTS	Harmonized Tariff Schedule of the United States
IATA	International Air Transport Association
IEA	International Energy Agency
IIP	Index of Industrial Production (UNIDO)
ILAB	Bureau of International Labor Affairs (USDOL)
ILC	Interagency Labor Committee for Monitoring and Enforcement
ILO	International Labour Organization
IMF	International Monetary Fund
IP	intellectual property
IPR	intellectual property right
ISIC	International Standard Industrial Classification
ITA	International Trade Administrative (USDOC)
IUU	illegal, unreported, and unregulated (fishing)
KFTC	Korea Free Trade Commission
KORUS	U.S.-Korea FTA
LDBC	least-developed beneficiary country
LDBDCs	least-developed beneficiary developing countries
LDCs	least-developed countries
LPO	Organic Products Law (Mexico)
LTFV	less than fair value
M&A	mergers and acquisitions
MAP	Monitoring and Action Plan
MC11	11th Ministerial Conference (WTO)
METI	Ministry of Economy, Trade, and Industry (Japan)
MFN	most-favored-nation (trade status; = “normal trade relations” status in the United States)
MNE	multinational enterprise
MTB	Miscellaneous Tariff Bill Act of 2018

Acronyms	Term
NAAEC	North American Agreement on Environmental Cooperation
NAALC	North American Agreement on Labor Cooperation
NAFTA	North American Free Trade Agreement
n.i.e.	not included elsewhere
NTPP	Nepal Trade Preference Program
NTPA	Nepal Trade Preferences Act
NTR	normal trade relations
OECD	Organisation for Economic Co-operation and Development
OICA	International Organization of Motor Vehicle Manufacturers
OJEU	<i>Official Journal of the European Union</i>
OTE	Office of Technology Evaluation (BIS, USDOC)
OTEXA	Office of Textiles and Apparel (ITA, USDOC)
OxCGRT	Oxford COVID-19 Government Response Tracker
PPE	personal protective equipment
PTPA	U.S.-Peru Trade Promotion Agreement
REACH	UK Registration, Evaluation, Authorization, and Restriction of Chemicals
ROO	rules of origin
S&P	Standard and Poor's
SADER	Ministry of Agriculture and Rural Development (Mexico)
SCM Agreement	Agreement on Subsidies and Countervailing Measures (WTO)
SME	small and medium-sized enterprise
SPS	sanitary and phytosanitary (standards)
SSA	Sub-Saharan Africa
TAA	Trade Adjustment Assistance
TAAEA	Trade Adjustment Assistance Extension Act of 2011
TAARA	Trade Adjustment Assistance Reauthorization Act of 2015
TBT	Technical Barriers to Trade Agreement (WTO)
TIC	Trade and Investment Council
TICA	Trade and Investment Cooperation Agreement
TICFA	Trade and Investment Cooperation Forum Agreement
TIFA	Trade and Investment Framework Agreement
TIWG	Trade and Investment Working Group
TPA	trade promotion agreement
TPEA	Trade Preferences Extension Act
TRA	Trade Readjustment Allowances
TRIPS	Trade-Related Aspects of Intellectual Property Rights agreement (WTO)
TRQ	tariff-rate quota
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
UNWTO	United Nations World Tourism Organization
USAID	U.S. Agency for International Development
U.S.C.	U.S. Code
USDA	U.S. Department of Agriculture
USDHS	U.S. Department of Homeland Security
USDOC	U.S. Department of Commerce
USDOE	U.S. Department of Energy
USDOL	U.S. Department of Labor
USDOS	U.S. Department of State
USDOT	U.S. Department of Transportation
USEPA	U.S. Environmental Protection Agency

Acronyms	Term
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	Office of the U.S. Trade Representative
WHO	World Health Organization
WRC	wheat, rice, and corn
WTO	World Trade Organization

Executive Summary

Global Trade Environment in 2020

The year of 2020 was marked by the onset of the COVID-19 pandemic. The pandemic left a profound impact on global economic activities and international trade, primarily through three channels: supply chain and trade flow disruptions, demand shifts, and government policy responses.

On December 31, 2019, China reported an outbreak of pneumonia cases to the World Health Organization (WHO). A novel coronavirus associated with these cases—severe acute respiratory syndrome coronavirus 2, or SARS-CoV-2—was eventually identified. The infectious disease caused by this newly discovered coronavirus was named COVID-19. As the year unfolded, COVID-19 rapidly spread across the world. On March 11, 2020, the WHO declared it a pandemic. As the global health crisis evolved and progressed throughout the year, governments and businesses implemented various restrictive measures to help contain the spread of the virus, such as national lockdowns; closing or limiting occupancy of schools, offices, and factories; and international travel restrictions. These measures contributed to major disruptions to global supply chains and trade flows, leading to a shortage of goods, including components and parts, as well as the significant reduction of global air and sea shipments.

The COVID-19 pandemic also created demand shifts. With travel restrictions and social distancing in place, global demand for certain goods (e.g., petroleum products and transportation equipment) and services (e.g., transport and travel services) fell sharply, while global demand for other goods, including COVID-19 related medical goods (e.g., masks, surgical gowns), surged. To mitigate potential shortage of key supplies, many countries implemented temporary export restrictions and/or import liberalizations on personal protective equipment (PPE), food, and certain other products, which created further disruption in international trade.

Global Macroeconomic Trends

Global gross domestic product (GDP): In 2020, the global COVID-19 pandemic caused a worldwide economic recession. Global GDP contracted by an estimated 3.3 percent in 2020, compared to an expansion of 2.8 percent in 2019. The pandemic-induced economic decline was felt by most countries at all levels of economic development. Advanced economies contracted by an estimated 4.7 percent, while emerging market and developing economies contracted by an estimated 2.2 percent in 2020. The real GDP of the United States fell by 3.5 percent, less than the average of advanced economies. China was one of the few economies that expanded in 2020, growing by 2.3 percent, though still well below its 2019 growth rate of 5.8 percent.

Manufacturing output: In 2020, annual global manufacturing output declined by an estimated 4.1 percent. The biggest decline of manufacturing output occurred during the second quarter, followed by a strong recovery in the third and fourth quarters. Although global manufacturing output in the fourth quarter of 2020 was higher than the same quarter of 2019, output for the full year remained lower. In

2020, manufacturing output declined by about 8 percent in the North American region (including only the United States and Canada), the sharpest contraction across all regions.

Labor: According to the International Labour Organization (ILO), labor markets around the world were disrupted on a historically unprecedented scale in 2020. Global working hours are estimated to have fallen by 8.8 percent in 2020, driven by workers losing employment and a reduction in working hours for workers who remained employed. This decline in working hours is equivalent to losing approximately 255 million full-time jobs globally, four times greater than the decline that happened during the 2008–09 global financial crisis. Employment losses were higher for women than for men, and for younger workers than for older workers. Labor markets in accommodation and food services, other services, and transportation and storage services were hit the hardest.

Foreign direct investment (FDI): According to the United Nations Conference on Trade and Development (UNCTAD), global FDI inflows dropped by 34.7 percent from \$1.5 trillion in 2019 to \$999 billion in 2020. This is the lowest level since 2005 and nearly 20 percent below the nadir after the 2008–09 global financial crisis. The decline in global FDI inflows was significantly sharper than the falls in global GDP and trade, and was concentrated in developed countries. FDI inflow to the United States declined by 40.2 percent to \$156 billion in 2020, though it remained the largest FDI recipient in the world. China and India are among the few economies that experienced an increase in FDI inflows in 2020.

Exchange rate: In 2020, the value of the U.S. dollar fluctuated considerably relative to a basket of other major global currencies. During the early months of the year, the dollar appreciated significantly vis-à-vis a broad index of global currencies, increasing by 6.6 percent between December 2019 and April 2020. In the remainder of 2020, the value of the U.S. dollar trended downward from its peak. By the end of 2020, the U.S. broad dollar index had decreased by 3.3 percent compared to its value at the end of 2019.

Global Trade Trends

Global merchandise trade: In 2020, global merchandise trade in value term dropped by 7.6 percent from the 2019 level, compared to a decline of 2.8 percent from 2018 to 2019. Based on the limited, preliminary merchandise trade statistics, global trade of most products experienced a decline from the 2019 level. Petroleum products and transportation equipment experienced the largest declines in both absolute dollar value and in percentage change. Nonmonetary gold ores, COVID-19 related medical goods (e.g., PPE), and computers were among the few product groups which experienced an increase in global trade.

Global services trade: Preliminary available data for 2020 indicate that global commercial services trade declined by 19.0 percent from the 2019 level. Travel services and transport services experienced the largest declines in global trade in 2020. Of these two categories, air passenger and freight transport services were the most adversely impacted by the COVID-19 pandemic. Business services, financial services, and telecommunications services were among the services sectors that fell less precipitously in 2020, likely due to the ability of providers to deliver these services through digital networks.

Key Developments in 2020

Administration of U.S. Trade Laws and Regulations

Safeguard investigations: During 2020, the United States had two global safeguard measures in effect under the Trade Act of 1974 (Trade Act), one on solar cells and modules and the other on large residential washers. The U.S. International Trade Commission (Commission, or USITC) conducted and completed two separate safeguard proceedings under section 204(a) of the Trade Act with respect to the measure on solar cells and modules, a mid-term monitoring proceeding and a proceeding to provide advice on possible modification of the measure. The Commission also conducted an investigation under section 204(c) of the Trade Act with respect to a possible extension of the safeguard measure on large residential washers. In September 2020, the Commission instituted a new global safeguard investigation under section 202(b) of the Trade Act with respect to imports of fresh, chilled, or frozen blueberries. In December 2020, at the request of the U.S. Trade Representative (Trade Representative), the Commission instituted two monitoring investigations under section 332(g) of the Tariff Act of 1930 with respect to imports of fresh or chilled strawberries, and imports of fresh or chilled bell peppers, in accordance with the perishable agricultural provision in section 202(d)(1) of the Trade Act.

Section 301 investigations: Active section 301 investigations in 2020 involved technology transfer, intellectual property, and innovation practices in China; taxes on digital services proposed or adopted by France and 10 other jurisdictions; large civil aircraft subsidies by the European Union (EU) and certain member states; and currency and timber-related activities in Vietnam.

Technology transfer, intellectual property, and innovation practices in China: In 2020, additional duties remained in force on products on Lists 1, 2, 3, and 4A. The Office of the U.S. Trade Representative (USTR) implemented a process by which U.S. importers could request the exclusion from additional duties of products covered under the lists. The first tranche of approved exclusions expired in December 2019 and the last in October 2020. The Trade Representative approved 549 requests for extensions of these exclusions. In December 2020, the Trade Representative determined to further extend product exclusions, or otherwise modify its determinations to remove section 301 duties on certain medical-care products to address the COVID-19 pandemic.

Digital services taxes (DSTs): In December 2019, the Trade Representative determined that the DST is actionable under the Trade Act. In July 2020, the Trade Representative determined that the appropriate action was the imposition of additional duties on certain French products but suspended the imposition for 180 days to allow for additional time to try to resolve the matter. Other trading partners also considered or adopted DSTs in 2020. On June 2, 2020, the Trade Representative initiated section 301 investigations of DSTs adopted or under consideration in 10 jurisdictions: Austria, Brazil, the Czech Republic, the EU, India, Indonesia, Italy, Spain, Turkey, and the United Kingdom (UK). These investigations were ongoing at the end of 2020.

Large civil aircraft subsidies: In 2020, USTR conducted reviews of the countermeasure actions implemented by the United States in 2019, modifying the list of products subject to duties and the amounts of the duties.

[Vietnam currency](#) and [legal timber](#): The Trade Representative initiated two new section 301 investigations involving Vietnam in 2020. The first involves Vietnam's acts, policies, and practices related to the alleged undervaluation of its currency. The second involves acts, policies, and practices related to Vietnam's import and use of illegally harvested or traded timber. Both investigations were ongoing in 2020.

[Special 301 investigations](#): USTR conducts an annual review of the state of intellectual property rights (IPR) enforcement and protection among U.S. trading partners pursuant to section 182 of the Trade Act (also known as "special 301"). To aid in the administration of the statute, USTR creates a priority watch list and watch list under the special 301 provisions to identify countries with particular IPR-related problems. In its 2020 Special 301 Report, USTR placed 10 countries on its priority watch list: Algeria, Argentina, Chile, China, India, Indonesia, Russia, Saudi Arabia, Ukraine, and Venezuela.

[Antidumping duty \(AD\) investigations](#): The Commission instituted 85 new antidumping investigations under title VII of the Tariff Act of 1930, and made 89 preliminary determinations and 29 final determinations in 2020. The U.S. Department of Commerce (USDOC) issued 21 antidumping duty orders on 10 products from 11 countries in 2020 as a result of the affirmative USDOC and Commission determinations.

[Countervailing duty \(CVD\) investigations](#): The Commission instituted 26 new countervailing duty investigations under title VII of the Tariff Act of 1930, and made 30 preliminary determinations and 19 final determinations during 2020. The USDOC issued 13 countervailing duty orders on eight products from six countries in 2020 as a result of the affirmative USDOC and Commission determinations.

[AD/CVD Reviews](#): The Commission instituted 64 reviews of existing AD/CVD orders or suspended investigations, 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 75 reviews, resulting in the continuation of 71 AD/CVD orders.

[Section 129 determinations](#): Neither the USDOC nor the Commission made any determinations under section 129 of the Uruguay Round Agreements Act during 2020, nor were any proceedings in process.

[Section 337 investigations](#): During 2020, there were 122 active investigations and ancillary proceedings under section 337 of the Tariff Act of 1930 alleging unfair import practices, such as patent infringement. Of the 57 new proceedings instituted in 2020, 48 were new section 337 investigations and 9 were new ancillary (secondary) proceedings relating to previously concluded investigations. The Commission completed a total of 68 section 337 investigations and ancillary proceedings in 2020. Of the 31 investigations in which the Commission rendered a final determination on the merits, the Commission found a violation of section 337 in 21 investigations and no violation in 10 investigations. The remaining 24 investigations were terminated based on settlement, consent order, complaint withdrawal, or other good cause. The Commission issued 9 general exclusion orders, 13 limited exclusion orders, and 63 cease and desist orders.

Section 337 proceedings active in 2020 involved a broad spectrum of products. Technology products remained the single largest category, with about 23 percent of the active proceedings involving computer and telecommunications equipment, and another 9 percent involving consumer electronics. Pharmaceuticals and medical devices were at issue in about 14 percent of the active proceedings, and

automotive, manufacturing, and transportation products were also at issue in about 14 percent of the active proceedings. Small consumer products were at issue in about 7 percent of the proceedings and lighting products were also at issue in about 7 percent of the active proceedings.

National security investigations: During 2020, the USDOC instituted three new investigations under the national security provisions in section 232 of the Trade Expansion Act of 1962. The three new investigations assessed the national security implications of imports of grain-oriented electrical steel, mobile cranes, and vanadium. The investigations relating to grain-oriented electrical steel and mobile crane imports were concluded and terminated in 2020. The investigation into vanadium was pending at the end of 2020.

No new section 232 measures were imposed by the President during 2020. Tariff increases imposed in 2017 under section 232 on certain steel and aluminum imports remained in place throughout 2020, with an adjustment in January 2020 to include certain derivative goods.

American Manufacturing Competitiveness Act of 2016: On August 10, 2020, the Commission submitted its 2020 final report under the American Manufacturing Competitiveness Act of 2016 (AMCA) to the U.S. House of Representatives Committee on Ways and Means and the U.S. Senate Committee on Finance. The Commission's report provided recommendations on 3,442 petitions for duty suspensions or reductions. As of the end of 2020, no bill had been introduced. Duty suspensions and reductions enacted under the Miscellaneous Tariff Bill Act of 2018 following the Commission's 2017 final report under the AMCA expired at the end of 2020.

Trade Adjustment Assistance (TAA): The U.S. Department of Labor (USDOL) administers the TAA for Workers Program, while the USDOC administers the TAA for Firms Program. In fiscal year (FY) 2020, the USDOL received 1,183 petitions, a decline from 1,346 petitions filed in FY 2019. The USDOL certified 770 petitions covering 96,111 workers as eligible to apply for benefits and services under the TAA for Worker Program, and denied 302 petitions covering 26,334 workers. In FY 2020, the USDOC certified 80 petitions as eligible for assistance under the TAA for Firms Program and approved 70 adjustment protocols.

Trade Preferences Programs

U.S. imports for consumption entered under trade preference programs have declined in recent years. Following a 17.5 percent decline in 2019, the value of U.S. imports entered under preference programs declined further by 27.9 percent to \$21.7 billion in 2020. U.S. imports entered under the African Growth and Opportunity Act (AGOA) and the U.S. Generalized System of Preferences (GSP) had the largest decreases in value in 2020. However, the utilization rate of trade preference programs, measured by imports entered under specified tariff preference programs as a share of total imports under program-eligible HTS codes, increased from 47.5 percent in 2019 to 52.6 percent in 2020. The utilization rates of AGOA and the Caribbean Basin Economic Recovery Act (CBERA) declined, while the utilization rates of other programs improved in 2020.

Generalized System of Preferences (GSP): U.S. imports under GSP dropped by 20.1 percent to \$16.8 billion in 2020. These imports accounted for 11.1 percent of total U.S. imports from all GSP beneficiary countries and nearly 1 percent of U.S. imports from all countries. Five beneficiary countries—Thailand,

Indonesia, Brazil, Cambodia, and the Philippines—accounted for about 76 percent of GSP imports. In October 2020, based on Thailand’s failure to provide equitable and reasonable market access for U.S. pork products, USTR announced the suspension of trade preferential treatment on imports of certain GSP-eligible products from Thailand (about \$817 million), effective December 30, 2020. In the same announcement, USTR closed eligibility reviews for Georgia, Uzbekistan, and Indonesia with no loss of GSP benefit, and USTR closed the GSP designation review for Laos with no eligibility granted. In addition, USTR initiated GSP eligibility reviews for Eritrea and Zimbabwe based on worker rights concerns; these reviews were ongoing at the end of 2020.

Nepal Trade Preferences Program (NTPP): U.S. imports under NTPP dropped by almost 22 percent to \$2.4 million in 2020. These imports represented 2.8 percent of total U.S. imports from Nepal, a decline from 3.4 percent in 2019.

African Growth and Opportunity Act (AGOA): In 2020, 38 sub-Saharan African (SSA) countries were eligible for AGOA preferential benefits. Of these countries, 27 were eligible for AGOA textile and apparel benefits for all or part of 2020. As a result of the 2020 annual AGOA eligibility review, the Democratic Republic of Congo’s AGOA eligibility was reinstated, effective January 1, 2021. Therefore, 39 SSA countries are eligible for AGOA benefits in 2021.

In 2020, the value of U.S. imports that entered free of duty from beneficiary countries under AGOA (including imports under GSP) was \$4.1 billion, a decline of 50.8 percent from 2019. These imports accounted for 22.4 percent of total imports from AGOA countries in 2020. The decline in U.S. imports under AGOA between 2019 and 2020 mainly reflected the lower value of imports of crude petroleum and macadamia nuts under the program.

Caribbean Basin Economic Recovery Act (CBERA): At yearend 2020, 17 countries and dependent territories were eligible for CBERA preferences, among which 8 were eligible for the Caribbean Basin Trade Partnership (CBTPA) preferences. CBTPA was extended for 10 years and is now set to expire in September 2030. In 2020, the value of U.S. imports entered under CBERA declined by 4.8 percent to \$1.7 billion. Haiti was the leading supplier of U.S. imports under CBERA in 2020, followed by Trinidad and Tobago. Imports entered under CBERA accounted for 33.9 percent of all imports from CBERA beneficiary countries in 2020.

Haiti Initiatives: U.S. imports from Haiti under the umbrella of CBERA are brought in under CBTPA, the Haitian Hemispheric Opportunity through Partnership Encouragement Acts of 2006 and 2008 (HOPE Acts), and the Haiti Economic Lift Program of 2010 (HELP Act). The 2006, 2008, and 2010 amendments to CBERA expanded the duty-free benefits available only to Haiti. Nearly 98 percent of U.S. imports of textiles and apparel from Haiti entered under one of the CBERA-related programs. Of these, a growing portion of the duty-free trade relies on the more liberal HOPE/HELP preference rules. Imports under HOPE/HELP represented 74.9 percent of total U.S. textile and apparel imports from Haiti in 2020, up from 72.9 percent in 2019 and 69.5 percent in 2018.

The World Trade Organization (WTO)

WTO developments in 2020: Due to the COVID-19 pandemic, the Twelfth WTO Ministerial Conference was postponed from June 2020 to November 2021. During 2020, one priority of the General Council became the selection of a new WTO Director-General. Negotiations on selected plurilateral agreements,

such as electronic commerce, fisheries subsidies, and services, continued. In addition, in October 2020, a group of developing countries, led by South Africa and India, called for a waiver for all WTO members of certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights in relation to the prevention, containment, and treatment of COVID-19.

WTO dispute settlement: During 2020, WTO members filed 5 new requests for dispute settlement consultations. This number was the lowest number for any year since the establishment of the WTO in 1995, and sharply lower than the 20 requests filed during 2019 and 38 filed during 2018. Only 5 countries filed requests, and no country filed more than one request. The requests were filed by Japan; Turkey; Peru; Hong Kong; and Australia. The named respondents were Republic of Korea (South Korea or Korea), the EU, Brazil, the United States, and China. The one dispute filed against the United States was by Hong Kong, which alleged that certain U.S. measures concerning the origin marking requirement applicable to goods produced in Hong Kong appear to be inconsistent with certain articles of the General Agreement on Tariffs and Trade (GATT) 1994, the Agreement on Rules of Origin, and the Technical Barriers to Trade (TBT) Agreement.

During 2020, the WTO Appellate Body issued one report in a dispute to which the United States was a party (DS505: United States—Countervailing Measures on Supercalendered Paper from Canada). The WTO Dispute Settlement Body (DSB) adopted the report on March 5, 2020. The United States considered both the Appellate Body report and the DSB’s adoption of the report invalid. In the U.S. view, the Appellate Body report was invalid *inter alia* because two of the three presiding Appellate Body members’ terms had expired and therefore the report could only be adopted by positive consensus, which was lacking because the United States objected to the report’s adoption.

WTO dispute settlement panels issued reports in two disputes to which the United States was a party. (DS533: United States—Countervailing Measures on Softwood Lumber from Canada; and DS543: United States—Tariff Measures on Certain Goods from China). In both disputes, the United States notified the DSB of its decision to appeal certain issues of law covered in the panel report.

U.S. concerns about WTO dispute settlement: A report issued by USTR in February 2020, *Report on the Appellate Body of the World Trade Organization*, set out U.S. concerns about the operation of the WTO dispute settlement, particularly at the Appellate Body level. This February 2020 Report identified seven areas of concerns in which the Appellate Body has exceeded its authority, stating the Appellate Body has “taken away rights and imposed new obligations through erroneous interpretations of WTO agreements.” The United States continued to express such concerns at DSB meetings during 2020 about the Appellate Body’s disregard for the rules set by WTO members, adding to or diminishing rights or obligations under the WTO Agreement. The United States also expressed concern about appellate reports going far beyond the text of the WTO agreements setting out WTO rules in areas as varied as subsidies, antidumping and countervailing duties, standards under the TBT Agreement, and safeguards. The United States stated that, as a result, the United States was not prepared to agree to launch the process to fill vacancies on the Appellate Body without WTO members engaging with and addressing these critical issues.

Selected Regional and Bilateral Activities

Organisation for Economic Co-operation and Development (OECD): The OECD ministerial council meeting was held virtually October 28–29, 2020, covering a range of topics such as macroeconomic policies and recovery priorities from the pandemic, and employment and social protection. In 2020, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) continued working on building consensus on addressing digital taxation issues. Members agreed that the current proposal, known as the two-pillar approach, provides a foundation for a future agreement. They endorsed the *Reports on the Blueprints of Pillar One and Pillar Two* for public consultation, while acknowledging that different views on some political and technical issues remain and need to be bridged in the future multilateral process.

Asia-Pacific Economic Cooperation (APEC): In 2020, under Malaysia’s leadership, APEC member economies highlighted the theme of “Optimizing Human Potential towards a Resilient Future of Shared Prosperity: Pivot. Prioritise. Progress,” and focused on three priority areas: “Improve the Narrative of Trade and Investment; Inclusive Economic Participation through Digital Economy and Technology; and Driving Innovative Sustainability.” Throughout 2020, APEC implemented initiatives to improve responses to the COVID-19 pandemic, support various ongoing negotiations under the WTO, and promote digital economy and e-commerce. In addition, APEC conducted the final review of APEC’s Progress towards the Bogor Goal, and identified a few areas for further improvement.

Trade and Investment Framework Agreements (TIFAs): At the end of 2020, the United States had entered 59 TIFAs, including the latest one with Fiji signed in October 2020. Several TIFA Council meetings and discussions took place in 2020, including those with Argentina, Bangladesh, Ecuador, Nepal, Pakistan, and Paraguay. On October 19, 2020, the United States and Brazil updated the U.S.-Brazil Agreement on Trade and Economic Cooperation with a new Protocol on Trade Rules and Transparency. On December 8, 2020, the United States and Ecuador updated the U.S.-Ecuador Trade and Investment Council Agreement by adding a Protocol on Trade Rules and Transparency.

U.S. Free Trade Agreements

As of December 31, 2020, the United States was party to 14 free trade agreements (FTAs) involving a total of 20 countries (table ES.1).

U.S. imports under FTAs: U.S. imports for consumption entered under FTA provisions decreased by over 14 percent to \$351 billion in 2020. FTA imports accounted for almost 39 percent of total U.S. imports from FTA partners and 15 percent of U.S. imports from the world. FTA imports from all partners fell in 2020, except for Morocco and Singapore, which grew by 19.3 percent and 8.5 percent, respectively. FTA imports entered under NAFTA/USMCA fell by the largest amount (–\$51.8 billion), followed by FTA imports entered under CAFTA-DR, which fell by over \$2.4 billion. FTA imports from Bahrain suffered the largest percentage decrease, down by 42 percent.

Table ES.1 U.S. free trade agreements (FTAs) in force as of December 31, 2020

FTA = free trade agreement; TPA = trade promotion agreement.

FTA	Date of signature	Date of entry into force
U.S.-Israel FTA	April 22, 1985	September 1, 1985
U.S.-Jordan FTA ^a	October 24, 2000	December 17, 2001
U.S.-Chile FTA	June 6, 2003	January 1, 2004
U.S. Singapore FTA	May 6, 2003	January 1, 2004
U.S.-Australia FTA	May 18, 2004	January 1, 2005
U.S.-Morocco FTA	June 15, 2004	January 1, 2006
U.S.-Bahrain FTA	September 14, 2004	August 1, 2006
Dominican Republic-Central America FTA (CAFTA-DR) ^b	May 28, 2004	Various dates
U.S.-Oman FTA	January 19, 2006	January 1, 2009
U.S.-Peru TPA	April 12, 2006	February 1, 2009
U.S.-Korea FTA (KORUS)	June 30, 2007	March 15, 2012
U.S.-Colombia TPA	November 22, 2006	May 15, 2012
U.S.-Panama TPA	June 28, 2007	October 31, 2012
United States-Mexico-Canada Agreement (USMCA) ^c	November 30, 2018	July 1, 2020

Source: USTR, "[Free Trade Agreements](#)," accessed April 14, 2021.

Note:

^a The U.S.-Jordan FTA was fully implemented on January 1, 2010.^b CAFTA-DR is an FTA between the United States with six developing economies: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, as well as the Dominican Republic. All parties signed CAFTA-DR on May 28, 2004, except the Dominican Republic, which signed in August 2004. CAFTA-DR entered into force between the United States and Costa Rica on January 1, 2009, between the United States and the Dominican Republic on March 1, 2007, between the United States and Guatemala on July 1, 2006, between the United States and Honduras and Nicaragua on April 1, 2006, and between the United States and El Salvador on March 1, 2006.^c On July 1, 2020, the USMCA replaced the North America Free Trade Agreement (NAFTA) which entered into force on January 1, 1994.

U.S.-Mexico-Canada Trade Agreement (USMCA) Implementation: On January 29, 2020, the President signed the United States-Mexico-Canada Agreement Implementation Act (USMCA Implementation Act) into law. On July 1, 2020, the USMCA entered into force superseding the North American Free Trade Agreement (NAFTA).

Rules of origin: On June 3, 2020, in coordination with Mexico and Canada, the United States released the Uniform Regulations. The Uniform Regulations are comprised of two documents. The "Origin Procedures" document concerns "the interpretation, application, and administration of Chapter 5 (Origins Procedures), Chapter 6 (Textiles and Apparel Goods), and Chapter 7 (Customs Administration and Trade Facilitation)." The "Rules of Origins (ROOs)" document concerns "the interpretation, application, and administration of Chapter 4 (Rules of Origin) and related provisions in Chapter 6 (Textiles and Apparel Goods)." On July 2, 2020, the USMCA Free Trade Commission issued its first decision, agreed to, and signed by the three countries. The decision includes the adoption of the Uniform Regulations.

Automotive rules: The Interagency Committee on Trade in Automotive Goods was established on February 28, 2020, to prepare relevant information on the implementation, enforcement, and modification of the USMCA provisions that relate to automotive goods, including the automotive ROOs and the alternative staging regime. USTR announced that 13 companies whose requests for alternative staging have been approved.

Environment: The Interagency Environment Committee for Monitoring and Enforcement was established on February 29, 2020, to monitor and enforce the USMCA environment obligations. In parallel with the USMCA Environment Chapter, the Environment Cooperation Agreement (ECA) entered into force on July 1, 2020, which updates and supersedes the North American Agreement on Environmental Cooperation (NAAEC). The ECA retains and modernizes the Commission on Environment and Cooperation (CEC) established under the NAAEC.

Labor: The Interagency Labor Committee for Monitoring and Enforcement (ILC) was established on April 28, 2020, to coordinate the implementation and maintenance of the USMCA labor obligations, to monitor Mexico's labor reforms, and to enforce the USMCA labor provisions. The ILC established the Independent Mexico Labor Expert Board to monitor and evaluate the implementation and maintenance of Mexico's labor reform, as well as its compliance with labor obligations. The Board delivered its first Interim Report on December 12, 2020. The report indicates that Mexico has made significant progress in implementing the labor reform bill which was signed into law on May 1, 2019. The report also acknowledges that many of the changes promised to improve the lives of workers—such as union democracy, freedom of association and collective bargaining—remain to be implemented.

Cross border long-haul trucking services: The USMCA Implementation Act requires that upon filing of a petition or request, the Commission undertakes an investigation and makes a determination as to whether “a grant of authority”—a registration granted by U.S. authorities to persons of Mexico to provide services in the United States—has caused material harm or threatens material harm to U.S. suppliers of cross-border long-haul trucking services, and if affirmative, to recommend a remedy to the President. On July 10, 2020, the Commission published a notice of interim rulemaking in the *Federal Register* to amend its rules of practice and procedure to implement the provisions of the USMCA Implementation Act regarding its investigations of cross-border long-haul trucking services.

USMCA dispute settlement: The main dispute settlement mechanisms of the USMCA are included in Chapter 10 (Trade Remedies), Chapter 14 (Investment), and Chapter 31 (Dispute Settlement). At the end of 2020, there were three active cases under review by binational panels established under Chapter 10. Two cases challenge the USDOC's antidumping and countervailing duty orders on softwood lumber from Canada and one challenges the Canadian investigating authority's final antidumping determination on gypsum, sheet, or panel originating in or exported from the United States.

In addition, there were two cases filed under the provisions of Chapter 31. The United States requested consultations with Canada on December 9, 2020 regarding Canada's administration of its 14 tariff-rate quotas on dairy products, the first panel request ever filed under Chapter 31. The parties held consultations on December 21, 2020 but did not resolve the dispute. On December 22, 2020, Canada requested consultations with the United States under Chapter 31 regarding the imposition and ongoing application of U.S. safeguard tariffs on solar photovoltaic products, including from Canada. On December 30, 2020, Mexico requested to join the consultations as a third party.

NAFTA dispute settlement: The dispute settlement provisions of NAFTA—found in Chapter 11 (Investment), Chapter 19 (Review and Dispute Settlement in Antidumping/Countervailing Duty Matters), and Chapter 20 (State-to-State Dispute Settlement)—cover a variety of areas. As of June 30, 2020, there were 11 pending cases under Chapter 11. Pursuant to the USMCA Annex 14-C, which addresses the transition between NAFTA and the USMCA for investor-state disputes, these cases may proceed to their conclusion in accordance with Chapter 11 of NAFTA. There were 8 active binational panels under

Chapter 19. Pursuant to the USMCA Chapter 34, which provides the transitional provisions from NAFTA, these panel reviews may proceed to their completion in accordance with Chapter 19 of NAFTA. There were no pending disputes under Chapter 20 in 2020.

Developments with other FTAs already in force: U.S. officials engaged with a number of partners representing member states of the 14 U.S. FTAs in force during 2020. Discussions with U.S. FTA partners covered a range of trade- and investment-related issues, in addition to the labor and environmental provisions included in most of these agreements. A new U.S.-Israel FTA Annex on certificates of origin entered into force in 2020, which allows streamlined Israeli customs declarations for U.S. goods entering under the FTA. In January 2020, the U.S.-Morocco FTA Agriculture Subcommittee and Sanitary and Phytosanitary (SPS) Subcommittee held meetings, in which representatives finalized export certificates for U.S. breeding and fattening cattle being shipped to Morocco and discussed the use of common names for meats and cheeses in Moroccan markets. During 2020, Parties to the U.S.-Colombia TPA and CAFTA-DR finalized modifications to product-specific rules of origin of the respective agreements, which took effect in February 2020 and November 2020.

FTA Negotiations: The United States and the UK held five rounds of FTA negotiations virtually from May to October 2020. On February 6, 2020, President Donald Trump announced U.S. intent to initiate trade agreement negotiations with Kenya, which set in motion the negotiation process that included: The President's notification to Congress of the intent to negotiate an FTA with Kenya; USTR's solicitation of public comment on the potential U.S.-Kenya trade agreement and publication of the negotiating objectives; and the launch of negotiations including two virtual rounds of negotiations as of November 2020.

U.S. Trade in 2020

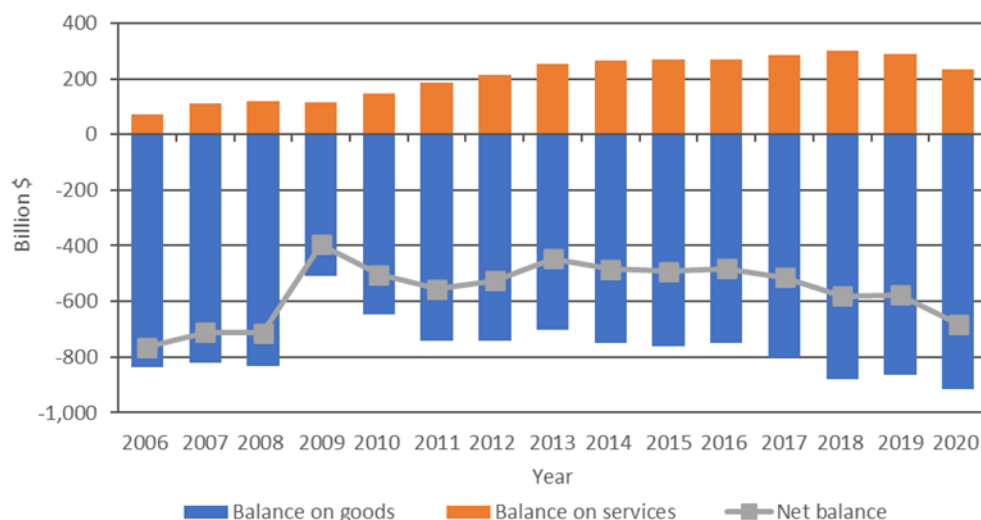
U.S. Trade Overview

U.S. merchandise trade: U.S. two-way merchandise trade declined by 9.0 percent between 2019 and 2020. U.S. merchandise exports decreased by 12.9 percent to \$1.4 trillion in 2020, while U.S. merchandise imports decreased by 6.4 percent to \$2.3 trillion in 2020. As a result, the U.S. merchandise trade deficit increased by almost 6 percent to \$905 billion in 2020 (figure ES.1). U.S. total trade of transportation equipment and energy-related products experienced the largest decreases. Ten of the 11 broad sectors that make up U.S. merchandise trade had a trade deficit. The three sectors with the largest trade deficits are miscellaneous manufactures, chemicals and related products, and electronic products. Energy-related products was the only sector with a trade surplus.

U.S. services trade: U.S. cross-border total services trade declined by 21.4 percent between 2019 and 2020. U.S. exports of services fell by 21.0 percent to \$692 billion in 2020, while U.S. imports of services declined by 22.1 percent to \$458 billion in 2020. As a result, the U.S. surplus in services decreased by 18.6 percent to \$234 billion (figure ES.1). U.S. trade in each of the major services categories experienced decreases in 2020, except for insurance services.

Figure ES.1 U.S. trade balance in goods and services, annual, 2006–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.1](#).



Source: USITC DataWeb/Census, accessed April 14, 2021; USDOC, BEA, “[International Transactions](#),” March 23, 2021, Table 1.2 “U.S. International Transactions, Expanded Detail.”

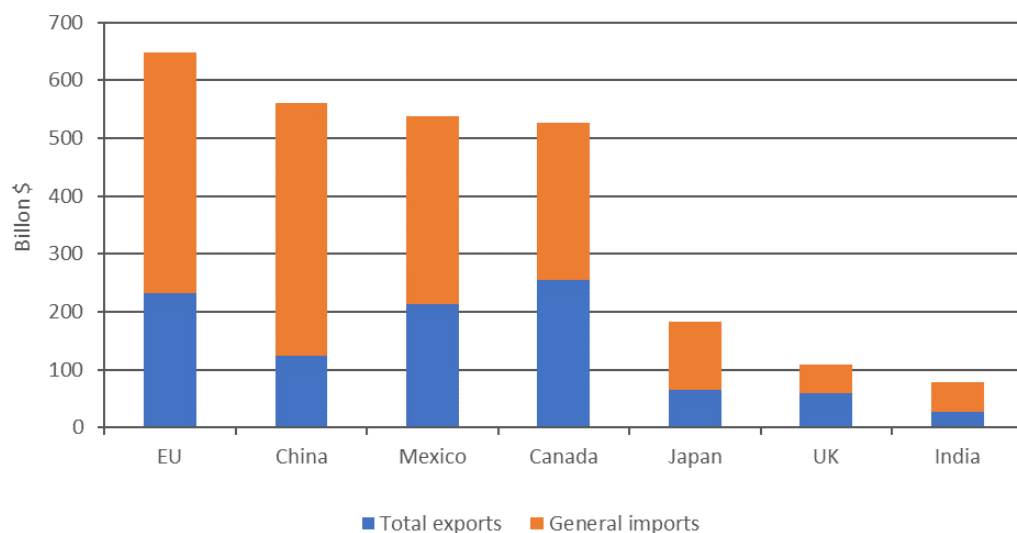
Developments with Selected Major Trading Partners

This report covers U.S. trade development in 2020 with its top five trading partners (the EU,¹ China, Mexico, Canada, and Japan), and two other major trading partners (the UK and India) based on their recent trade policy activities. Two-way merchandise trade and cross-border total services trade with each trading partner are presented in figures ES.2 and ES.3, respectively.

¹ The United Kingdom (UK) formally withdrew from the EU on January 31, 2020. In this report, the EU refers to the remaining 27 member countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden), and EU data exclude the UK for the entire time series.

Figure ES.2 U.S. merchandise trade with selected major trading partners, 2020

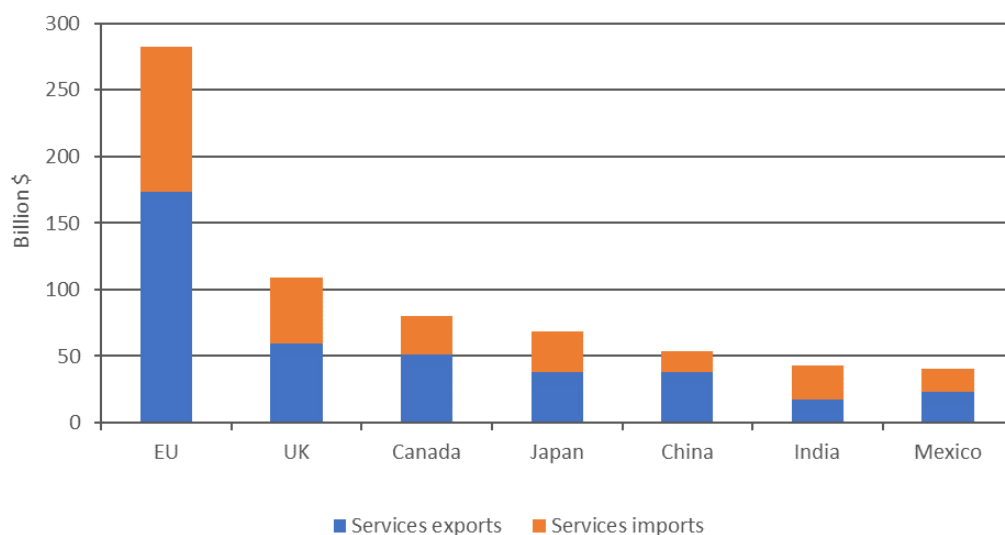
In billions of dollars. EU data do not include the UK; underlying data for this figure can be found in appendix table [B.2](#).



Source: USITC DataWeb/Census, accessed April 14, 2021.

Figure ES.3 U.S. total services trade with selected major trading partners, 2020

In billions of dollars. EU data do not include the UK; underlying data for this figure can be found in appendix table [B.3](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 3.1 "International Trade in Services."

European Union (EU): The EU, viewed as a single market, was the United States' largest merchandise trading partner in 2020. U.S. merchandise trade with the EU decreased by 10.0 percent to \$648 billion in 2020, representing 17.2 percent of U.S. total merchandise trade with the world. The EU remained the top U.S. services trading partner in 2020. U.S. total services trade with the EU decreased by 18.6 percent to \$282 billion in 2020, representing 24.5 percent of U.S. total services trade with the world. Among the major developments in the U.S.-EU trade relations in 2020 were the successful negotiation of an agreement on tariff reduction on EU lobster imports from the United States and U.S. imports of certain products from the EU, and the invalidation of the EU-U.S. Privacy Shield Framework by the Court of Justice of the European Union.

China: In 2020, China was the United States' second-largest merchandise trading partner. U.S. merchandise trade with China grew by 0.3 percent to \$560 billion in 2020, representing 14.9 percent of U.S. total merchandise trade with the world. In 2020, China was the United States' sixth-largest services trading partner. U.S. total services trade with China decreased by 30.3 percent to \$53 billion in 2020, representing 4.6 percent of U.S. total services trade with the world. In 2020, a major focus of U.S.-China trade relations was the signing of the "Phase One Agreement" on January 15, 2020. The Agreement requires structural reforms and other changes to China's economic and trade regime in the areas of (1) intellectual property, (2) technology transfer, (3) agriculture, (4) financial services, and (5) currency and foreign exchange. It also includes commitments from China to import various U.S. goods and services in 2020 and 2021 in an amount that is at least \$200 billion more than China's annual level of imports for those goods and services in 2017. The Agreement concludes with a chapter introducing a dispute resolution system.

Mexico: Mexico was the United States' third-largest merchandise trading partner in 2020. U.S. merchandise trade with Mexico decreased by 12.4 percent to \$538 billion in 2020, representing 14.3 percent of U.S. total merchandise trade with the world. Mexico was the United States' ninth-largest services trading partner in 2020. U.S. total services trade with Mexico decreased by 36.0 percent to \$40 billion in 2020, representing 3.5 percent of U.S. total services trade. Among the major developments in the U.S.-Mexico trade relations in 2020 were the implementation of the USMCA, discussions regarding section 232 tariffs on electrical steel transshipped through Mexico from outside the North American region, and U.S. government efforts to enact seasonal produce protections.

Canada: Canada dropped in position to become the United States' fourth-largest merchandise trading partner in 2020. U.S. merchandise trade with Canada decreased by 14.1 percent to \$526 billion in 2020, representing 13.9 percent of U.S. total merchandise trade with the world. Canada was the United States' third-largest services trading partner in 2020. U.S. total services trade with Canada decreased by 24.5 percent to \$80 billion in 2020, representing 7.0 percent of U.S. total services trade with the world. Among the major developments in the U.S.-Canada trade relations in 2020 were the implementation of the USMCA, the filing of two disputes under Chapter 31 of the USMCA, and the reimposition of section 232 tariffs on imports of certain primary aluminum from Canada.

Japan: Japan continued to be the United States' fifth-largest merchandise trading partner in 2020. U.S. merchandise trade with Japan decreased by 15.7 percent to \$184 billion in 2020, representing 4.9 percent of U.S. total merchandise trade with the world. Japan dropped in position to become the United States' fifth-largest services trading partner in 2020. U.S. total services trade with Japan decreased by 20.1 percent to \$69 billion in 2020, representing 6.0 percent of U.S. total services trade with the world.

Among the major developments in the U.S.-Japan trade relations in 2020 were the entry into force of the U.S.-Japan Trade Agreement and the U.S.-Japan Digital Trade Agreement on January 1, 2020, and the trilateral meeting in January 2020 between the United States, Japan, and the EU on industrial subsidies.

United Kingdom (UK): The UK was the United States' seventh-largest merchandise trading partner in 2020. U.S. merchandise trade with the UK decreased 17.5 percent to \$109 billion in 2020, representing 2.9 percent of U.S. total merchandise trade with the world. The UK remained the United States' second-largest services trading partner in 2020. U.S. total services trade with the UK decreased by 22.4 percent to \$109 billion in 2020, representing 9.5 percent of U.S. total services trade with the world. The UK officially exited the EU on January 31, 2020. Among the major developments in the U.S.-UK trade relations in 2020 were several meetings regarding regulation and technology in cross-border financial services trade, the enactment of several agreements preserving the terms of existing U.S.-EU agreements in future trade between the United States and the UK, and the announcement of the UK's post-Brexit position in existing U.S.-EU trade disputes on large civil aircraft and digital services taxes.

India: India became the United States' 10th-largest merchandise trading partner in 2020. U.S. merchandise trade with India decreased by 14.6 percent to \$79 billion in 2020, representing 2.1 percent of U.S. total merchandise trade with the world. India was the United States' seventh-largest services trading partner in 2020, rising one place since 2019. U.S. total services trade with India decreased by 20.0 percent to \$43 billion in 2020, representing 3.8 percent of U.S. total services trade with the world. Among the major developments in the U.S.-India trade relations in 2020 were talks on exploring a potential trade agreement, a dispute regarding India's digital services tax, and U.S. concerns regarding India's intellectual property protection.

Chapter 1

Global Trade Environment under the COVID-19 Pandemic

Introduction

Scope and Approach of the Report

This report provides information on the operation of the U.S. trade agreements program for calendar year 2020. 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.

This report provides information on the activities defined in the Executive Order and, the elements set out in section 163(a), to the extent appropriate, where information is publicly available. This year marks the 72nd edition of the report prepared by the U.S. International Trade Commission.

Sources

This report is based on primary-source materials about U.S. trade programs and administrative actions pertaining to them. These materials chiefly reflect U.S. government reports, *Federal Register* notices, and news releases, including publications and news releases by the Commission and the Office of the U.S. Trade Representative (USTR). Other primary sources of information include publications of international institutions, such as the International Monetary Fund (IMF), World Bank, Organisation for Economic Co-operation and Development (OECD), World Trade Organization (WTO), Asia-Pacific Economic Cooperation (APEC), 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 2020: Operation of the Trade Agreements Program* uses data from the U.S. Census Bureau (U.S. Census) of the U.S. Department of Commerce (USDOC) for U.S. merchandise trade statistics presented in chapters 2 through chapter 6. Most tables in the report present U.S. merchandise trade statistics using “total exports” and “general imports”² as measures,

² “Total exports” measures the total physical movement of goods out of the United States to foreign countries, whether such goods are exported from within the U.S. customs territory, or from bonded warehouse or Foreign Trade Zones (FTZs) under U.S. customs custody. “General imports” measures the total physical arrivals of

except for data on imports that have entered the United States with a claim of eligibility under trade preference programs and free trade agreements (FTAs), as in chapter 2 and chapter 5. 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.

Chapters 6 also offers data on U.S. services trade. The information on U.S. cross-border total services trade is based on official statistics for 11 broad categories that are published by U.S. Bureau of Economic Analysis (BEA) under the USDOC.³

Also, much of the trade data used in the report, including U.S. merchandise and services 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.

Organization of the Report

This first chapter gives an overview of global trade environment under the COVID-19 pandemic. Chapter 2 covers the administration of U.S. trade laws and regulations in 2020, including tariff preference programs. Chapter 3 focuses on U.S. participation in the World Trade Organization (WTO), including developments in major WTO dispute settlement cases during 2020. Chapter 4 covers 2020 developments at the Organisation for Economic Co-operation and Development (OECD) and the Asian-Pacific Economic Cooperation (APEC), as well as developments involving trade and investment framework agreements (TIFAs). Chapter 5 describes U.S. negotiation of and participation in free trade agreements (FTAs) in 2020, and chapter 6 covers U.S. trade in 2020 and trade relations with selected major trading partners.

merchandise from foreign countries, whether such merchandise enters the U.S. customs territory immediately, or is entered into bonded warehouses or FTZs under U.S. customs custody. USITC, “[A Note on U.S. Trade Statistics](#),” August 22, 2014.

³ These 11 broad categories are: maintenance and repair services not included elsewhere (n.i.e.); transport; travel; construction; insurance services; financial services; charges for the use of intellectual property; telecommunications, computer, and information services; other business services; personal, cultural, and recreational services; and government goods and services. In this edition of *Year in Trade*, U.S. cross-border trade in services information reports “total services,” which include data on U.S. exports and imports of government goods and services. The discussion of U.S. cross-border trade in services in previous editions of *Year in Trade* focused on private services only. The inclusion of government goods and services data in this year’s report is due to data suppression by BEA on private services trade in 2020 for several countries. For more information on changes to BEA’s services trade data, see BEA, “[Annual Update of the U.S. International Transactions Accounts](#),” July 2020. For a definition of these 11 broad categories, including government goods and services, see BEA, “[U.S. International Trade in Goods and Services—January 2021](#),” March 5, 2021, 10–12.

Global Trade Environment under the COVID-19 Pandemic in 2020

This section presents an overview of the unique global trade environment under the COVID-19 pandemic in 2020, highlighting global macroeconomic and trade trends, and the impact of the pandemic on key sectors.

The year of 2020 was marked by the onset of the COVID-19 pandemic. The pandemic left a profound impact on global economic activities, primarily through three channels: supply chain and trade flow disruptions, demand shifts, and government policy responses. As the pandemic evolved and progressed throughout the year (box 1.1), governments and businesses implemented various restrictive measures to help contain the spread of the virus, such as issuing national lockdowns; closing and limiting occupancy of schools, offices, and factories; and imposing travel restrictions. These measures contributed to major disruptions to global supply chains and trade flows, leading to a significant reduction of global air and sea shipments, as well as a shortage of goods, including components and parts. Figure 1.1 shows index values of the stringency of government response to the COVID-19 pandemic.

The COVID-19 pandemic also created demand shifts. With travel restrictions and social distancing in place, global demand for certain goods (e.g., petroleum products and transportation equipment) and services (e.g., transport and travel services) fell sharply, while global demand for other goods, including COVID-19 related medical goods (e.g., masks, surgical gowns, pharmaceutical products, hand sanitizer), surged. To mitigate potential shortage of key supplies, many countries imposed temporary export restrictions and/or import liberalizations on personal protective equipment (PPE), food, and certain other products, which created further disruption in international trade (figure 1.2 and 1.3).⁴

⁴ International Trade Centre (Geneva), "[Market Access Map: COVID-19 Temporary Trade Measures](#)," May 25, 2021.

Box 1.1 Timeline of the COVID-19 Pandemic, December 2019–December 2020

2019 December: China reported a cluster of pneumonia cases of unknown cause in Wuhan City.

2020 January:

- 7: A novel coronavirus associated with the outbreak—severe acute respiratory syndrome coronavirus 2, or SARS-CoV-2—was identified. The infectious disease caused by this newly discovered coronavirus was named “COVID-19.”
- 13: The first recorded case outside of China was confirmed in Thailand.
- 23: The government of China imposed a lockdown in the city of Wuhan. Similar measures were soon implemented in other Chinese cities.
- 30: The World Health Organization (WHO) declared the novel coronavirus outbreak a public health emergency of international concern.
- 31: The United States imposed a nationwide ban on travel from China.

2020 February:

- Countries outside of China, including South Korea and the United States, reported increasing numbers of COVID-19 cases.
- The United States and other countries began to impose global air travel restrictions.

2020 March:

- 11: The WHO declared COVID-19 a pandemic.

2020 March–December:

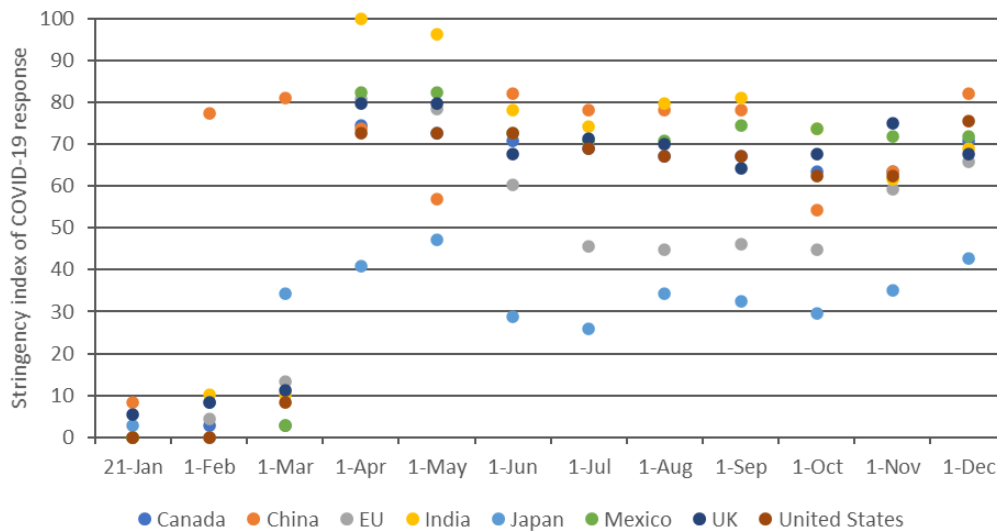
- The global stock and commodity markets experienced sharp fluctuations.
- Responding to the pandemic, governments across the world implemented various restrictive measures to help contain the spread of the virus, such as closing schools, workplaces, and public transportation; canceling public events; ordering stay-at-home requirements; restricting domestic movement; and establishing international travel controls (figure 1.1).
- To mitigate potential shortage of key supplies, countries imposed temporary restrictions on exports and/or temporary liberalization on imports of personal protective equipment (e.g., masks, gloves), pharmaceutical products, hand sanitizer, food, and certain other products (figures 1.2 and 1.3).

2020 December: Three major COVID-19 vaccines were authorized by the U.S. Food and Drug Administration under an Emergency Use Authorization, bringing the hope of ending the pandemic in 2021.

Source: New York Times, “[A Timeline of the Coronavirus Pandemic](#),” March 17, 2021; WHO, “[WHO Timeline–COVID-19](#),” accessed April 6, 2021; CRS, “[Export Restrictions in Response to the COVID-19 Pandemic](#),” April 23, 2021; Hale et al., “[Oxford COVID-19 Government Response Tracker](#) (OxCGRT),” March 8, 2021; International Trade Centre (Geneva), “[Market Access Map: COVID-19 Temporary Trade Measures](#),” May 25, 2021; CDC, “[CDC Museum COVID-19 Timeline](#),” accessed August 26, 2021.

Figure 1.1 Stringency Index of COVID-19 response, by selected major economies, 2020

EU data exclude the UK; underlying data for this figure can be found in appendix table [B.4](#).



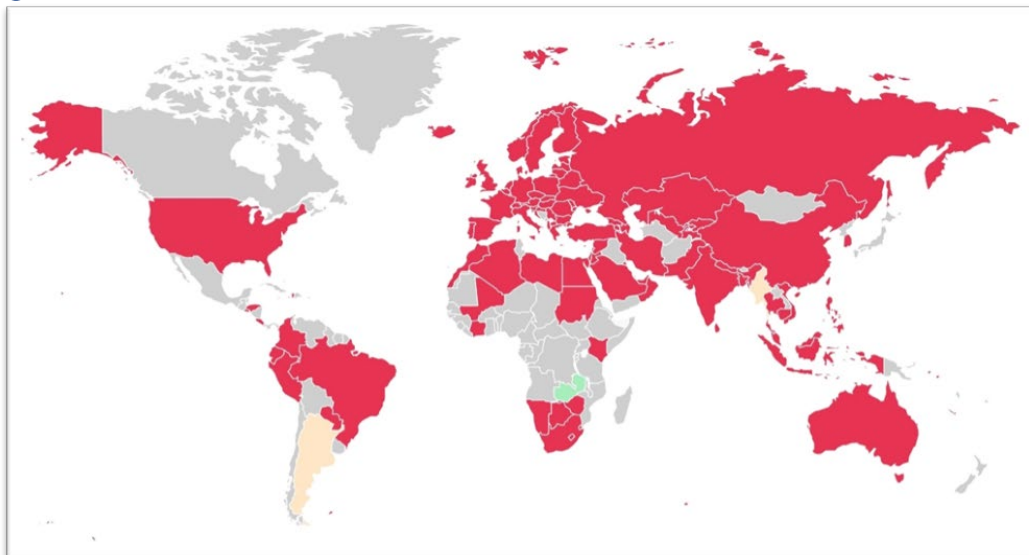
Source: Hale et al., "[Oxford COVID-19 Government Response Tracker \(OxCGRT\)](#)," March 8, 2021.

Note: Stringency Index is a composite measure based on nine government response indicators, including school and workplace closures, cancelling of public events, closing of public transportation, staying at home requirements, restriction on internal movement, and international travel controls. Variation in governments' responses are measured and rescaled to a value from 0 to 100 (100 = strictest). The index does not indicate appropriateness or effectiveness of a country's response to COVID-19. Data are provided at daily frequency beginning on January 21, 2020, but presented here on the first day of each month for brevity. Data for the EU as a whole was constructed by taking the daily average COVID-19 stringency index for EU member states with available data.

Figure 1.2 Global map of COVID-19 temporary export measures, January 2020–May 2021

Affected products include PPE, pharmaceutical products, hand sanitizer, food, and certain other products.

● = countries had export restrictions or bans (98 countries); ● = countries had export liberalization (2 countries);
● = countries had export restrictions and liberalization (2 countries); ● = countries with no export measures (137 countries).

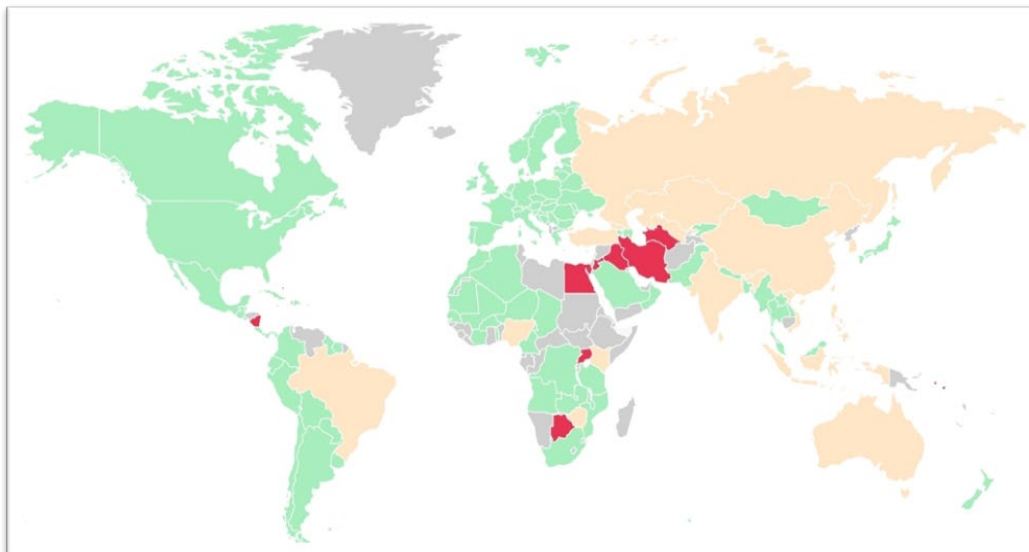


Source: International Trade Center (Geneva), "[Market Access Map: COVID-19 Temporary Trade Measures](#)," May 25, 2021.

Figure 1.3 Global map of COVID-19 temporary import measures, January 2020–May 2021

Affected products include PPE, pharmaceutical products, hand sanitizer, food, and certain other products.

● = countries had import restrictions or bans (12 countries); ● = countries had import liberalization (103 countries);
● = countries had import restrictions and liberalization (22 countries); ● = countries with no import measures (102 countries).



Source: International Trade Center (Geneva), "[Market Access Map: COVID-19 Temporary Trade Measures](#)," May 25, 2021.

Global Macroeconomic Trends in 2020

This section provides an overview of global macroeconomic trends in 2020, with measures such as gross domestic product (GDP), manufacturing output, working hours, foreign direct investment (FDI) inflows, and exchange rates.

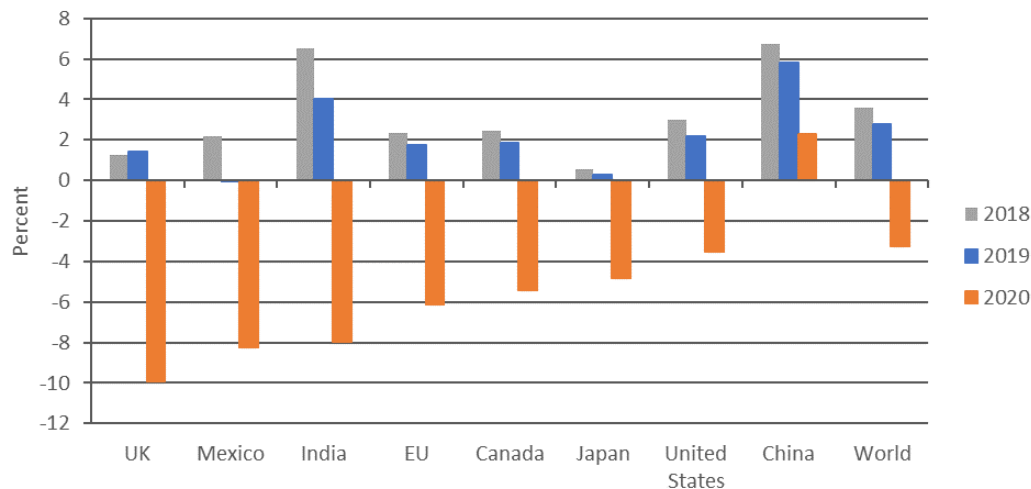
Gross Domestic Product (GDP)

In 2020, as governments, businesses, and consumers around the world implemented restrictive measures to help contain the COVID-19 pandemic, global economic activities were severely disrupted and curtailed. According to the International Monetary Fund (IMF), global real GDP contracted by an estimated 3.3 percent in 2020, compared to a growth rate of 2.8 percent in 2019.⁵

The pandemic-induced economic contraction was felt by most countries at all levels of economic development. Advanced economies contracted by an estimated 4.7 percent on average in 2020. The real GDP of the European Union (EU)⁶ declined by 6.1 percent, led by its member countries Spain (–11.0 percent), Italy (–8.9 percent), and France (–8.2 percent). The real GDP of the United Kingdom (UK) declined by 9.9 percent, while U.S. real GDP fell by 3.5 percent. Emerging market and developing economies contracted by an estimated 2.2 percent on average in 2020, led by Mexico (–8.2 percent), India (–8.0 percent), and South Africa (–7.0 percent). China was one of the few economies expanded in 2020, growing by 2.3 percent, though still well below its 2019 growth rate of 5.8 percent (figure 1.4).⁷

Figure 1.4 Real GDP growth rate, by the world and selected major economies, annual, 2018–20

In percentages. EU data exclude the UK; underlying data for this figure can be found in appendix table [B.5](#).



Source: IMF, “[World Economic Outlook Database](#),” GDP (constant price), accessed April 12, 2021.

⁵ IMF, [World Economic Outlook \(April 2021\)](#), April 2021.

⁶ The United Kingdom (UK) formally withdrew from the EU on January 31, 2020. In this report, the EU refers to the remaining 27 member countries, and EU data exclude the UK for the entire time series.

⁷ IMF, [World Economic Outlook \(April 2021\)](#), April 2021.

As the first country suffering the COVID-19 outbreak, China's GDP shrank by 6.8 percent in the first quarter of 2020 compared to the same period a year earlier.⁸ It was the first contraction for a single quarter that China experienced in decades.⁹ Following efforts to reduce the spread of the virus and an easing of restrictive measures, China's economic activities quickly recovered through the remaining quarters of 2020. As the virus spread globally, other economies such as the EU, the United States, and India, began to implement restrictive containment measures in March 2020. This contributed to sharp economic contraction in the second quarter, particularly for the UK, India, and Mexico. Although these economies experienced some recovery in the third and fourth quarters, it was not enough for most economies to return to the GDP levels of the previous year (table 1.1).

Table 1.1 Real GDP growth rate, by selected major economies, quarterly, 2019 Q1–2020 Q4

Measured as percentage change from the same quarter of previous year; GDP expenditure approach; EU data exclude the UK; data for Mexico are preliminary.

Economies	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canada	1.7	2.1	1.9	1.7	−0.3	−12.7	−5.3	−3.2
China	6.3	6.0	5.9	5.8	−6.8	3.2	4.9	6.5
EU	1.9	1.6	1.6	1.2	−2.7	−13.8	−4.0	−4.6
India	5.5	5.0	4.6	3.3	3.2	−24.1	−7.0	0.1
Japan	0.1	0.2	1.1	−1.3	−2.2	−10.2	−5.5	−1.0
Mexico	0.3	0.3	0	−0.8	−2.2	−18.6	−8.5	−4.5
UK	1.7	1.5	1.4	1.2	−2.2	−21.4	−8.5	−7.3
United States	2.3	2.0	2.1	2.3	0.3	−9.0	−2.8	−2.4

Source: OECD, "[Quarterly National Accounts](#)," accessed June 1, 2021.

Manufacturing Output

In 2020, annual global manufacturing output declined from its 2019 level by an estimated 4.1 percent.¹⁰ The biggest decline in manufacturing output occurred during the second quarter, followed by a strong recovery in the third and fourth quarters. Although global manufacturing output in the fourth quarter of 2020 was higher than in the same quarter of 2019, the full year output in 2020 remained lower than in 2019.¹¹

In 2020, manufacturing output declined by about 8 percent in the North American region (including only the United States and Canada, which declined by 6.5 percent and 9.5 percent, respectively), the sharpest contraction across all regions. The decline in manufacturing output of the African region was the smallest at 2.6 percent, while the three regions of Latin America and Caribbean (including Mexico, declining by 9.9 percent), Europe, and Asia and Pacific each declined about 5.5 percent. Among the few economies experiencing an increase in manufacturing output in 2020 were Taiwan, Singapore, Vietnam, Turkey, and China.¹²

⁸ OECD, "[Quarterly National Accounts](#)," accessed June 1, 2021.

⁹ CEIC database, "[China Real GDP Growth, quarterly, %, 1992–2021](#)," accessed April 23, 2021.

¹⁰ UNIDO, "[World Manufacturing Production \(Quarter 1–2021\)](#)," March 8, 2021.

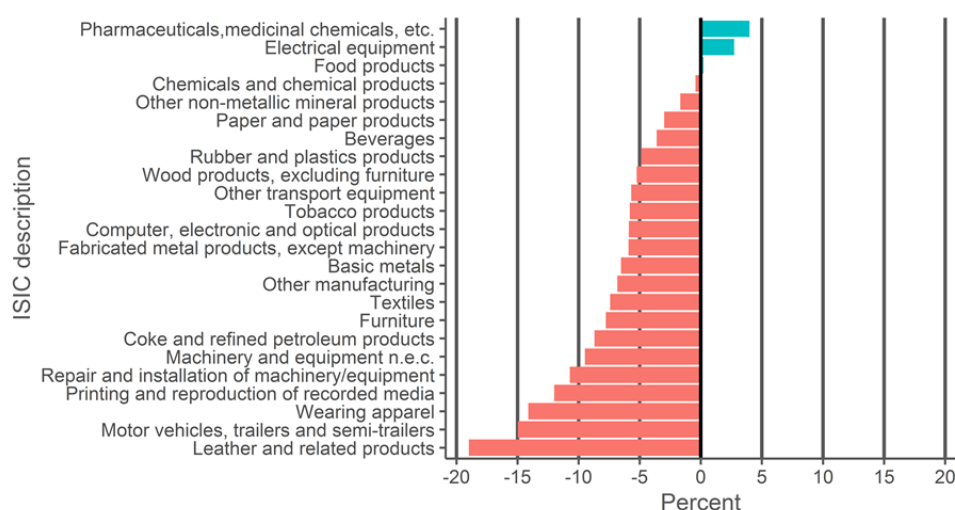
¹¹ UNIDO, "[Quarterly Index of Industrial Production \(IIP\) Database](#)," accessed April 23, 2021.

¹² UNIDO, "[Quarterly Index of Industrial Production \(IIP\) Database](#)," accessed April 23, 2021.

Of the 24 manufacturing sectors¹³ featured in the United Nations Industrial Development Organization (UNIDO) database, only 3 sectors experienced an increase in average output by volume¹⁴ in 2020: pharmaceuticals (4.0 percent), electrical equipment (2.7 percent), food products (0.2 percent).¹⁵ The remaining 21 sectors all experienced a decrease in output, with leather products (–19.0 percent), motor vehicles (–15.0 percent), and wearing apparel (–14.1 percent) suffering the largest declines (figure 1.5).¹⁶

Figure 1.5 Percentage change in global manufacturing output, by sector, annual, 2019–20

ISIC = International Standard Industrial Classification; n.e.c. = not elsewhere classified; underlying data for this figure can be found in appendix table [B.6](#).



Source: USITC calculations using data from UNIDO, “[Quarterly Index of Industrial Production \(IIP\) Database](#),” accessed April 23, 2021.

Labor

According to the International Labour Organization (ILO), labor markets around the world were disrupted in 2020 on a historically unprecedented scale due to the COVID-19 pandemic. Global working hours are estimated to have fallen by 8.8 percent in 2020 compared to pre-pandemic employment

¹³ UNIDO database adopts the International Standard Industrial Classification (ISIC) 4.0 revision for manufacturing sectors.

¹⁴ Sectoral changes in manufacturing output represent average (unweighted) changes in output across countries with available data. At the time of accessing the UNIDO database, “Repair and installation of machinery/equipment” had the lowest level of country coverage with available 2020 data for 41 economies. The remaining ISIC industrial sectors include data from between 63 and 82 economies.

¹⁵ Pharmaceuticals correspond to ISIC code 21, while electrical equipment and food products correspond to ISIC code 27 and ISIC code 10, respectively. UNIDO, “[Quarterly Index of Industrial Production \(IIP\) Database](#),” accessed April 23, 2021.

¹⁶ USITC calculations using data from UNIDO, “[Quarterly Index of Industrial Production \(IIP\) Database](#),” accessed April 23, 2021. The number of countries with available data in the UNIDO database varies by sector. At the time of accessing the UNIDO database, “Repair and installation of machinery/equipment” had the lowest level of country coverage with available 2020 data for 41 economies. The remaining ISIC industrial sectors include data from between 63 and 82 economies.

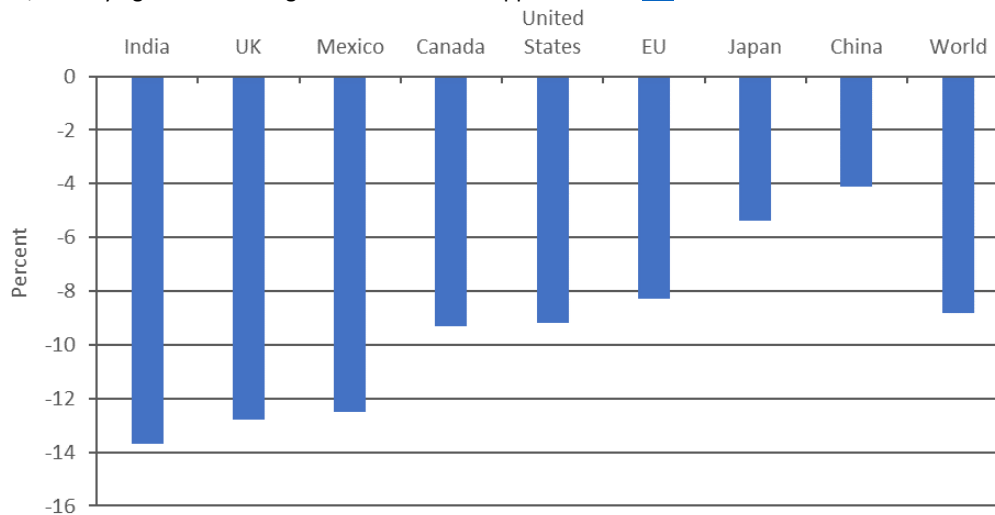
trends.¹⁷ This decline in working hours is equivalent to losing about 255 million full-time jobs globally, four times greater than the decline experienced during the 2008–09 global financial crisis.¹⁸

The global decline in working hours was driven almost equally by workers losing employment and a reduction in working hours for workers who remained employed.¹⁹ Of the estimated 114 million employment losses in 2020, 81 million (about 71 percent) became inactive,²⁰ while the rest (33 million, or 29 percent) became unemployed but remained actively looking for new jobs. As a result, the global labor force participation rate declined by 2.2 percentage points to 58.7 percent in 2020, and the global unemployment rate rose by 1.1 percentage points to 6.5 percent in 2020.²¹ Employment losses were higher for women than for men, and for younger workers than for older workers.²²

Among major economies, India (–13.7 percent), the UK (–12.8 percent), and Mexico (–12.5 percent) led the declines in working hours during 2020. They were followed by Canada (–9.3 percent), the United States (–9.2 percent), and the EU (–8.3 percent) (figure 1.6).²³

Figure 1.6 Percentage change in working hours, by the world and selected major economies, annual, 2019–20

EU data exclude the UK; the 2019 data are based on the annualized estimates of global working hours in the fourth quarter of 2019; underlying data for this figure can be found in appendix table B.7.



Source: ILO, “[Working Hours Lost Due to the COVID-19 Crisis, Annual](#),” April 26, 2021.

¹⁷ According to the ILO, global working hours fell by 8.8 percent in 2020 compared to annualized estimates of global working hours in the fourth quarter of 2019. ILO, [ILO Monitor \(7th Edition\)](#), January 25, 2021, 1.

¹⁸ The estimate is based on a 48-hour workweek. ILO, [ILO Monitor \(7th Edition\)](#), January 25, 2021, 5.

¹⁹ ILO, [ILO Monitor \(7th Edition\)](#), January 25, 2021, 8.

²⁰ The ILO classifies individuals inactive if they have withdrawn from the labor market because they are not available to work and/or do not search for a job. ILO, [ILO Monitor \(7th Edition\)](#), January 25, 2021, 7.

²¹ ILO, [ILO Monitor \(7th Edition\)](#), January 25, 2021, 7.

²² ILO, [ILO Monitor \(7th Edition\)](#), January 25, 2021, 2.

²³ ILO, “[Working Hours Lost Due to the COVID-19 Crisis, Annual](#),” April 26, 2021.

Most recently available estimates from the ILO show working hours in all sectors rebounded in the third quarter of 2020, though generally not enough to return to the levels of 2019 (table 1.2).²⁴ Several sectors experienced an increase in working hours in the third quarter compared to the previous year, including information and communications, financial and insurance activities, public administration and defense, utilities, and human health and social work activities. However, working hours in accommodation and food services, other services, and transportation and storage remained significantly below the 2019 levels through the third quarter of 2020 (table 1.2).²⁵

Table 1.2 Percentage change in working hours by sector, quarterly, 2020 Q2 and Q3

Measured as percentage change from the same quarter of previous year; “other services” sector includes employment in “arts, entertainment and recreation,” “other service activities,” and “activities of households and employers.”

Sector	2020 Q2	2020 Q3
Accommodation and food service activities	-33.0	-17.5
Other services	-20.8	-9.1
Construction	-14.8	-4.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	-13.0	-4.9
Manufacturing	-11.9	-4.4
Education	-11.4	-1.3
Transportation and storage	-14.9	-8.5
Information and communications	1.3	5.8
Real estate; business and administrative activities	-7.9	-4.0
Agriculture; forestry; and fishing	-6.9	-4.3
Public administration and defense; compulsory social security	-4.2	1.5
Utilities	-3.5	0.7
Human health and social work activities	-3.4	0.2
Mining and quarrying	-2.4	-1.6
Financial and insurance activities	-0.5	2.2

Source: USITC staff compiled based on ILO, *ILO Monitor (7th Edition)*, January 25, 2021.

Note: Average growth in total working hours for any given sector is unweighted and based on a maximum sample of 49 countries.

Foreign Direct Investment (FDI)

According to the United Nations Conference on Trade and Development (UNCTAD), global foreign direct investment (FDI) inflows contracted by 34.7 percent from \$1.5 trillion in 2019 to \$999 billion in 2020. This is the lowest level since 2005 and nearly 20 percent below the nadir after the 2008–09 Global Financial Crisis. The decline in FDI inflows was significantly sharper than the falls in GDP and trade.²⁶

The COVID-19 pandemic affected all types of investments. The volume and number of new Greenfield project announcements declined by 33 percent and 29 percent, respectively. The value and number of cross-border mergers and acquisitions (M&As) deals declined by 6 percent and 13 percent, respectively. And the volume and number of new international project finance deals declined by 42 percent and 5 percent, respectively.²⁷

²⁴ The ILO reported year over year contractions in global working hours at the sectoral level for Q2 and Q3, 2020 only. Other services sector includes workers in “arts, entertainment and recreation,” “other service activities,” and “activities of households as employers.” ILO, *ILO Monitor (7th Edition)*, January 25, 2021.

²⁵ ILO, “Working Hours Lost Due to the COVID-19 Crisis,” April 26, 2021.

²⁶ UNCTAD, *World Investment Report 2021*, June 21, 2021, 2.

²⁷ UNCTAD, *World Investment Report 2021*, June 21, 2021, 8.

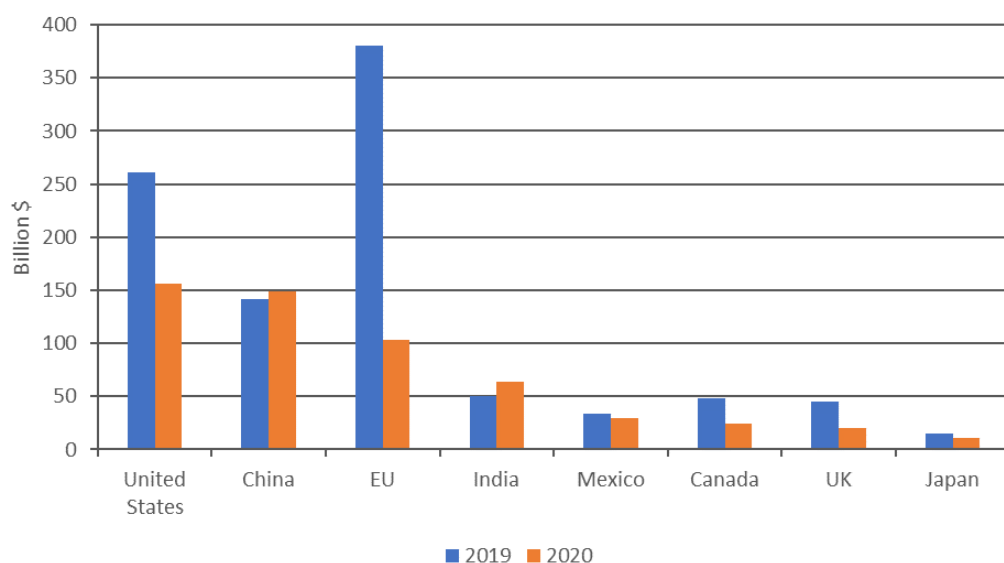
The decline in FDI inflows was concentrated in developed countries. FDI inflows to developed economies fell by over 58 percent to \$312 billion in 2020. Europe and North America contributed most to the decline. By contrast, FDI inflows to developing economies fell by 8.4 percent to \$663 billion in 2020. However, the change in FDI inflows was highly uneven across developing regions, with 45.4 percent decline in Latin America and Caribbean region, 15.6 percent decline in Africa, and 3.8 percent increase in developing Asia.²⁸

Among major economies, FDI inflows to the EU fell by 72.9 percent to \$103 billion in 2020; and FDI inflows to the UK declined by 56.7 percent to \$20 billion in 2020. FDI inflow to the United States declined by 40.2 percent to \$156 billion in 2020 (figure 1.7).²⁹ The UNCTAD cited several factors that could have contributed to such deep declines, including lower M&A activities, reduced new equity investment by multinational enterprises (MNEs), and negative intra-company loans.³⁰

China and India are among a few economies that experienced an increase in FDI inflows in 2020. China's FDI inflows increased by almost 6 percent to \$149 billion in 2020, second slightly to the United States. FDI inflows into India increased by nearly 27 percent to \$64 billion in 2020, boosted by investment in the digital sector.³¹

Figure 1.7 FDI inflows, by selected major economies, annual, 2019–20

In billions of dollars. EU data exclude the UK; underlying data for this figure can be found in appendix table [B.8](#).



Source: Data compiled from UNCTAD, [World Investment Report 2021](#), June 21, 2021, annex table 1.

²⁸ UNCTAD, [World Investment Report 2021](#), June 21, 2021, annex table 1.

²⁹ UNCTAD, [World Investment Report 2021](#), June 21, 2021, annex table 1.

³⁰ UNCTAD, [Global Investment Trend Monitor \(No. 38\)](#), January 2021.

³¹ UNCTAD, [Global Investment Trend Monitor \(No. 38\)](#), January 2021; UNCTAD, [World Investment Report 2021](#), June 21, 2021, annex table 1.

Exchange Rate

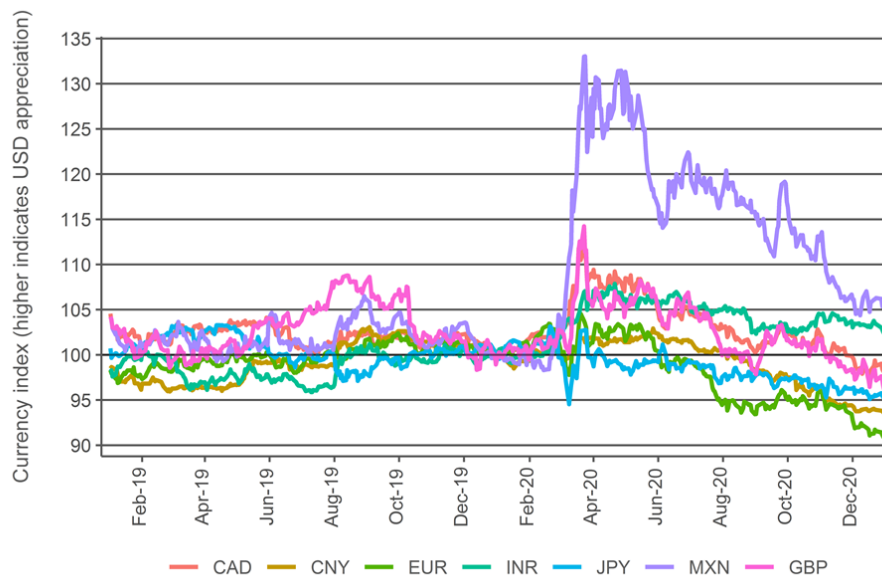
The fluctuation of exchange rates can affect trade flows by changing the price of traded goods in international markets. For instance, when the U.S. dollar appreciates, U.S. exports become more expensive and U.S. imports less expensive. Conversely, when the U.S. dollar depreciates, U.S. exports become less expensive while U.S. imports become more expensive.

In 2020, the value of the U.S. dollar fluctuated considerably relative to a basket of other major global currencies. During the early months of the year, the dollar appreciated significantly vis-à-vis a broad index of global currencies, increasing by 6.6 percent between December 2019 and April 2020.³² In the remainder of 2020, the value of the U.S. dollar trended downward from its peak. By the end of 2020, the U.S. broad dollar index had decreased by 3.3 percent compared to the end of 2019.³³

By the end of December, compared to the previous year, the dollar fell by 8.9 percent vis-à-vis the euro, 6.7 percent compared to the Chinese yuan, and 5.3 percent against the Japanese yen. The dollar appreciated relative to the Indian rupee and the Mexican peso, increasing in relative value by about 2.3 and 5.2 percent, respectively (figure 1.8).

Figure 1.8 Index of U.S. dollar exchange rate, by selected major foreign currencies, daily, 2019–20

January 2, 2020 = 100. CAD = Canadian dollar; CNY = Chinese yuan; EUR = Euro; INR = Indian rupee; JPY = Japanese yen; MXN = Mexican peso; GBP = British pound.



Source: Federal Reserve, "[Foreign Exchange Rates](#)," May 10, 2021.

Note: This figure shows daily data of currency indices of U.S. dollar exchange rates for selected major foreign currencies during 2019 and 2020. Due to the file size, the underlying data table is available from USITC staff [Chris Montgomery](#) upon request.

³² 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. Federal Reserve, "[Foreign Exchange Rates](#)," May 10, 2021.

³³ Federal Reserve, "[Foreign Exchange Rates](#)," May 10, 2021.

Global Trade Trends in 2020

This section gives an overview of global goods and services trade trends in 2020, highlighting the sectors which were most affected by the COVID-19 pandemic.

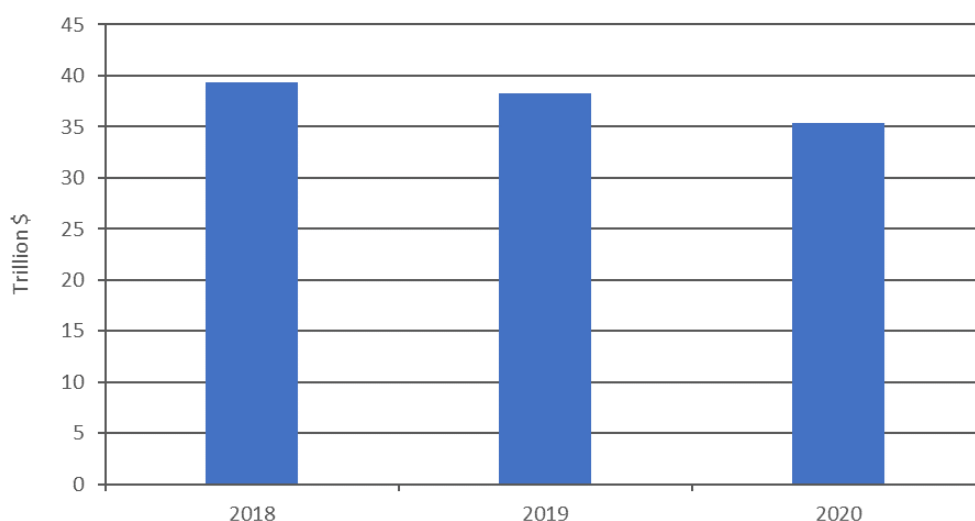
Global Merchandise Trade

Overview of Global Merchandise Trade in 2020

According to the World Trade Organization (WTO) estimates, in 2020, the value of global merchandise trade dropped by 7.6 percent from the 2019 level, compared to a decline of 2.8 percent from 2018 to 2019 (figure 1.9).³⁴

Figure 1.9 Global merchandise trade, annual, 2018–20

In trillions of dollars. Underlying data for this figure can be found in appendix table [B.9](#).



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

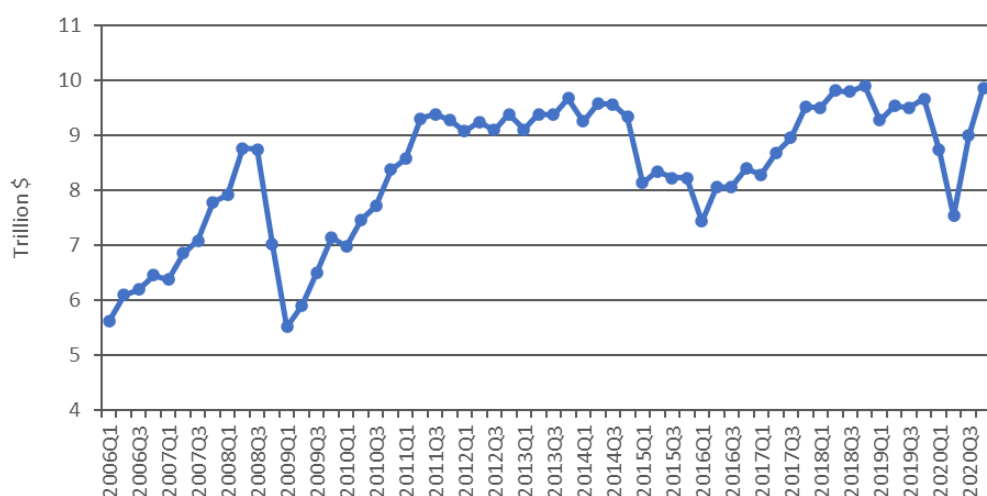
During the onset of the COVID-19 pandemic, the contraction of global merchandise trade in the first two quarters of 2020 was most severe, plummeting by 21 percent from the same period of 2019. This is the second-largest year-to-year drop in merchandise trade in recent decades, slightly less than the 23 percent drop during the 2008–09 global financial crisis. Following the collapse during the first half of 2020, global merchandise trade quickly rebounded in the second half of the year. By the fourth quarter of the year, global merchandise trade had fully recovered compared to the same period in 2019 (figure 1.10).³⁵

³⁴ WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

³⁵ WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed April 12, 2021.

Figure 1.10 Global merchandise trade, quarterly, 2006 Q1–2020 Q4

In trillions of dollars. Underlying data for this figure can be found in appendix table [B.10](#).



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed April 12, 2021.

In 2020, all regions recorded a decline in merchandise trade value. However, the magnitude of contraction was uneven across regions, reflecting variation in pandemic-induced disruptions and the speed of recovery. North America and the Middle East had the largest percentage decreases in exports, while Africa and Latin America had the largest percentage decreases in imports. Although Asia was the first region affected by the COVID-19 pandemic, it suffered the smallest percentage decrease in both exports and imports (table 1.3).³⁶

Table 1.3 Percentage change of merchandise trade, by region, annual, 2019–20

	Imports	Exports	Trade
Africa	-17.5	-5.9	-12.7
Asia	-6.4	-1.2	-3.9
Europe	-6.6	-7.5	-7.1
Latin America	-14.6	-8.3	-11.4
Middle East	-8.6	-14.9	-11.4
North America	-6.9	-12.8	-9.3

Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

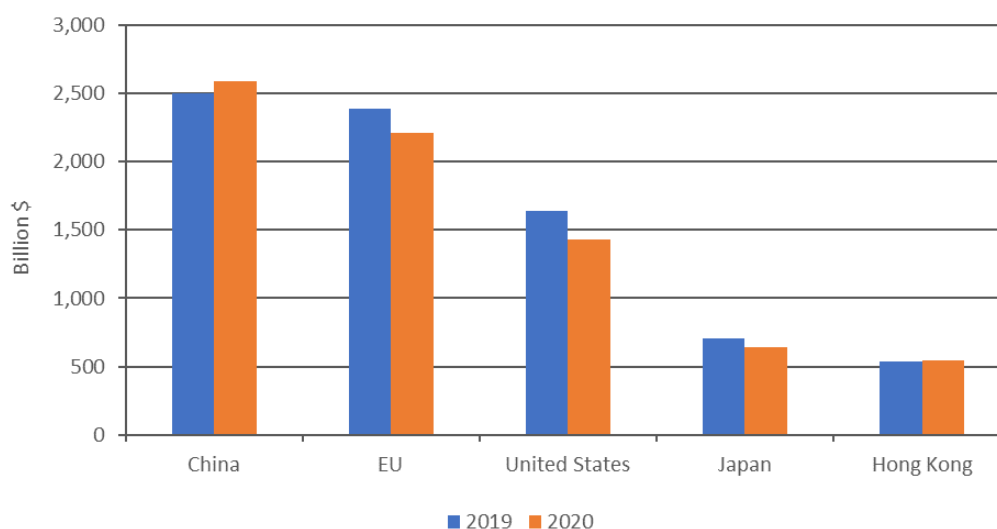
³⁶ WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

Global Leading Merchandise Exporters and Importers

In 2020, China remained the world’s largest merchandise exporter, followed by the EU,³⁷ the United States, Japan, and Hong Kong.³⁸ While the exports from the EU, the United States, and Japan all declined notably from the 2019 levels, China and Hong Kong both experienced an increase in their exports, by 3.7 percent, and 2.6 percent, respectively (figure 1.11).³⁹

Figure 1.11 Merchandise exports, by global top five exporters, annual, 2019–20

In billions of dollars. EU data exclude intra-EU trade and the UK for the entire time series; underlying data for this figure can be found in appendix table [B.11](#).



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

In 2020, the United States remained the world’s largest merchandise importer. China surpassed the EU⁴⁰ to become the second-largest merchandise importer, and the UK overtook Japan to become the fourth-largest merchandise importer. All these economies’ imports declined in 2020, with China declining the least (–1.1 percent) and Japan the most (–12.0 percent) in terms of percentage change (figure 1.12).⁴¹

³⁷ EU data exclude intra-EU trade and the UK.

³⁸ Although Hong Kong is a Special Administrative Region of China, it is an independent customs territory and economic entity separate from China, and can separately enter into international agreements in commercial, economic, and certain legal matters, under the Basic Law. USDOS, “[U.S. Relations with Hong Kong](#),” August 28, 2020.

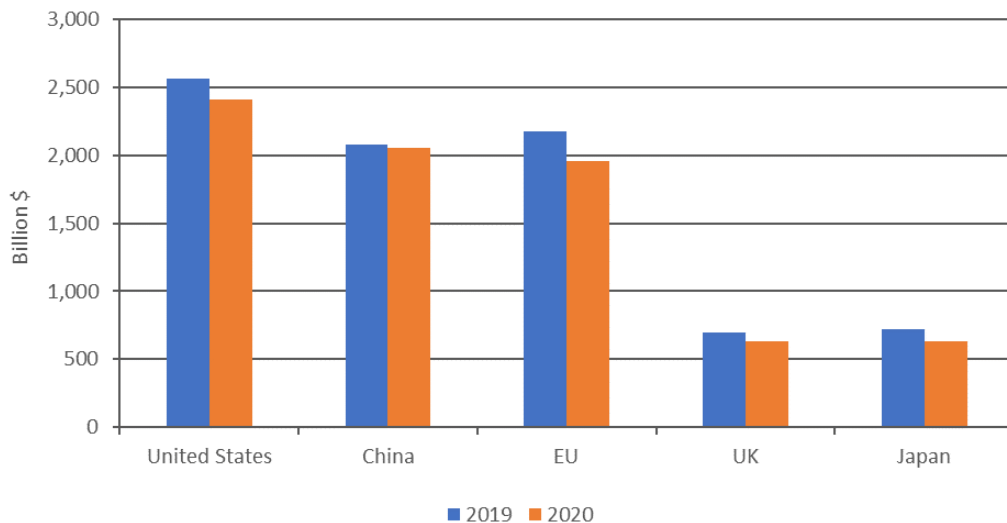
³⁹ WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

⁴⁰ EU trade data exclude intra-EU trade and the UK.

⁴¹ WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

Figure 1.12 Merchandise imports, by global top five importers, annual, 2019–20

In billions of dollars. EU data exclude intra-EU trade and the UK for the entire time series; underlying data for this figure can be found in appendix table [B.12](#).



Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

Global Merchandise Trade by Sector

At the time of this writing, 60 of 132 economies had reported merchandise trade statistics at the product level to UN Comtrade.⁴² Therefore, trade analysis in this section is based on the 2019 and 2020 trade data of these 60 economies only.

Based on the data available from the 60 reporting economies at the product level, in 2020, global trade of most products experienced a decline from the 2019 level. Petroleum products and transportation equipment experienced the largest declines in terms of both absolute dollar value and percentage change. Nonmonetary gold ores, COVID-19 related medical goods (e.g., personal protective equipment, or PPE), and computers were among the few product groups which experienced an increase in global trade.⁴³ The sections below discuss global trade of petroleum products, transportation equipment, and COVID-19 related medical goods in detail.

Petroleum Products

Global trade of crude and refined petroleum products registered a nearly 37 percent decrease from the 2019 level, based on the data available from the 60 reporting economies for the year of 2020.⁴⁴ Two factors contributed to such a sharp decline: one is the depressed global demand due to the pandemic, and the other is the collapse of crude oil price in early 2020. According to the U.S. Energy Information

⁴² At the time of this writing, UN Comtrade had reported Harmonized System (HS) 6-digit level merchandise trade data for 60 economies in 2020, a common annual reporting lag. Similar data covered 132 economies in 2019. The 60 economies made up about 56 percent of global merchandise exports and 51 percent of global merchandise imports in 2019.

⁴³ UN Comtrade, [International Trade Statistics Database](#), accessed April 15, 2021.

⁴⁴ USITC calculation based on the limited merchandise trade data from UN Comtrade, [International Trade Statistics Database](#), accessed April 15, 2021.

Administration (EIA), response to the COVID-19 pandemic caused global demand for petroleum products to fall significantly in 2020. The EIA estimated that in 2020, the world consumption of petroleum products was 9 percent less than the previous year, the largest decline since 1980.⁴⁵ The global oil market briefly collapsed in early 2020. The price of crude petroleum fell from \$63 per barrel in December of 2019 to \$21 per barrel in April of 2020, the lowest level since 2002. By the end of 2020, crude oil prices recovered to nearly \$50 per barrel, though still significantly below the level in 2019 (figure 1.13).⁴⁶ Major oil exporters, such as Saudi Arabia and Russia, as well as oil-producing countries in sub-Saharan Africa, were hit the hardest.⁴⁷

Figure 1.13 Crude oil price, monthly, 2002–20

In U.S. dollars. Underlying data for this figure can be found in appendix table [B.13](#).



Source: IndexMundi, "[Crude Oil \(Petroleum\) Monthly Price](#)," accessed May 18, 2021.

Note: Crude oil price is based on the average spot price of Brent, Dubai, and West Texas Intermediate, equally weighed. For the purposes of trading on futures exchanges in London or New York, reference oils are often used. The reference oil traded most frequently and of major significance for the United States is West Texas Intermediate, while the most important in Asia is Dubai, and the most important in Europe is Brent.

⁴⁵ USEIA, "[EIA Estimates Global Petroleum Liquids Consumption Dropped 9% in 2020](#)," January 29, 2021.

⁴⁶ IndexMundi, "[Crude Oil \(Petroleum\) Monthly Price](#)," accessed May 18, 2021. Crude oil price is based on the average spot price of Brent, Dubai, and West Texas Intermediate, equally weighed. For the purposes of trading on futures exchanges in London or New York, reference oils are used. The reference oil traded most frequently and of major significance for the United States is West Texas Intermediate, while the most important in Asia is Dubai, and the most important in Europe is Brent.

⁴⁷ IEA, [Oil Market Report \(April 2021\)](#), April 15, 2021, 5.

Transportation Equipment

Transportation equipment is another product group that experienced a steep decline in global trade in 2020. This product group includes motor vehicles, aircraft, railway equipment, and ships and boats, etc. Based on the data available from the 60 reporting economies, global trade of transportation equipment recorded an over 20 percent decrease from 2019.⁴⁸ Several factors on the demand and supply sides contributed to such a big decline in global trade of transportation equipment.

Due to COVID-19, global demand for aircrafts fell precipitously along with the reduction in air traffic. At the beginning of 2020, about 27,500 aircrafts were in services; and by the end of May 2020, less than 7,500 were still in services. By an optimistic estimate, the fleet would not exceed 27,000 until the end of 2022.⁴⁹ The reduced air traffic led to order cancellations by airlines, the biggest buyers of airplanes. The aircraft manufacturers were left with overwhelming inventories. According to a study on the aviation industry, the expected number of planes that were originally scheduled to be delivered globally throughout 2020 was roughly halved from 1,066 to 522, creating a disparity between production and delivery of aircrafts.⁵⁰ In turn, the drop could have affected related sectors such as maintenance, repair, and overhaul and spare parts aftermarkets.⁵¹

According to the International Organization of Motor Vehicle Manufacturers (OICA), global new vehicle sales fell by 12 percent between 2019 and 2020, with the greatest decline during the first half of 2020 (figure 1.14).⁵² This was a steeper drop than that experienced during the 2008–09 global financial crisis, when global vehicle sales declined by 8 percent. Estimates suggest that in 2020, in response to the pandemic, temporary shutdowns or reduced operations of automotive factories in Europe and North America resulted in the removal of about 2.5 million passenger vehicles from production schedules, a cost of \$77.7 billion in lost revenue for automotive and parts manufacturing companies.⁵³

In addition, given that the automotive industry is highly dependent on global and regional supply chains, factory closures in one region could have affected key production countries in other regions. UNCTAD estimates that a 2 percent reduction in China's exports of parts and other intermediate inputs to automotive manufacturers in the EU, North America, Japan, South Korea and other major automotive producing economies could lead to a \$7 billion reduction in automotive exports from these economies to the rest of the world.⁵⁴

⁴⁸ USITC calculation based on the limited merchandise trade data from UN Comtrade, [International Trade Statistics Database](#), accessed April 15, 2021.

⁴⁹ Akinola, [The Impact of COVID-19 on the Aviation Industry](#), September 2020, 7–8.

⁵⁰ Akinola, [The Impact of COVID-19 on the Aviation Industry](#), September 2020, 8.

⁵¹ Akinola, [The Impact of COVID-19 on the Aviation Industry](#), September 2020, 7.

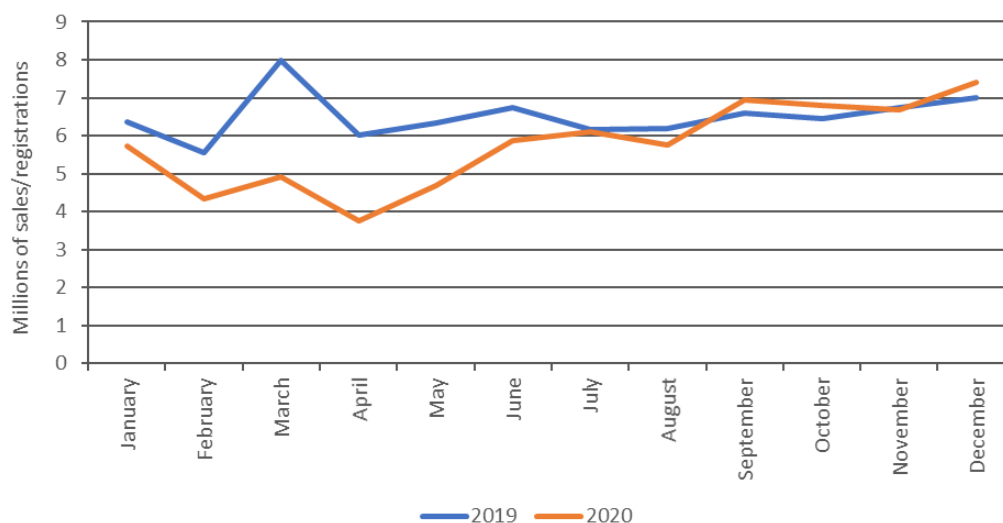
⁵² OICA, [Sales Statistics](#), all vehicles, monthly, accessed May 4, 2021.

⁵³ ILO, [COVID-19 and the Automotive Industry](#), April 8, 2020, 1–2.

⁵⁴ ILO, [COVID-19 and the Automotive Industry](#), April 8, 2020, 2; UNCTAD, [Global Trade Impact of the Coronavirus \(COVID-19\) Epidemic](#), March 4, 2020.

Figure 1.14 The number of sales/registrations of new vehicles in countries represented in OICA, monthly, 2019–20

In millions. OICA = the International Organization of Motor Vehicle Manufacturers; underlying data for this figure can be found in appendix table [B.14](#).



Source: OICA, [Sales Statistics](#), all vehicles, monthly, accessed May 4, 2021.

COVID-19 Related Medical Goods

The COVID-19 pandemic led to a sharp increase in global demand for related medical goods, such as testing kits and instruments, personal protective equipment (PPE),⁵⁵ medical equipment, pharmaceuticals, and oxygen therapy equipment such as ventilators. As a result, international trade in COVID-19 related medical goods⁵⁶ in 2020 rose 12.4 percent from the level of trade in those goods during 2019 (table 1.4).⁵⁷

⁵⁵ Personal protective equipment, or PPE, is defined as clothing and equipment worn to shield the wearer from injury or exposure to hazardous or infectious substances. USITC, [COVID-19 \(Vol. 2\)](#), December 2020, 75.

⁵⁶ COVID-19 related medical goods are based on World Customs Organization (WCO) “HS Classification Reference List,” which was developed in consultation with the World Health Organization (WHO). This list was augmented to include pharmaceuticals listed in the WTO’s [Trade in Medical Goods in the Context of Tackling COVID-19](#). USITC, [COVID-19 \(Vol. 1\)](#), April 2020, 7; World Customs Organization (WCO), [HS Classification Reference for Covid-19 Medical Supplies \(2nd Edition\)](#), April 9, 2020; WTO, [Trade in Medical Goods in the Context of Tackling COVID-19](#), April 3, 2020.

⁵⁷ USITC calculation based on the limited merchandise trade data from UN Comtrade, [International Trade Statistics Database](#), accessed April 15, 2021.

Table 1.4 Global trade of COVID-19 related medical goods, annual, 2019–20

In millions of dollars and in percentages.

Product	2019 (million \$)	2020 (million \$)	Percentage change, 2019–20
Testing kits and instruments	239,358	280,832	17.3
Disinfectants and sterilization products	59,027	64,382	9.1
Medical imaging, diagnostic, and other equipment	163,272	162,485	–0.5
Pharmaceuticals	597,037	630,076	5.5
Personal protective equipment (PPE)	32,628	55,655	70.6
Non-PPE medical consumables and hospital supplies	132,185	181,574	37.4
Oxygen therapy equipment and pulse oximeters	14,352	20,551	43.2
Other COVID-19 related medical goods	49,124	50,533	2.9
Total COVID-19 related medical goods	1,286,983	1,446,087	12.4

Source: UN Comtrade, [International Trade Statistics Database](#), accessed April 15, 2021.

Note: USITC calculation based on the limited merchandise trade data from UN Comtrade. At the time of this writing, only 60 of 132 economies in UN Comtrade had reported the detailed merchandise trade statistics at product level for 2020. This trend is based on the 2019 and 2020 trade data of these 60 economies only.

The global health crisis caused a large increase in demand for PPE worldwide. Key PPE items, including N95 masks, surgical masks, gowns, and goggles, are essential for healthcare workers. As a result, global trade of PPE surged by over 70 percent in 2020.⁵⁸ North America has the world's largest PPE market by revenue (33 percent), followed by Asia-Pacific (28 percent), and Europe (22 percent). Asia-Pacific countries—primarily China, as well as Indonesia, Malaysia, and Thailand—are the major producers of PPE products with deep integration in the supply chain as raw material producers and/or low-cost production hubs.⁵⁹ It is estimated that swelling demand for PPE, combined with supply chain disruptions caused by export restrictions, factory closures, and lockdown measures in major PPE-producing countries, resulted in backlogs of four to six months in fulfilling orders in early 2020.⁶⁰

The medical treatment of severe COVID-19 cases often requires the use of oxygen therapy equipment, such as ventilators and oxygen masks, and pulse oximeters, which resulted in an over 43 percent increase in global trade of these products. The growing numbers of COVID-19 cases and hospitalizations led to the rising demand for COVID-19 testing kits, as well as medical consumables and hospital supplies. As a result, global trade experienced an increase of 17 percent in the testing kits and 37 percent in medical consumables and hospital supplies.⁶¹

The response to the COVID-19 pandemic led many countries to implement temporary trade policy measures to help mitigate the potential shortage of key supplies during 2020. About two-thirds of such measures that went into effect globally since February 2020 specifically targeted COVID-19 related medical goods. As of October 2020, nearly 200 measures facilitating medical goods trade and about 150 measures restricting medical goods trade were in effect.⁶²

⁵⁸ UN Comtrade, [International Trade Statistics Database](#), accessed April 15, 2021.

⁵⁹ Park et al., [Global Shortage of Personal Protective Equipment amid COVID-19](#), April 2020, 2–3.

⁶⁰ Park et al., [Global Shortage of Personal Protective Equipment amid COVID-19](#), April 2020, 3; USITC, [COVID-19 \(Vol. 2\)](#), December 2020, 75.

⁶¹ UN Comtrade, [International Trade Statistics Database](#), accessed April 15, 2021.

⁶² Evenett et al., [“Trade Policy Responses to the COVID-19 Pandemic,”](#) December 11, 2020.

Global Services Trade

Overview of Global Services Trade in 2020

The COVID-19 pandemic had a significant, negative impact on global services trade in 2020. In that year, available data indicate that global services trade fell by 19.0 percent from \$12.1 trillion in 2019 to \$9.8 trillion in 2020.⁶³

Two sectors, travel services and transport services, accounted for the largest declines in global services trade in 2020—global exports of travel services fell by 63.2 percent, and transport services, by 18.8 percent.⁶⁴ Three other services sectors that experienced notable, but less pronounced, decreases included business, financial, and telecommunications services.⁶⁵ The relatively modest declines in these services sectors were likely due to the increasing ability of providers to deliver these services through digital networks.⁶⁶

Global Leading Services Exporters and Importers

In 2020, the EU⁶⁷ led global services exports, followed by the United States, the UK, China, and India (figure 1.15).⁶⁸ Each of the top five countries experienced declines in the total value of services exports in 2020 compared to 2019, with the largest decreases recorded by the United States (–21.0 percent) and the UK (–17.3 percent), followed by the EU (–14.7 percent), India (–4.5 percent), and China (–1.1 percent).

Developing countries and least-developed countries posted larger declines in services exports in 2020. These decreases were especially evident in countries such as Belize (–41.8 percent), Fiji (–64.5 percent), and Mauritius (–55.9 percent),⁶⁹ which rely heavily on exports of travel and tourism services.⁷⁰ According to the WTO, in 2018, exports of travel services contributed 32 percent of total commercial services exports by developing countries, and 50 percent by least-developed countries.⁷¹

⁶³ WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.

⁶⁴ UNCTAD, [International Trade in Services](#), trade and growth by main service category, quarterly, accessed March 8, 2021. According to UNCTAD, exports of travel services are recorded in the balance of payments as travel credits, which cover goods and services purchased by non-residents during visits to a foreign country.

⁶⁵ UNCTAD, [International Trade in Services](#), services (BPM6): trade and growth by main service category, quarterly, accessed March 8, 2021.

⁶⁶ OECD, [“COVID-19 and International Trade: Issues and Actions,”](#) June 12, 2020. For more information on the effects of the pandemic on services trade, see USITC, [Recent Trends in U.S. Services Trade: 2021 Annual Report](#), April 2021.

⁶⁷ EU data exclude intra-EU trade and the UK.

⁶⁸ WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.

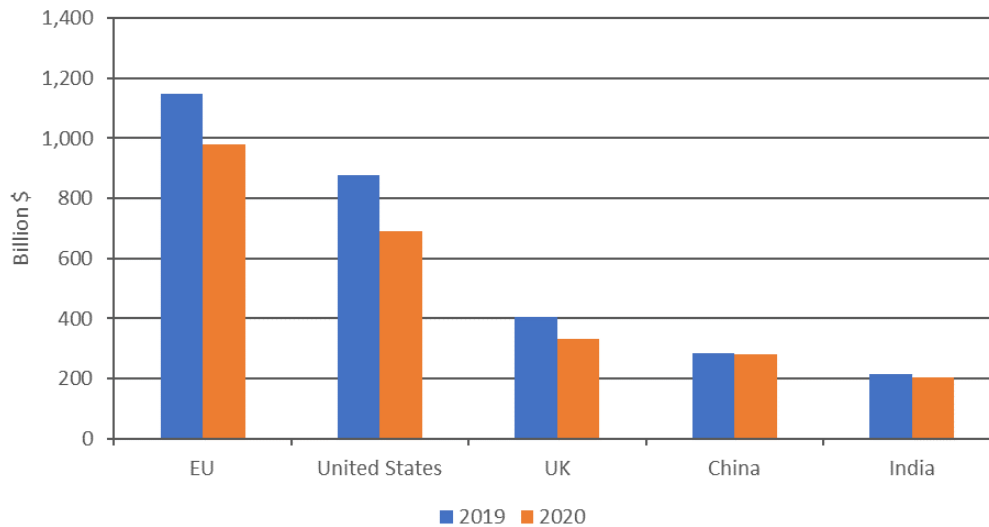
⁶⁹ DSDG, [“List of SIDS—Sustainable Development Knowledge Platform,”](#) accessed March 16, 2021.

⁷⁰ WTO, [Trade in Services in the Context of COVID-19](#), May 28, 2020, 3–4.

⁷¹ WTO, [Trade in Services in the Context of COVID-19](#), May 28, 2020, 4.

Figure 1.15 Commercial services exports, by global top five exporters, annual, 2019–20

In billions of dollars. EU data exclude intra-EU trade and the UK; underlying data for this figure can be found in appendix table [B.15](#).



Source: WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.

Separately, the top five global services importers in 2020 were the EU, the United States, China, the UK, and Japan (figure 1.16).⁷² Between 2019 and 2020, services imports in each of these countries decreased, with the largest drop recorded in the UK (–27.3 percent), followed by China (–24.0 percent), the United States (–22.1 percent), the EU (–13.2 percent), and Japan (–7.4 percent).⁷³ The sharp declines in services imports among these and other countries may partly reflect initial decreases in goods trade during the pandemic, dampening the derived demand for freight transport services.⁷⁴

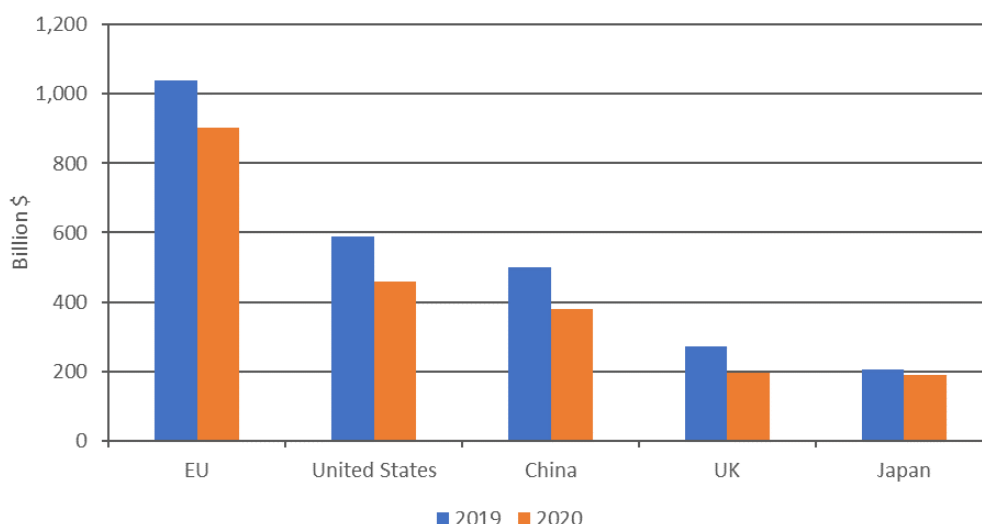
⁷² WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.

⁷³ WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.

⁷⁴ WTO, [Trade in Services in the Context of COVID-19](#), May 28, 2020, 3–4. Goods destined for either export or import are primarily conveyed by air and maritime freight transport services. For further information on these sectors, see USITC, [Recent Trends in U.S. Services Trade: 2019 Annual Report](#), September 2019, chapter 3: Logistics Services and 4: Maritime Transport Services.

Figure 1.16 Commercial services imports, by global top five importers, annual, 2019–20

In billions of dollars. EU data exclude intra-EU trade and the UK; underlying data for this figure can be found in appendix table [B.16](#).



Source: WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.

Global Services Trade by Sector

Transport and Travel Services

Transport (air and maritime) and travel services accounted for the largest sectoral declines in global services trade in 2020. For air transport, available data indicate that both air passenger and air freight traffic fell precipitously in 2020 compared to 2019, with the most pronounced decreases experienced in air passenger transport (figure 1.17).⁷⁵ By region, the highest decreases in air passenger traffic in 2020 occurred among countries in the Asia-Pacific region (–80 percent), North America (–75 percent), and Europe (–74 percent). At the same time, air freight traffic declined by the greatest amount in Latin America (–37 percent), the Asia-Pacific region (–27 percent), and Europe (–20 percent).⁷⁶

According to a report by the UN World Tourism Organization, as of November 2020, more than half of countries worldwide had established partial restrictions on foreign visitors due to the COVID-19 pandemic.⁷⁷ International tourist arrivals decreased by 74 percent in 2020 compared to 2019, with the largest aggregate decline experienced by countries in the Asia-Pacific region (–84 percent), followed by Africa and the Middle East (–75 percent each), Europe (–70 percent), and the Americas (–69 percent).⁷⁸

The drop in airline traffic, also diminished the availability of “belly” cargo, or cargo transported in the holds of passenger aircraft.⁷⁹ During the pandemic, however, some airlines removed seats from

⁷⁵ IATA, [“January Air Cargo Demand Recovers to Pre-COVID Levels,”](#) March 2, 2021.

⁷⁶ IATA, [“2020 Worst Year in History for Air Travel Demand,”](#) February 3, 2021.

⁷⁷ UNWTO, [“International Tourism and Covid-19,”](#) accessed March 8, 2021.

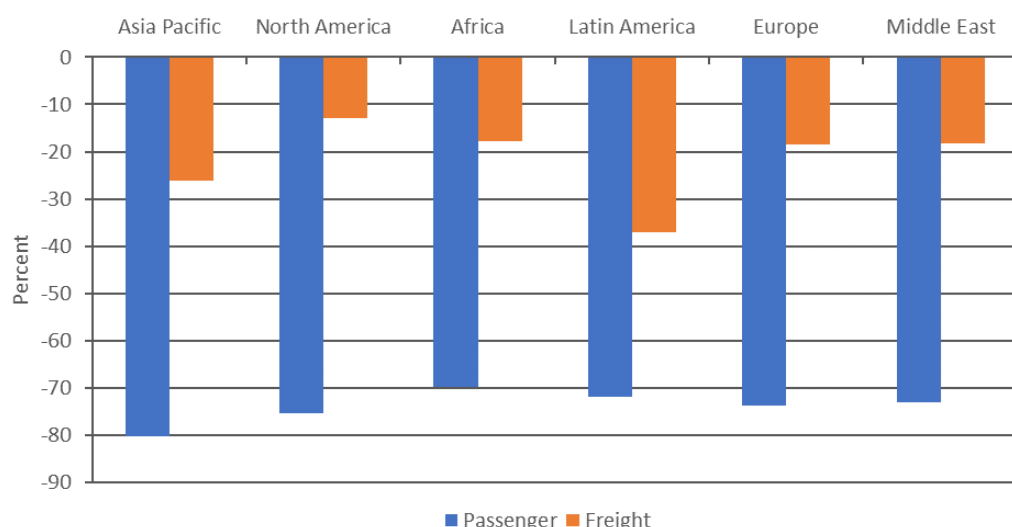
⁷⁸ UNWTO, [“70% of Destinations Have Lifted Travel Restrictions,”](#) December 2, 2020.

⁷⁹ IATA, [“2020 Worst Year in History for Air Travel Demand,”](#) February 3, 2021.

passenger aircraft to convert them into cargo carriers, thereby returning some air freight capacity to the market.⁸⁰

Figure 1.17 Year-over-year percentage change in air freight and passenger traffic, by region, 2019–20

Year-over-year percentage changes are calculated based on data for December 2019 and December 2020. Underlying data for this figure can be found in appendix table [B.17](#).



Source: IATA, [“January Air Cargo Demand Recovers to Pre-COVID Levels,”](#) March 2, 2021; IATA, [“2020 Worst Year in History for Air Travel Demand,”](#) February 3, 2021.

Although data on changes in maritime freight transport in 2020 are limited, UNCTAD’s port call and performance statistics database indicates that global ship traffic fell by 10 percent between 2019 and 2020. Container ship traffic declined by over 3 percent, while passenger ship traffic decreased by almost 14 percent.⁸¹ However, during the second half of 2020, all types of ship traffic experienced an increase from the first half of 2020,⁸² likely reflecting a recovery in economic activities, as well as international demand for goods, including that generated by a spike in online retail sales, or e-commerce.⁸³

Other Services (incl. Business, Financial, and Telecommunications Services)

Global exports of “other services,” which encompass business, computer, insurance, financial, and telecommunications services, among others, decreased by 2.4 percent between 2019 and 2020. By region, the largest percentage declines in exports of other services occurred in sub-Saharan Africa (–13.9 percent), and Latin America and the Caribbean (–9.2 percent), followed by Europe (–3.3 percent), Oceania (–2.1 percent), and Northern America (–1.8 percent).⁸⁴

⁸⁰ Atlas Logistics Network, [“US Airlines Transform Passenger Aircraft into Cargo Carriers,”](#) accessed March 12, 2021.

⁸¹ UNCTAD, [Maritime Transport](#), port call and performance statistics, semi-annual, accessed July 1, 2021.

⁸² UNCTAD, [Maritime Transport](#), port call and performance statistics, semi-annual, accessed July 1, 2021.

⁸³ Knowler, [“E-Tailers Tap Expedited Ocean Services as Air Cargo Rates Soar,”](#) September 4, 2020; King, [“Ocean Freight Market Far Stronger than in Last Global Recession,”](#) March 17, 2021.

⁸⁴ UNCTAD, [International Trade in Services](#), services (BPM6): trade and growth by main service category, quarterly, accessed March 8, 2021.

Country-level data on trade in other services categories in 2020 are incomplete,⁸⁵ but available data indicate that the largest percentage decreases in this category occurred in LDCs.⁸⁶ Studies find that digital connectivity and infrastructure are critical to trade facilitation, societal resilience, and business continuity, especially in times of crisis. The increased use of services through digital networks during the COVID-19 pandemic has accentuated technology and connectivity disparities. Inadequate access to digital networks in poorer countries hampers their abilities to deliver services via digital platforms and thus limits their opportunities to participate in services trade, resulting in more pronounced effects during the pandemic.⁸⁷ Well-established computer, telecommunications, and financial networks continue to be critical to facilitating services trade in all countries, as online (i.e., mode 1, cross-border trade) provision in sectors such as education, healthcare, and professional services replaces a portion of traditional, in-person services supplied through mode 2 (consumption abroad) and mode 4 (the temporary movement of natural persons abroad).⁸⁸

⁸⁵ Of 160 countries in the UNCTAD database, 61 countries reported the complete 2020 trade data on “other services” as of March 8, 2021. These 61 countries include 8 of the top 10 global commercial services trading countries (include the United States, China, Germany, Japan, the Netherlands, Singapore, Spain, and Belgium, but not include the UK and Ireland), as well as smaller services trading countries such as LDCs.

⁸⁶ UNCTAD, [International Trade in Services](#), services (BPM6): trade and growth by main service category, quarterly, accessed March 8, 2021.

⁸⁷ WTO, [Trade in Services in the Context of COVID-19](#), May 28, 2020; IFC, [“What COVID-19 Means for Digital Infrastructure in Emerging Markets,”](#) May 2020; and OECD/WTO, [Promoting Trade Inclusion in the Least Developed Countries through Connectivity](#), July 11, 2017.

⁸⁸ WTO, [Trade in Services in the Context of COVID-19](#), May 28, 2020, 2.

Chapter 2

Administration of U.S. Trade Laws and Regulations

This chapter surveys activities related to the administration of U.S. trade laws during 2020, covering import relief laws, laws against unfair trade practices, national security investigations, miscellaneous tariff bill reports under the American Manufacturing Competitiveness Act of 2016, 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 the initiatives intended to aid Haiti.

Import Relief Laws

Safeguard Investigations

This section covers safeguard investigations conducted by the Commission during 2020, including under the global safeguard provisions in sections 201–204 of the Trade Act of 1974 (Trade Act),⁸⁹ and statutes implementing safeguard provisions in various bilateral free trade agreements involving the United States.⁹⁰

Background

The safeguard provisions in sections 201–204 of the Trade Act set out a procedure under which the President may grant temporary relief to a domestic industry seriously injured by increased imports. The process begins at the Commission with the filing of a petition on behalf of a domestic industry, a request from the President or the U. S. Trade Representative, or a resolution from the House Committee on Ways and Means or the Senate Committee on Finance. Following receipt of a properly filed petition or a request or resolution, the Commission conducts an investigation to determine whether an article is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. If the Commission makes an affirmative determination, it recommends to the President the action that will address the serious injury or threat of serious injury, which may include a tariff or quota. The President makes the final decision on whether to take an action and, if so, the form and amount, subject to certain statutory limitations. The action may not exceed an initial period of four years and an overall period, with extensions, of eight years.⁹¹

⁸⁹ Trade Act of 1974 (Trade Act), 19 U.S.C. §§ 2251–2254.

⁹⁰ For a list of such statutory authorities, see section 206.31 of the Commission’s Rules of Practice and Procedure, 19 CFR § 206.31 (April 1, 1997).

⁹¹ 19 U.S.C. §§ 2251–2253.

The Commission must monitor industry developments during the period the action is in effect, and submit a report on its monitoring to the President and the Congress at the midpoint of the action if it exceeds three years. The Commission may also be required to conduct an investigation and make a determination in connection with any request for an extension of the action, and the President may request the Commission to provide advice regarding the effect on the industry of any reduction, modification, or termination of an action. After the action taken has terminated, the Commission must provide a report to the President and the Congress on the effectiveness of the action.⁹² The statute also provides a procedure for provisional relief for perishable agricultural products pending completion of a Commission investigation and in the case of critical circumstances.⁹³

Developments in 2020

During 2020, the United States had two global safeguard measures in effect, one on solar cells and modules, and one on large residential washers.⁹⁴ The President imposed both measures in February 2018 following receipt of affirmative serious injury determinations from the Commission. The measure on imports of solar cells and modules was imposed for four years, and the measure on imports of large residential washers was imposed for three years and one day. During 2020, the Commission conducted and completed two separate safeguard proceedings with respect to the measure on solar cells and modules, including (1) as required by section 204(a)(2) of the Trade Act, a midpoint monitoring review and report with respect to the progress and specific efforts of firms and workers in the domestic solar cells and modules industry to make a positive adjustment to import competition;⁹⁵ and (2) at the request of the President pursuant to section 204(a)(4) of the Trade Act, a proceeding to advise the President of its judgment as to the probable economic effect on the industry concerned of any reduction, modification, or termination of the safeguard measure on imports of solar cells and modules.⁹⁶

The Commission also conducted an investigation under section 204(c) of the Trade Act with respect to a possible extension of the safeguard measure on large residential washers. Following receipt of a petition from Whirlpool Corporation on behalf of the domestic industry producing such washers, the Commission conducted an investigation to determine whether the safeguard action under section 203 of the Trade Act continues to be necessary to prevent or remedy serious injury and whether there is evidence that the industry is making a positive adjustment to import competition. The Commission made an affirmative determination.⁹⁷

In September 2020, the Commission instituted a new global safeguard investigation under section 202(b) of the Trade Act with respect to imports of fresh, chilled, or frozen blueberries. The Commission

⁹² 19 U.S.C. §§ 2251–2255.

⁹³ 19 U.S.C. § 2252(d).

⁹⁴ Proclamation No. 9693, 83 Fed. Reg. 3541 (January 25, 2018); and see Proclamation No. 9693, 83 Fed. Reg. 3553 (January 25, 2018).

⁹⁵ USITC, [Crystalline Silicon Photovoltaic Cells Monitoring](#), February 2020.

⁹⁶ USITC, [Crystalline Silicon Photovoltaic Cells Monitoring \(Modification\)](#), March 2020.

⁹⁷ USITC, [Large Residential Washers: Extension of Action](#), December 2020. Following receipt of the Commission's report, the President made a similar determination and issued a proclamation in January 2021 extending the import relief measure (as modified) for an additional 2 years till 2023. See Proclamation No. 10133, 86 Fed. Reg. 6541 (January 21, 2021).

instituted the investigation at the request of the U.S. Trade Representative.⁹⁸ The investigation was pending at the end of 2020, with the Commission required to make its determination and any recommendations, and to submit its report to the President by the end of March 2021.⁹⁹

In December 2020, at the request of the U.S. Trade Representative, the Commission instituted two monitoring investigations under section 332(g) of the Tariff Act of 1930 with respect to imports of fresh or chilled strawberries, and imports of fresh or chilled bell peppers, in accordance with the perishable agricultural provision in section 202(d)(1) of the Trade Act.¹⁰⁰ Under that provision, and provided that the Commission has been monitoring imports of the product for at least 90 days, the domestic industry concerned can file a petition for import relief under section 202(b) of the Trade Act and in that petition seek provisional import relief pending completion of a full Commission investigation. In such a case, the Commission will have 21 days from receipt of a petition containing such a request to make a preliminary determination, and if affirmative, recommend a remedy to the President. The President has seven days from receipt of an affirmative Commission determination to proclaim any provisional relief.¹⁰¹

Laws against Unfair Trade Practices

Section 301 Investigations

Background

Section 301 of the Trade Act addresses unfair foreign practices affecting U.S. commerce.¹⁰² Section 301 may be used to enforce U.S. rights under bilateral and multilateral trade agreements or respond to unjustifiable, unreasonable, or discriminatory foreign government practices that burden or restrict U.S. commerce. Interested persons may petition the U.S. Trade Representative (Trade Representative) to investigate foreign government policies or practices, or the Trade Representative may initiate an investigation.

In each investigation, the Trade Representative must seek consultations with the foreign government involved. If the matter is not resolved, section 304 of the Trade Act requires the Trade Representative 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

⁹⁸ USTR, “[USTR Requests Global Safeguard Investigation for Blueberries](#),” September 29, 2020. For scope and schedule of the investigation, see 85 Fed. Reg. 4162 (October 9, 2020). The Commission held a public hearing in the injury phase of the investigation on January 12, 2021, in the form of an online videoconference.

⁹⁹ On February 11, 2021, the Commission made a unanimous negative determination, and accordingly did not recommend a remedy to the President. The Commission transmitted its report to the President on March 29, 2021. See USITC, [Fresh, Chilled, or Frozen Blueberries](#), March 2021.

¹⁰⁰ 85 Fed. Reg. 78867 (December 7, 2020); 85 Fed. Reg. 78866 (December 7, 2020).

¹⁰¹ USITC, “[USITC to Monitor Imports of Fresh or Chilled Strawberries and Bell Peppers](#),” December 2, 2020. See also section 202 of the Trade Act, 19 U.S.C. § 2252(d)(1)(G).

¹⁰² Section 301 refers to sections 301–310 of the Trade Act, 19 U.S.C. §§ 2411–2420.

of the first two conditions, the Trade Representative generally must take action.¹⁰³ If the practices are unreasonable or discriminatory and burden or restrict U.S. commerce, the Trade Representative determines whether action is appropriate and, if so, what action to take.¹⁰⁴ Section 301 authorizes a wide range of actions including the suspension of trade agreement concessions, the imposition of duties or other restrictions on the imports of goods or services, and entering into an agreement to eliminate the offending practice or provide the United States with compensatory benefits. Moreover, if a foreign country fails to comply with such an agreement, or to implement a WTO recommendation, the Trade Representative must determine what further action should be taken under section 301.¹⁰⁵

Developments in 2020

Active section 301 investigations in 2020 involved technology transfer, intellectual property, and innovation practices in China; taxes on digital services proposed or adopted in France and 10 other jurisdictions; large civil aircraft subsidies by the EU and certain member states; and currency and timber-related activities in Vietnam.¹⁰⁶

China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

On August 18, 2017, at the direction of the President, the Trade Representative initiated an investigation of China's laws, policies, practices, or actions that might be unreasonable or discriminatory and harming U.S. intellectual property rights (IPRs), innovation, or technology development.¹⁰⁷ The Office of the U.S. Trade Representative (USTR) published the findings of its investigation in March 2018.¹⁰⁸ The Trade Representative then issued a notice finding the following four categories of acts, policies and practices of China to be unreasonable or discriminatory and to constitute a burden or restriction on U.S. commerce, and thus actionable under the Trade Act:

1. China's use of foreign ownership restrictions and administrative processes to require or pressure technology transfer from U.S. companies.
2. China's regime of technology regulations that force U.S. companies seeking to license technologies to Chinese entities to do so on nonmarket-based terms.
3. China directs and unfairly facilitates the systematic investment in, and acquisition of, U.S. companies and assets to obtain cutting-edge technologies and generate technology transfer to Chinese companies.

¹⁰³ The Trade Representative is not required to take action in any case in which the WTO Dispute Settlement Body has adopted a report, or a ruling has been issued under the formal dispute proceeding under any other trade agreement, that U.S. rights are not being denied, or that the act, policy, or practice does not violate U.S. rights or deny benefits under any trade agreement. 19 U.S.C. § 2411(a)(2).

¹⁰⁴ Trade Act, 19 U.S.C. §§ 2414(a).

¹⁰⁵ Trade Act, 19 U.S.C. §§ 2411(c) and 2416(b).

¹⁰⁶ The Trade Representative also concluded an investigation involving EU meat hormone directives in January 2020. For more information on this investigation, see USITC, [Year in Trade 2019](#), August 2020, 65–67.

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

¹⁰⁸ USTR, [China 301 Findings](#), March 22, 2018.

4. China conducts and supports unauthorized intrusions into, and theft from, the computer networks of U.S. companies to access sensitive commercial information and trade secrets.¹⁰⁹

In 2018, the Trade Representative initiated a WTO dispute to address the second category of actions. The Trade Representative requested a suspension of the WTO proceedings in June 2019, and the proceedings remain suspended.¹¹⁰ To address the three other categories, and at the direction of the President, the Trade Representative imposed a series of additional duties on products of China. USTR also opened a process for stakeholders to request exclusions from the additional duties.

Following hearings and public comments, the Trade Representative imposed additional duties on products of China identified on a series of lists. In June 2018, the Trade Representative imposed an additional 25 percent duty on products on List 1; these products had an approximate annual trade value of \$34 billion. In August 2018, the Trade Representative imposed an additional 25 percent duty on products included on List 2, which had an approximate annual trade value of \$16 billion. In September 2018, the Trade Representative modified the prior action by imposing additional duties on List 3 products with an approximate annual trade value of \$200 billion. The additional duty rate for List 3 initially was set at 10 percent and increased to 25 percent in May 2019. In August 2019, the Trade Representative imposed additional duties of 10 percent on products with annual trade valued at \$300 billion. USTR divided the final list of products into two separate lists: List 4A, which would be subject to additional duties on September 1, 2019, and List 4B, subject to duties on December 15, 2019. Subsequently, at the direction of the President, the Trade Representative increased the rate of additional duties on both sets of List 4 products from 10 percent to 15 percent.¹¹¹

On December 13, 2019, USTR announced a Phase One Agreement that requires China's purchase of certain U.S. goods and services, as well as structural reforms and other changes to its economic and trade regime related to intellectual property, technology transfer, and other matters.¹¹² In light of the Phase One Agreement, and at the direction of the President, the Trade Representative suspended indefinitely the imposition of tariffs on products covered by List 4B and reduced the additional rate of duties on products covered by List 4A from 15 percent to 7.5 percent, effective February 14, 2020.¹¹³

USTR also implemented a process by which U.S. importers could request that products included on the various lists be excluded from additional duties. According to USTR, it approved about 34 percent of exclusion requests pertaining to List 1 (3,700 of 11,000 requests), and about 38 percent of the List 2 exclusion requests (1,100 of 2,900 requests). USTR reports that it approved about 5 percent of List 3 exclusion requests (1,500 of 30,300 requests), and about 7 percent of List 4A exclusion requests (575 of 8,800 requests). The first tranche of approved exclusions expired in December 2019 and the last expired in October 2020. USTR approved about 549 requests for extensions of these exclusions. In December 2020, the Trade Representative determined to further extend product exclusions, or otherwise modify

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

¹¹⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 41; WTO, "[DS542: China](#)," accessed March 24, 2021.

¹¹¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 41–42.

¹¹² USTR, "[Agreement between the United States of America and the People's Republic of China](#)," December 13, 2019. For more information on China Phase One Agreement, see the [China section in chapter 6](#) of this report.

¹¹³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 42.

its determinations to remove section 301 duties on certain medical-care products to address the COVID-19 pandemic.¹¹⁴

Digital Services Taxes

On July 24, 2019, the president of France signed into law a Digital Services Tax (DST) that would place a 3 percent levy on revenues that some companies generate from providing certain digital services to, or aimed at, persons in France. The DST applied retroactively beginning January 1, 2019 to companies that met certain global and French revenue thresholds for the covered services. On July 10, 2019, the Trade Representative initiated an investigation of the French DST under section 301 of the Trade Act. After holding a hearing and receiving written submissions as well as advice from the inter-agency Section 301 Committee, on December 2, 2019, USTR issued a report setting out its factual findings.¹¹⁵

On December 6, 2019, the Trade Representative determined under sections 301(b) and 304(a) of the Trade Act¹¹⁶ that the French DST is unreasonable or discriminatory and burdens or restricts U.S. commerce and is thus actionable under the section 301 provisions of the Trade Act. USTR solicited public comments on a proposed trade action consisting of additional duties of up to 100 percent on certain French products. USTR further sought comment on the option of imposing fees or restrictions on French services.¹¹⁷ The Section 301 Committee convened a public hearing in January 2020 and received written submissions.¹¹⁸ On July 10, 2020, the Trade Representative determined that the appropriate action was the imposition of duties of 25 percent on certain French products.¹¹⁹ To allow additional time for discussions that could lead to resolution of the matter, the Trade Representative suspended application of the additional duties for a period up to 180 days, or until January 6, 2021.¹²⁰

Other trading partners also considered or adopted DSTs that reach the online activities of U.S. firms in 2020. For example, effective January 1, 2020, Austria implemented a 5 percent tax on online advertising revenue for companies with global annual revenues above a certain threshold.¹²¹ Also effective January 1, 2020, Italy's DST legislation imposed a three percent tax on revenues from targeted advertising and digital interface services, subject to annual thresholds.¹²² In March 2020, India announced a two percent DST on foreign electronic commerce and digital service providers that does not apply to firms established in India.¹²³ Effective March 2020, Turkey's DST imposed a 7.5 percent tax on revenues from digital advertising, digital content sales, and digital platform services.¹²⁴ Retroactive to April 2020, the

¹¹⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 41–42; Sandler, Travis & Rosenberg, P.A., "[Section 301 Tariffs on China](#)," accessed March 31, 2021.

¹¹⁵ USTR, [Report on France's Digital Services Tax](#), December 2, 2019.

¹¹⁶ 19 U.S.C. §§ 2411(b) and 2414(a).

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

¹¹⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 44.

¹¹⁹ 85 Fed. Reg. 43292 (July 16, 2020).

¹²⁰ On January 6, 2021, USTR suspended the action again, this time for the purpose of coordinating with other DST investigations. 86 Fed. Reg. 2479 (January 12, 2021).

¹²¹ Austria's law also exempts a large state broadcaster from the DST. Source: USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 221.

¹²² USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 222.

¹²³ USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 268.

¹²⁴ USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 507.

UK adopted a DST that imposed a 2 percent tax on revenues of search engines, social media services, and online marketplaces and associated advertising, subject to certain thresholds.¹²⁵

Based on these and other developments, on June 2, 2020, the Trade Representative initiated section 301 investigations of DSTs adopted or under consideration in 10 jurisdictions: Austria, Brazil, the Czech Republic, the EU, India, Indonesia, Italy, Spain, Turkey and the UK.¹²⁶ USTR continued with its investigations of DST legislation or proposals in these countries throughout the year.¹²⁷

Large Civil Aircraft Subsidies by the EU and Certain Member States

On April 12, 2019, the Trade Representative initiated a section 301 investigation to enforce U.S. rights in a WTO dispute (DS316) initiated on October 6, 2004, when the United States requested consultations with the European Communities (now the EU), France, Germany, Spain, and the United Kingdom over certain subsidies granted the EU large civil aircraft industry.¹²⁸ For more information on this dispute and the subsequent WTO proceedings, see [chapter 3](#).

In preparation for a WTO arbitrator's report on the appropriate level of countermeasures, USTR's notice on April 12, 2019, requested comments on a list of products with an estimated trade value of \$21 billion that were under consideration for additional duties of up to 100 percent. On July 5, 2019, USTR issued a notice requesting comments on a supplemental list of products valued at \$4 billion for which additional duties of up to 100 percent also were being considered. USTR held public hearings and received written submissions based on these notices.¹²⁹ On October 2, 2019, the WTO Arbitrator issued a report concluding that the appropriate level of countermeasures was about \$7.5 billion annually.¹³⁰ On October 9, 2019, the Trade Representative announced the determination to take action in the form of additional duties of 10 percent or 25 percent on products of certain member states with an annual trade value of about \$7.5 billion, effective October 18, 2019.¹³¹

On December 12, 2019, the Trade Representative announced a review of the action and, on February 14, 2020, modified the product list, and announced, at the direction of the President, the imposition of

¹²⁵ USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 536.

¹²⁶ 85 Fed. Reg. 34709 (June 5, 2020).

¹²⁷ In January 2021, USTR found that DSTs adopted by Austria, India, Italy, Spain, Turkey, and the United Kingdom were subject to action under section 301. USTR further found that as the remaining four jurisdictions—Brazil, the Czech Republic, the EU, and Indonesia—had not adopted or implemented the DSTs under consideration when the investigations were initiated, the investigations would be terminated without further proceedings. Notices on the continuing investigations, and those that were terminated, are available on USTR's website. USTR, "[Section 301—Digital Services Taxes](#)," accessed March 31, 2021.

¹²⁸ The European Communities, the EU's predecessor, was established in 1957 with six founding members. In 1993, the EU was established with 12 member states and grew to 15 during 1995–2004. Ten new member states joined during 2004–06, followed by three additional members in 2007–13. The EU contracted to 27 members in 2020 with the departure of the UK. EC, "[Glossary: EU Enlargements](#)," accessed January 14, 2021.

¹²⁹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 47.

¹³⁰ Decision by the Arbitrator, [European Communities and Certain Member States – Measures Affecting Trade in Large Civil Aircraft](#), ¶ 9.2., WTO Doc. WT/DS316/ARB (adopted October 2, 2019).

¹³¹ 84 Fed. Reg. 54245 (October 9, 2019).

additional duty rates.¹³² Tariffs on aircraft imports from France, Germany, Spain and the UK were increased from 10 to 15 percent, and the list of various agricultural, food, alcohol, machinery, equipment, textile, and apparel products from certain EU member states subject to 25 percent ad valorem tariffs¹³³ was modified, effective March 18, 2020.¹³⁴ On June 26, 2020, the Trade Representative announced another review of the action, including a proposal to impose additional duties of up to 100 percent on a new list of products with an approximate annual trade value of \$3.1 billion.¹³⁵ The Trade Representative announced a revised action on August 12, 2020, including a determination that the action could be revised again upon any imposition of additional duties on U.S. products in connection with the dispute or with the EU's WTO challenge to the alleged subsidization of U.S. large civil aircraft.¹³⁶ The list of non-aircraft products subject to 25 percent tariffs was modified with changes effective September 1, 2020.¹³⁷ In late December 2020, the Trade Representative announced further modifications to these tariffs which entered into effect on January 12, 2021.¹³⁸

Vietnam Currency

On October 2, 2020, the Trade Representative initiated a section 301 investigation of whether Vietnam's acts, policies, and practices related to currency valuation are unreasonable or discriminatory and burden or restrict U.S. commerce. According to USTR, the Government of Vietnam, through the State Bank of Vietnam, tightly manages the value of its currency and that, based on available analysis, the currency has been undervalued over the past 3 years. USTR further stated that the State Bank of Vietnam actively

¹³² 84 Fed. Reg. 67992 (December 12, 2019); 85 Fed. Reg. 10204 (February 12, 2020). According to USTR press release, the United States implemented its authorized countermeasures in a restrained way and used trade data from the prior calendar year to determine the amount of products to be covered. The press release noted that in September 2020 the EU was authorized to impose tariffs affecting \$4 billion in U.S. trade as a result of related WTO litigation (DS353: United States—Measures Affecting Trade in Large Civil Aircraft (Second Complaint)). The release further explained that in implementing its tariffs, the EU used trade data from a period in which trade volumes had been drastically reduced due to the effects on the global economy from the COVID-19 pandemic. The result of this choice was that Europe imposed tariffs on substantially more products than would have been covered if it had utilized a normal period. Although the United States explained to the EU the distortive effect of its selected time period, the EU refused to change its approach. As a result, to keep the two actions proportionate to each other, the release further explained that the United States was forced to change its reference period to the same period used by the EU. However, in order to not escalate the situation, the United States was adjusting the product coverage by less than the full amount that would be justified using the EU's chosen time period. WTO, "[DS353: United States](#)," accessed March 29, 2021; USTR, "[United States Modifies Tariffs in Large Civil Aircraft Dispute](#)," December 30, 2020.

¹³³ An ad valorem tariff is the most common tariff form, which means that the customs duty is calculated as a percentage of the value of the product. World Bank, "[Forms of Import Tariffs](#)," accessed July 1, 2021.

¹³⁴ 85 Fed. Reg. 10204 (February 21, 2020).

¹³⁵ 85 Fed. Reg. 38488 (June 26, 2020), as amended by 85 Fed. Reg. 39661 (July 1, 2020).

¹³⁶ 85 Fed. Reg. 50866 (August 18, 2020). Please see [chapter 3](#) for a discussion of the WTO actions.

¹³⁷ 85 Fed. Reg. 50866 (August 18, 2020).

¹³⁸ 86 Fed. Reg. 674 (January 6, 2021); USTR, "[United States Modifies Tariffs in Large Civil Aircraft Dispute](#)," December 30, 2020. In June 2021, the United States and the EU announced a cooperative framework to address the large civil aircraft disputes by suspending the tariffs related to these disputes for five years, and agreeing upon a set of principles which will guide the cooperation between the United States and the EU in this sector. USTR, "[USTR Announces Joint U.S.-EU Cooperative Framework for Large Civil Aircraft](#)," June 15, 2021.

engaged in the exchange market in 2019, which contributed to the undervaluation.¹³⁹ USTR solicited written comments and convened a virtual public hearing on December 29, 2020.¹⁴⁰

Vietnam Timber

On October 2, 2020, the Trade Representative initiated a section 301 investigation regarding whether acts, policies, and practices related to Vietnam's import and use of illegally harvested or traded timber are unreasonable or discriminatory and burden or restrict U.S. commerce. According to USTR, available evidence suggests that a significant portion of Vietnam's timber imports, upon which the country's wood products manufacturing sector relies, was illegally harvested, or traded. USTR raised particular concerns about timber from Cambodia, as well as other countries.¹⁴¹ USTR solicited written comments and convened a virtual public hearing on December 28, 2020. As of the end of 2020, the investigation was ongoing.¹⁴²

Special 301 Investigations

USTR conducts an annual review of the state of intellectual property rights (IPR) enforcement and protection in U.S. trading partners pursuant to section 182 of the Trade Act, as amended, 19 U.S.C. § 2242 (known as "special 301"). Section 182(a) of the Trade Act requires the Trade Representative to identify "those foreign countries that deny adequate and effective protection of intellectual property rights, or deny fair and equitable market access to United States persons that rely on intellectual property protection."¹⁴³ Under section 182(b), the Trade Representative only identifies as "priority foreign countries" those countries that have the most onerous or egregious acts, policies, or practices with the greatest actual or potential impact, and that are not entering into, or making significant progress in, good faith negotiations. Priority foreign countries are subject to an investigation under section 301 of the Trade Act.¹⁴⁴

To aid in the administration of the statute, USTR created a priority watch list and watch list under the special 301 provisions. Placement of a trading partner on either list means that particular problems exist in that country with respect to IPR protection, enforcement, or market access for persons relying on IPRs. Countries placed on the priority watch list are the focus of increased bilateral attention during the year.¹⁴⁵ Section 182(g) of the Trade Act, as amended by the Trade Facilitation and Trade Enforcement

¹³⁹ 85 Fed. Reg. 63637–38 (October 8, 2020).

¹⁴⁰ USTR, "[Section 301—Vietnam Currency](#)," accessed April 6, 2021. On January 22, 2021, USTR determined that Vietnam's acts, policies, and practices related to the undervaluation of its currency through excessive foreign exchange market interventions were unreasonable under U.S. and international norms. USTR further determined that these activities constitute a burden or restriction on U.S. commerce and, accordingly, are actionable under section 301(b) of the Trade Act. 86 Fed. Reg. 6732–33 (January 22, 2021). *See also* USTR, *Report on [Vietnam's Acts, Policies, and Practices Related to Currency Valuation](#)*, January 15, 2021.

¹⁴¹ 85 Fed. Reg. 63639 (October 8, 2020).

¹⁴² USTR, "[Section 301—Vietnam Timber](#)," accessed April 6, 2021.

¹⁴³ 19 U.S.C. § 2242(a).

¹⁴⁴ 19 U.S.C. § 2242(b).

¹⁴⁵ USTR, [2020 Special 301 Report](#), April 2020, 7–8.

Act of 2015, requires USTR to develop action plans for each country identified for placement on the priority watch list and that has remained on the list for at least one year.¹⁴⁶

USTR solicited broad public participation in the 2020 special 301 review process including through a request for written submissions, a public hearing that included representatives of foreign governments, industry, and nongovernmental organizations, and a post-hearing comment period.¹⁴⁷ USTR and the interagency special 301 subcommittee of the Trade Policy Staff Committee assessed U.S. trading partners' IPR protection and enforcement, as well as related market access issues. Based on this assessment, the subcommittee, through the Trade Policy Staff Committee, provided advice to USTR.¹⁴⁸

USTR issued the 2020 Special 301 Report in April 2020. In the report, USTR placed 10 countries on the priority watch list: Algeria, Argentina, Chile, China, India, Indonesia, Russia, Saudi Arabia, Ukraine, and Venezuela. These countries were also listed in the 2019 Special 301 Report. USTR removed one country, Kuwait, from the list of priority watch countries based on improvements in its copyright law and regulations and in IPR enforcement. USTR stated that it would develop an action plan for each country that has been on the priority watch list for at least one year to encourage progress on high-priority IPR concerns.¹⁴⁹

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.¹⁵⁰ This law offers relief to U.S. industries that are materially injured or threatened with material injury by imports that are dumped—that is, sold at “less 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 the USDOC and the Commission by or on behalf of a U.S. industry, but can be self-initiated by the USDOC. The 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. The USDOC will issue an antidumping duty order if both agencies make affirmative final determinations in their respective investigations.

¹⁴⁶ 19 U.S.C. § 2242(g); USTR, [2020 Special 301 Report](#), April 2020, 8.

¹⁴⁷ USTR, [2020 Special 301 Report](#), April 2020, 9.

¹⁴⁸ USTR, [2020 Special 301 Report](#), April 2020, 9.

¹⁴⁹ USTR, [2020 Special 301 Report](#), April 2020, 7–10; USTR, [2019 Special 301 Report](#), April 2019, 10.

¹⁵⁰ 19 U.S.C. §§ 1673 et seq.

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.¹⁵¹ Generally, normal value is the price the foreign firm charges for a comparable product sold in its home market.¹⁵² 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.”¹⁵³ If 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).¹⁵⁴ 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.¹⁵⁵

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 the USDOC, both for the specific exporters it examined and for all other exporters.¹⁵⁶ 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 the USDOC receives a request for an annual review.¹⁵⁷

The Commission instituted 85 new antidumping investigations, and made 89 preliminary determinations and 29 final determinations in 2020.¹⁵⁸ As a result of the affirmative USDOC and Commission determinations, the USDOC issued 21 antidumping duty orders on 10 products from 11 countries in 2020 (table 2.1). The status of all antidumping investigations active at the Commission during 2020—including, if applicable, the date of final action—is presented in the [interactive dashboard of appendix A](#). A list of all antidumping duty orders and suspension agreements (agreements to suspend investigations) in effect as of the end of 2020 appears also in the [interactive dashboard of appendix A](#).¹⁵⁹

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

¹⁵² 19 U.S.C. § 1677b.

¹⁵³ 19 U.S.C. § 1677b(a)(4) and 1677b(e).

¹⁵⁴ 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).

¹⁵⁵ 19 U.S.C. § 1677(18)(A).

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

¹⁵⁷ 19 U.S.C. § 1675(a).

¹⁵⁸ 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. A single petition may include dumping and/or subsidy allegations against imports from multiple countries, and each allegation constitutes its own investigation. Thus, a single petition may result in multiple investigations.

¹⁵⁹ 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

Table 2.1 Antidumping duty orders that became effective during 2020 (alphabetical by trade partner)
In percentages.

Trade partner	Product	Range of dumping margins (%)
Belgium	Acetone	28.10
Canada	Utility scale wind towers	4.94
China	Carbon and alloy steel threaded rod	4.26–59.45
China	Ceramic tile	4.37–262.18
China	Certain collated steel staples	229.04–356.02
China	Wooden cabinets and vanities	96.15–122.55
China	Polyester textured yarn	76.07–77.15
India	Carbon and alloy steel threaded rod	2.75–28.34
India	Forged steel fittings	2.67–5.15
India	Quartz surface products	0.00–293.40
India	Polyester textured yarn	17.98–47.98
Indonesia	Utility scale wind towers	8.53
South Korea	Acetone	25.05–47.86
South Korea	Forged steel fittings	5.41
South Korea	Utility scale wind towers	17.08–198.38
South Korea	Polyethylene terephthalate sheet	7.19–52.01
Oman	Polyethylene terephthalate sheet	4.74
South Africa	Acetone	314.51–414.92
Taiwan	Carbon and alloy steel threaded rod	32.26
Turkey	Quartz surface products	5.17
Vietnam	Utility scale wind towers	65.96

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

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

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.¹⁶⁰ In general, procedures for such investigations are similar to those under the antidumping law. Petitions are filed with the USDOC (the administering authority) and with the Commission. Before a countervailing duty order can be issued, the 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 26 new countervailing duty investigations and made 30 preliminary determinations and 19 final determinations during 2020. The USDOC issued 13 countervailing duty

question to the United States. A suspended investigation is resumed, assuming it was not continued after the suspension agreement was issued, if the USDOC determines that the suspension agreement has been violated. See 19 U.S.C. § 1673c.

¹⁶⁰ 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, (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).

orders on 8 products from 6 countries in 2020 as a result of the affirmative USDOC and Commission determinations (table 2.2). The status of all countervailing duty investigations active at the Commission during 2020, and, if applicable, the date of final action, as well as a list of all countervailing duty orders and suspension agreements in effect at the end of 2020, are presented in the [interactive dashboard of appendix A](#).¹⁶¹

Table 2.2 Countervailing duty orders that became effective during 2020 (alphabetical by trade partner)
In percentages.

Trade partner	Product	Range of countervailable subsidy rates (%)
Canada	Utility scale wind towers	1.13
China	Carbon and alloy steel threaded rod	31.02–6,681.00
China	Ceramic tile	358.81
China	Certain collated steel staples	12.32–192.64
China	Polyester textured yarn	32.18–473.09
China	Wooden cabinets and vanities	13.33–293.45
India	Carbon and alloy steel threaded rod	6.07–211.72
India	Forged steel fittings	2.64–300.77
India	Quartz surface products	1.57–2.34
India	Polyester textured yarn	4.29–21.83
Indonesia	Utility scale wind towers	5.90
Turkey	Quartz surface products	2.43
Vietnam	Utility scale wind towers	2.84

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

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

Reviews of Outstanding AD/CVD Orders and Suspension Agreements

Section 751(a) of the Tariff Act of 1930 requires the USDOC, if requested, to conduct annual reviews of outstanding AD/CVD orders to ascertain the amount of any net subsidy or dumping margin and to determine compliance with suspension agreements. Section 751(b) also authorizes the USDOC and the Commission, as appropriate, to review certain outstanding determinations and agreements after receiving information or a petition that shows changed circumstances.¹⁶² 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 the USDOC or the Commission, the USDOC may revoke an

¹⁶¹ A countervailing duty (CVD) 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 the USDOC determines that the suspension agreement has been violated. See 19 U.S.C. § 1671c.

¹⁶² 19 U.S.C. §§ 1675(b) and 1675(b)(3).

antidumping duty or countervailing duty order in whole or in part, or may either terminate or resume a suspended investigation.

The sunset process began in 1995. It is subject to section 751(c) of the Tariff Act of 1930, which requires both the USDOC and the Commission to conduct “sunset” 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. These reviews are intended to determine whether revoking an order or terminating a suspension agreement would be likely to lead to the continuation or recurrence of dumping or a countervailable subsidy and to material injury. If either the USDOC or the Commission reach negative determinations, the order will be revoked or the suspension agreement terminated. During 2020, the USDOC and the Commission instituted 64 sunset reviews of existing antidumping and countervailing duty orders or suspended investigations, and the Commission completed 75 reviews. As a result of affirmative determinations by the USDOC and the Commission, 71 antidumping duty and countervailing duty orders were continued. The AD/CVD tables in the [interactive dashboard of appendix A](#) lists, by date and action, the reviews of AD/CVD orders and suspended investigations completed in 2020.

Section 129 Determinations

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—the 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.¹⁶³ Neither the USDOC or the Commission made any determinations under section 129 during 2020, nor were any proceedings in process.

Section 337 Investigations

Background

Section 337 of the Tariff Act of 1930, as amended,¹⁶⁴ 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 in the process of being established.¹⁶⁵ Similar requirements govern investigations involving infringement of other federally registered intellectual property rights, including registered trademarks, registered

¹⁶³ 19 U.S.C. § 3538; see also Uruguay Round Agreements Act, Statement of Administrative Action, H.R. Doc. 316 Vol. 1, 103s Cong., 2d Sess. (1994) at 353.

¹⁶⁴ 19 U.S.C. § 1337.

¹⁶⁵ 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).

copyrights, registered mask works,¹⁶⁶ and registered vessel hull designs. In addition, the Commission has 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 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.¹⁶⁷ The Commission may institute an investigation on the basis of a complaint or on its own initiative.¹⁶⁸

If the Commission determines that a violation has occurred, 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 upon issuance, and become final within 60 days of issuance unless disapproved for policy reasons by USTR.¹⁶⁹

Developments in 2020

During calendar year 2020, there were 122 active section 337 investigations and ancillary proceedings,¹⁷⁰ 57 of which were instituted that year. Of these 57 new proceedings, 48 were new section 337 investigations and 9 were new ancillary proceedings relating to previously concluded investigations. In 43 of the new section 337 investigations instituted in 2020, patent infringement was the only type of unfair act alleged. Of the remaining 5 investigations, 1 involved allegations of patent infringement and trademark infringement; 1 involved allegations of trademark infringement; 1 involved allegations of patent infringement and trade secret misappropriation; 1 involved allegations of copyright infringement; and 1 involved allegations of trademark infringement, false designation of source, and false advertising.

In 2020, the Commission completed a total of 68 section 337 investigations and ancillary proceedings. The ancillary proceedings included 6 rescission proceedings, 3 remand proceedings, 1 remand

¹⁶⁶ 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.” U.S. Copyright Office, “[Compendium Chapter 1200: Mask Works](#),” January 28, 2021.

¹⁶⁷ 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.

¹⁶⁸ 19 U.S.C. § 1337(b)(1). 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.

¹⁶⁹ 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).

¹⁷⁰ An ancillary proceeding is a secondary or follow-up proceeding relating to a previously-concluded 337 investigation.

enforcement proceeding, 2 modification proceedings, and 1 declassification proceeding.¹⁷¹ Of the 31 investigations in which the Commission rendered a final determination on the merits, the Commission found a violation of section 337 in 21 investigations and no violation in 10 investigations. The Commission terminated 24 investigations without determining whether there had been a violation; 12 of these were terminated on the basis of settlement agreements and/or consent orders, 11 were terminated based on withdrawal of the complaint, and 1 was terminated for other reasons.¹⁷² The Commission issued 9 general exclusion orders, 13 limited exclusion orders, and 63 cease and desist orders during 2020. Commission activities involving section 337 proceedings in 2020 are presented in the [interactive dashboard of appendix A](#).

As illustrated in figure 2.1 below, the section 337 investigations active in 2020 involved a broad spectrum of products. Technology products remained the largest single category, with about 23 percent of the active proceedings involving computer and telecommunications equipment, followed by about 9 percent involving consumer electronics. Pharmaceuticals and medical devices were at issue in about 14 percent of the active proceedings, and automotive, manufacturing, and transportation products were also at issue in about 14 percent of the active proceedings. Small consumer products were at issue in about 7 percent of the proceedings and lighting products were also at issue in about 7 percent of the active proceedings. The remaining about 26 percent of proceedings involved a wide variety of other types of articles, including synthetic roofing materials, drill bits, height-adjustable desks, plastic food trays, wrapping material for cotton bales, wind turbine generators, solar modules, furniture products, and chocolate milk powder.

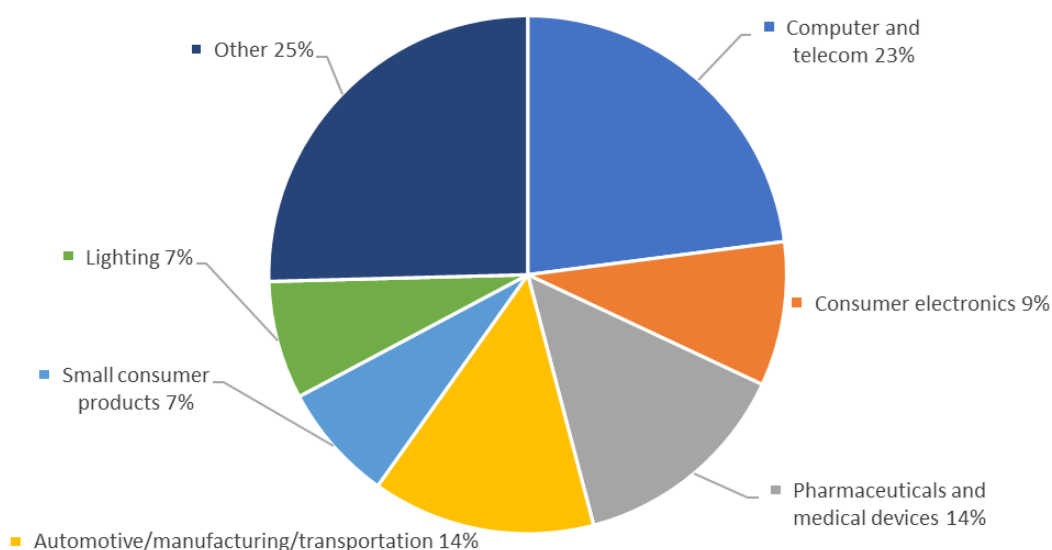
At the close of 2020, 54 section 337 investigations and related proceedings were pending at the Commission. As of December 31, 2020, there were 132 exclusion orders based on violations of section 337 in effect. The table in the [interactive dashboard of appendix A](#) lists the investigations in which these exclusion orders were issued. Copies of the exclusion orders are available on [the Commission's website](#). For additional detailed information about 337 investigations instituted since October 1, 2008, see the Commission's ["337Info" database](#).

¹⁷¹ A rescission proceeding is a proceeding to determine whether or not to rescind 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. A remand enforcement proceeding 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 enforcement proceeding.

¹⁷² In the latter investigation, the termination was due to "good cause" in light of the Federal Circuit's decision affirming a Patent Trial and Appeal Board's decision finding unpatentable all asserted claims of the relevant patent. 85 Fed. Reg. 6970 (January 10, 2020).

Figure 2.1 Product types at issue in active 337 proceedings, by percentage of active proceedings, 2020

Underlying data for this figure can be found in appendix table [B.18](#). Due to the rounding, the shares might not add to 100.



Source: USITC calculations.

National Security Investigations

Background

Section 232 of the Trade Expansion Act of 1962 provides for investigations by the Secretary of Commerce (Secretary) to determine effects on national security of imports of articles. Section 232(b) of the Act requires the Secretary, upon request of the head of any department or agency, upon application of an interested party, or upon the Secretary's own motion, to initiate an appropriate investigation to determine the effects on the national security of imports of the article that is the subject of the request, application, or motion. The Secretary must 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.¹⁷³

Within 90 days of receiving such a report from the Secretary, the President must determine whether the President concurs with the finding of the Secretary, and if the President concurs, must determine the nature and duration of the action that must be taken to adjust imports of the article and its derivatives so that such imports will not threaten to impair the national security.¹⁷⁴

¹⁷³ 19 U.S.C. § 1862(b)(3)(A).

¹⁷⁴ 19 U.S.C. § 1862(c)(1)(A).

During 2020, the USDOC instituted three new investigations under the national security provisions in section 232 of the Trade Expansion Act of 1962.¹⁷⁵ No new section 232 measures were imposed by the President during 2020.

Table 2.3 National security investigations during 2020 (chronological by date instituted)

Investigation	Instituted	Report Submitted	Outcome
Steel and aluminum	April 19, 2017	January 11, 2018	President concurred, tariffs
Automobiles and automotive parts	May 23, 2018	February 17, 2019	President concurred, no agreements, no measures. ^a
Uranium	Jul 18, 2018	April 14, 2019	President did not concur, no tariffs, working group, policy recommendations
Titanium sponge	March 4, 2019	November 29, 2019	President concurred, no tariffs, negotiations
Grain-oriented electrical steel	May 11, 2020	None	Consultations and monitoring
Mobile cranes	May 19, 2020	None	Terminated
Vanadium	May 28, 2020	None	Pending

Source: Compiled by USITC.

Note:

^a The report was publicly released in 2021.

Developments in 2020

Steel and Aluminum

On March 8, 2018, the President issued two proclamations, Proclamation 9705¹⁷⁶ and Proclamation 9704,¹⁷⁷ 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 following the initiation of investigations on April 19, 2017.¹⁷⁸ The additional tariffs—25 percent ad valorem on certain steel products and 10 percent ad valorem on certain aluminum products—remained in effect through the end of 2020.¹⁷⁹ The President modified the proclamations several times during 2018 to exempt certain countries and products, and modified the proclamations again in 2019 as explained in greater detail in the 2019 report.¹⁸⁰ In January of 2020, the President further modified the steel and aluminum tariffs to also apply to certain derivative steel and aluminum articles.¹⁸¹

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

¹⁷⁵ 19 U.S.C. § 1862.

¹⁷⁶ Proclamation No. 9705, 83 Fed. Reg. 11625 (March 15, 2018).

¹⁷⁷ Proclamation No. 9704, 83 Fed. Reg. 11619 (March 15, 2018).

¹⁷⁸ USDOC, BIS, OTE, [The Effect of Imports of Steel on the National Security](#), January 11, 2018.

¹⁷⁹ These higher tariffs were still in effect as the end of June 2021.

¹⁸⁰ USITC, [Year in Trade 2019](#), August 2020.

¹⁸¹ Proclamation No. 9980, 85 Fed. Reg. 5281 (January 29, 2020).

Secretary had initiated this investigation on uranium on July 18, 2018.¹⁸² 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 about 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.¹⁸³

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." He stated that domestic mining, milling, and conversion of uranium, while significant, "are only part of the nuclear supply chain necessary for national security." 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 (Working Group) to develop recommendations for reviving and expanding domestic nuclear fuel production.¹⁸⁴ The Working Group released its policy recommendations in April 2020. The recommendations called for the U.S. government to bolster the uranium mining industry, end reliance on foreign uranium enrichment, and remove strategic vulnerabilities across the nuclear fuel cycle, among others.¹⁸⁵

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.¹⁸⁶ Titanium sponge is used in a broad range of national defense-related applications including helicopter blades, tank armor, and fighter jet airframes and engines.¹⁸⁷ On February 27, 2020, the President issued a memo stating 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.¹⁸⁸ The Secretary stated that imports account for 68 percent of U.S. consumption of titanium sponge and that 94.4 percent of titanium sponge imports in 2018 were from Japan.¹⁸⁹

In the February 2020 memo, the President concurred with the Secretary's finding and agreed with the Secretary's recommendation that actions to adjust imports under section 232 should 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 officials to negotiate with Japan 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

¹⁸² 83 Fed. Reg. 35204 (July 25, 2018).

¹⁸³ White House, "[Memorandum on the Effect of Uranium Imports](#)," July 12, 2019.

¹⁸⁴ White House, "[Memorandum on the Effect of Uranium Imports](#)," July 12, 2019.

¹⁸⁵ USDOE, [Restoring America's Competitive Nuclear Advantage](#), April 22, 2020.

¹⁸⁶ 84 Fed. Reg. 35204 (March 8, 2019).

¹⁸⁷ CRS, [Section 232 Investigations](#), August 24, 2020.

¹⁸⁸ White House, "[Memorandum on the Effect of Titanium Sponge Imports](#)," February 27, 2020.

¹⁸⁹ White House, "[Memorandum on the Effect of Titanium Sponge Imports](#)," February 27, 2020.

the Secretary of Defense to take all appropriate action to increase access to titanium sponge for national defense and critical industries.¹⁹⁰

Grain-Oriented Electrical Steel

On May 11, 2020, based on inquiries and requests from interested parties in the United States, the Secretary of Commerce initiated an investigation to determine the effects on the national security of imports of grain-oriented electrical steel (laminations for stacked cores for incorporation into transformers, stacked cores for incorporation into transformers, wound cores for incorporation into transformers, electrical transformers, and transformer regulators. Hereafter, GOES).¹⁹¹

The United States and Mexico issued a joint statement on May 17, 2020, committing to, among other things, address the transshipment of steel and aluminum products, including GOES, from outside the North American region into the United States.¹⁹² On June 12, 2020, the USDOC extended the public comment period until July 3, 2020, from the initial deadline of June 9, 2020.¹⁹³

On November 5, 2020, USTR announced that the United States and Mexico had successfully concluded the consultations regarding the transshipment of GOES from outside the North American region into the United States through GOES-containing downstream products. As a result of the consultations, Mexico agreed to establish a strict monitoring regime for exports of electrical transformer laminations and cores made of non-North American GOES. Mexico also agreed to closely monitor shipments of these products to the United States from the fourth quarter onward. In response to the steps taken by Mexico, the United States agreed to not implement any 232 action to adjust imports from Mexico of electrical transformers and related parts. The United States and Mexico also agreed to consult at regular intervals on the implementation of these agreed measures and on the state of bilateral trade and market conditions relating to these products.¹⁹⁴

Mobile Cranes

On May 19, 2020, in response to a petition, the Secretary of Commerce initiated an investigation to determine the effects on the national security from imports of mobile cranes.¹⁹⁵ The petitioner submitted a formal request on September 8, 2020, requesting the withdrawal of its application and the termination of the investigation. Citing the COVID-19 pandemic, the petitioner stated that the economic environment shifted substantially from the time the petition was initially submitted. Subsequently, the Secretary of Commerce terminated the investigation on November 23, 2020.¹⁹⁶

¹⁹⁰ White House, “[Memorandum on the Effect of Titanium Sponge Imports](#),” February 27, 2020.

¹⁹¹ 85 Fed. Reg. 29926 (May 19, 2020).

¹⁹² USTR, “[Joint Statement on Section 232 Duties on Steel and Aluminum](#),” May 17, 2019; USTR, “[USTR Statement on Successful Conclusion of Steel Negotiations with Mexico](#),” November 5, 2020.

¹⁹³ 85 Fed. Reg. 35899 (June 12, 2020).

¹⁹⁴ USTR, “[USTR Statement on Successful Conclusion of Steel Negotiations with Mexico](#),” November 5, 2020.

¹⁹⁵ 85 Fed. Reg. 31439 (May 26, 2020).

¹⁹⁶ 85 Fed. Reg. 82436 (December 18, 2020).

Vanadium

On May 28, 2020, in response to a petition, the Secretary of Commerce initiated an investigation to determine the effects on the national security from imports of vanadium.¹⁹⁷ Vanadium is a metal used in the production of metal alloys that are integrated into a range of national defense-related projects; the Department of the Interior has designated it as a critical mineral.¹⁹⁸ The period for public comment, which initially closed on July 20, 2020, was reopened and extended to October 9, 2020, by the Secretary of Commerce on September 25, 2020.¹⁹⁹ The investigation into vanadium was pending at the end of 2020.

American Manufacturing Competitiveness Act of 2016

The American Manufacturing Competitiveness Act of 2016 (AMCA) sets out a procedure under which members of the public may submit petitions for temporary duty suspensions or reductions with the U.S. International Trade Commission.²⁰⁰ Submitters must be able to demonstrate that they are likely beneficiaries of the requested duty suspension or reduction. Following receipt of petitions, the Commission must evaluate the petitions in accordance with certain statutory criteria, seek public comment, and then file preliminary and final reports with the U.S. House of Representatives Committee on Ways and Means and the U.S. Senate Committee on Finance (Committees).²⁰¹ The AMCA requires the Commission in its reports to categorize petitions as either (a) petitions that meet the requirements of the Act with or without modification (Category I, II, III, or IV petitions), (b) petitions that do not contain the information required by the Act or for which the Commission determined that the petitioner was not a likely beneficiary (Category V petitions), or (c) petitions that the Commission does not recommend for inclusion in a miscellaneous tariff bill (Category VI petitions).²⁰² The AMCA includes a “Sense of Congress” statement that Congress should consider a miscellaneous tariff bill not later 90 days after receiving the Commission’s final report.²⁰³

¹⁹⁷ 85 Fed. Reg. 31439 (June 3, 2020).

¹⁹⁸ 83 Fed. Reg. 23295 (May 18, 2018); CRS, [Section 232 Investigations](#), August 24, 2020.

¹⁹⁹ 85 Fed. Reg. 60420 (September 25, 2020).

²⁰⁰ American Manufacturing Competitiveness Act of 2016, 19 U.S.C. § 1332 notes.

²⁰¹ Under Section 3(b) of the AMCA, the Commission must determine, among other things: whether or not domestic production of the article that is the subject of the petition exists, taking into account the report of the Secretary of Commerce under section 3(c)(1) of the AMCA, and, if such production exists, whether or not a domestic producer of the article objects to the duty suspension or reduction; whether the duty suspension or reduction can likely be administered by U.S. Customs and Border Protection; whether the estimated loss in revenue to the United States from the duty suspension or reduction does not exceed \$500,000 in a calendar year during the period it would be in effect; or whether the duty suspension or reduction is available to any person importing the article that is the subject of the duty suspension or reduction. Sec. 3(b)(C), (E) of AMCA, 19 U.S.C. § 1332 notes.

²⁰² Sec. 3(b)(C)(ii) of the AMCA, 19 U.S.C. § 1332 notes.

²⁰³ Sec. 2(b) of the AMCA, 19 U.S.C. § 1332 notes.

The Miscellaneous Tariff Bill Act of 2018, Pub. L. No. 115-239, 132 Stat. 2451 (amending the Harmonized Tariff Schedule and 19 U.S.C. § 58c), suspended or reduced duties on 1,660 products, effective October 13, 2018, and through December 31, 2020. The MTB Act of 2018 suspended or reduced only most-favored-nation rates of duty, and it did not suspend or reduce duties applied under other statutory authorities, such as the trade remedy laws, unfair trade practice statutes, or national security provisions.

In 2020, the Commission completed its second and final cycle of petition analysis under the AMCA. On August 10, 2020, the Commission submitted its final report to the Committees, which provided recommendations on 3,442 petitions for duty suspensions or reductions.²⁰⁴ The largest product categories reflected in the 2020 report were chemicals, accounting for 1,839 petitions; machinery and equipment, accounting for 715 petitions; and textiles, apparel and footwear, accounting for 581 petitions. Of the 3,442 petitions, the Commission assigned 2,695 to Categories I through IV, 42 to Category V, and 705 to Category VI.²⁰⁵

As of the end of 2020, no MTB bill had been introduced. Duty suspensions and reductions enacted under the Miscellaneous Tariff Bill Act of 2018 following the Commission's 2017 final report under the AMCA expired at the end of 2020.

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. 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, 2021.²⁰⁶ The main TAA programs in effect in fiscal year (FY) 2020 were TAA for Workers, administered by the U.S. Department of Labor (USDOL), and TAA for Firms, administered by the USDOC. A third program, TAA for Farmers, administered by the U.S. Department of

²⁰⁴ The final report and background information can be accessed on the Commission's website, see USITC, [Miscellaneous Tariff Bill \(MTB\) 2020 Final Report](#), accessed May 26, 2021. In preparing this report, the Commission accepted petitions between October 11 and December 10, 2019, and accepted public comments on the petitions between January 10, 2020, and February 24, 2020. The Commission then evaluated the petitions to determine whether they met certain statutory requirements and submitted a preliminary report on the petitions received to the Committees, on June 9, 2020. The Commission subsequently accepted additional, limited public comments on Category VI petitions from June 12, 2020, through June 22, 2020. The Commission transmitted its final report on August 10, 2020.

²⁰⁵ USITC, ["USITC Delivers Final Report on MTB Petitions to Congressional Committees,"](#) August 10, 2020.

²⁰⁶ The Trade Adjustment Assistance (TAA) program was first established by the Trade Expansion Act of 1962 and subsequently expanded and reauthorized numerous times. In October 2011, the Trade Adjustment Assistance Extension Act (TAAEA) extended the initial eligibility and benefit provisions until December 31, 2013. Beginning January 1, 2014, the TAA program reverted to a more limited set of eligibility and benefit provisions, also called "Reversion 2014 provisions." TAA continued to operate under the Reversion 2014 provision until the enactment of the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA; 19 U.S.C. § 2101 (notes)). TAARA reinstated many of the eligibility and benefit provisions that were enacted by TAAEA. TAARA also contains sunset provisions. Beginning July 1, 2021, the TAA program is scheduled to revert to a more limited set of eligibility and benefit provisions similar to those in Reversion 2014 provisions. These provisions are scheduled to remain in place for one year until the authorization is set to expire after June 30, 2022, on which date the program is scheduled to begin to be phased out. CRS, [TAA for Workers and the TAA Reauthorization Act of 2015](#), August 14, 2018, 13.

Agriculture (USDA), was reauthorized by Congress under the TPEA of 2015.²⁰⁷ However, the U.S. Congress did not appropriate funding for new participants in this program for FY 2020. As a result, the USDA did not accept any new petitions or applications for benefits in FY 2020.²⁰⁸ Table 2.4 provides information on the amount of funding allocated to the TAA programs in recent years. Selected developments in the TAA programs for workers and firms during FY 2020 are summarized below.²⁰⁹

Table 2.4 Funding by the Trade Adjustment Assistance (TAA) Program, annual, FY 2016–20

In millions of dollars.

Year	TAA for workers	TAA for firms	TAA for farmers
2016	627	13	0
2017	716	13	0
2018	667	13	0
2019	582	13	0
2020	553	13	0

Source: USITC, [Year in Trade 2016](#), July 2017, 67–71; USITC, [Year in Trade 2017](#), August 2018, 69–73; USITC, [Year in Trade 2018](#), October 2019, 79–82; USITC, [Year in Trade 2019](#), August 2020, 87–91; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 141–42.

Assistance for Workers

The provisions relating to the TAA for Workers Program are set out in chapter 2 of title II of the Trade Act.²¹⁰ The program provides federal assistance to eligible workers who have been adversely affected by import competition. A variety of TAA benefits and services are available to eligible workers, including training, help with healthcare premium costs, trade readjustment allowances, reemployment assistance, and employment and case management services.²¹¹ 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 the USDOL’s [Employment and Training Administration \(ETA\) website for TAA](#).

For petitioning workers to be eligible to apply for TAA benefits, 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. 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.²¹²

In 2020, \$553 million was allocated to state governments to fund different aspects of the TAA for Workers Program. Funding of \$410 million was allocated for Training and Other Activities, which included funds for training, job search allowances, relocation allowances, employment and case

²⁰⁷ The Trade Preferences Extension Act (TPEA) of 2015 reauthorized the TAA for Farmers Program for FY 2015 through FY 2021.

²⁰⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 142.

²⁰⁹ FY 2020 ran from October 1, 2019, to September 30, 2020.

²¹⁰ 19 U.S.C. § 2271 et seq.

²¹¹ 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, [“Benefits and Services Under the 2015 Amendments,”](#) accessed April 6, 2021.

²¹² 19 U.S.C. § 2272.

management services, and related state administration. Of the remaining funding, \$128 million was allocated for Trade Readjustment Allowance benefits, and \$15 million for Alternative Trade Adjustment Assistance/ Reemployment Trade Adjustment Assistance benefits.²¹³

Groups of workers²¹⁴ submitted 1,183 petitions for TAA in FY 2020, a decline from the 1,346 petitions filed in FY 2019. The USDOL certified 770 petitions covering 96,111 workers as eligible to apply for benefits and services under TAA,²¹⁵ and denied 302 petitions covering 26,334 workers.²¹⁶ The largest number of petitions certified in FY 2020 was in the Midwest region, followed by the South, West, and Northeast (table 2.5).²¹⁷ By state, Washington had the most workers certified (10,795 workers), followed by Kansas (9,242), Utah (6,573), and California (6,158).²¹⁸

Table 2.5 Trade Adjustment Assistance (TAA) certifications, by region, FY 2020

Census region	No. of petitions certified	No. of workers covered
Midwest	220	30,859
South	203	21,995
Northeast	149	8,768
West	196	34,487
Other	2	2
Total	770	96,111

Source: USDOL, ETA, email message to USITC staff, March 10, 2021.

The majority (47.5 percent, 366 petitions) of TAA petitions certified during FY 2020 were in the manufacturing sector, covering 55,723 workers. It was followed by those in the professional, scientific, and technical services sector (12.1 percent, 93 petitions) and the finance and insurance sector (11.2 percent, 86 petitions) (figure 2.2).

²¹³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 141.

²¹⁴ A petition may be filed by any of the following: a group of two or more workers from the same firm, a certified or recognized union or other duly authorized representative of the group of workers; the employer(s) of the group of workers; or an American Job Center operator or American Job Center partners including State workforce officials, employment security agencies, or dislocated worker unit and rapid response team members. USDOL, [“TAA Petition Process,”](#) accessed July 15, 2020.

²¹⁵ After a group eligibility certification is issued, each worker in the group must apply individually for benefits and services through their local American Job Center. Case managers at the local American Job Center will issue a determination of the workers’ individual eligibility for TAA benefits. Data on the number of individual workers that received benefits are not available. USDOL, [“Q: What is the process to determine group and individual eligibility?”](#) accessed July 15, 2020.

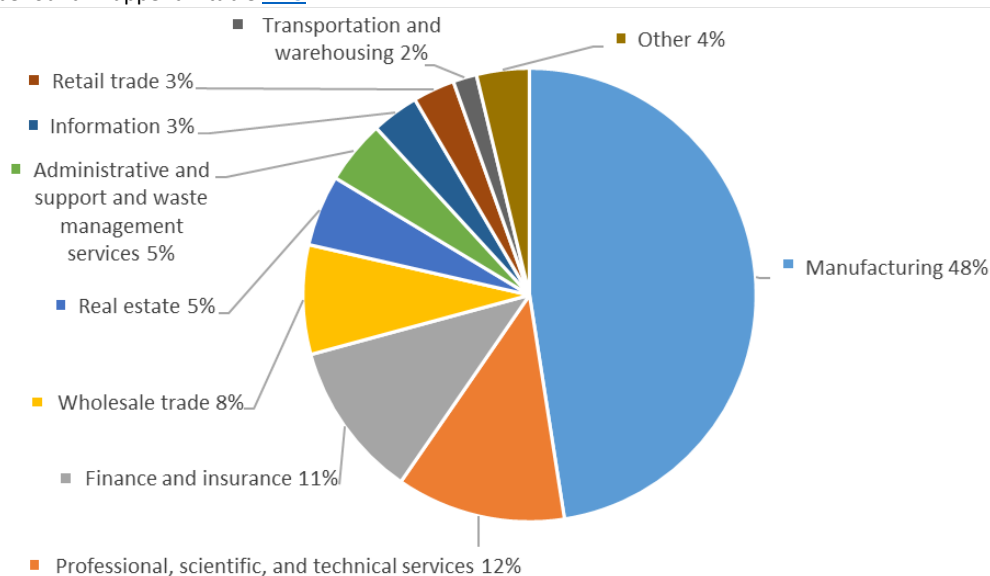
²¹⁶ USDOL, ETA, email message to USITC staff, March 10, 2021.

²¹⁷ The regional classification is based on definitions from the U.S. Census Bureau. U.S. Census, [“Census Bureau Regions and Divisions with State FIPS Codes,”](#) accessed April 6, 2021.

²¹⁸ USDOL, ETA, email message to USITC staff, March 10, 2021.

Figure 2.2 Share of certified Trade Adjustment Assistance (TAA) petitions, by industry, FY 2020

“Other” includes all industry sectors where less than 10 petitions were certified in FY 2020. Underlying data for this figure can be found in appendix table [B.19](#).



Source: USDOL, ETA, email message to USITC staff, March 10, 2021.

On November 7, 2019, the USDOL posted a Notice of Proposed Rulemaking to the *Federal Register* that reportedly would both expand worker access to support opportunities, such as apprenticeships, and make it easier for states to administer the TAA program.²¹⁹ The TAA Final Rule was published in the *Federal Register* on August 21, 2020, and became effective on September 21, 2020. This Final Rule is considered the first substantial regulatory update to the TAA program in more than two decades.²²⁰

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.²²¹ 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.²²² 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 the USDOC's [Economic Development Administration \(EDA\) website for TAA](#).

²¹⁹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 141.

²²⁰ 85 Fed. Reg. 51896 (August 21, 2020); USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 141.

²²¹ Trade Adjustment Assistance for Firms program, 19 U.S.C. §§ 2341 et seq; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 142.

²²² USDOC, EDA, "[Trade Adjustment Assistance for Firms](#)," accessed April 7, 2021.

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.²²³ 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. Historically, most firms that apply for Trade Adjustment Assistance for Firms certification are in the manufacturing sector.²²⁴

In FY 2020, the EDA awarded a total of \$13 million in the TAA for Firms Program funds to its national network of 11 Trade Adjustment Assistance Centers. During FY 2020, the EDA certified 80 petitions for eligibility and approved 70 adjustment protocols.²²⁵

Tariff Preference Programs

Tariff preference programs provide duty-free treatment or reduced duty treatment to U.S. imports of eligible articles from beneficiary developing countries.²²⁶ Following a 17.5 percent decline in 2019, the value of total U.S. imports entered under all preference programs declined further by 27.9 percent in 2020 (table 2.6). U.S. imports entered under the African Growth and Opportunity Act (AGOA) and the U.S. Generalized System of Preferences (GSP) had the largest decreases in value in 2020.²²⁷

However, the utilization rate of preference programs, measured by imports entered under specified tariff preference programs as a share of total imports under program-eligible HTS codes, increased from 47.5 percent in 2019 to 52.6 percent in 2020. The utilization rates of AGOA and the Caribbean Basin Economic Recovery Act (CBERA) declined, while the utilization rates of other preference programs improved during this period (table 2.7).²²⁸

²²³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 142.

²²⁴ USDOC, EDA, [Fiscal Year 2019 Annual Report to Congress: TAA for Firms Program](#), 2020, 2,4.

²²⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 142.

²²⁶ Data on imports in this section use “imports for consumption” as measures, which cover the total of all goods that have been cleared by U.S. Customs and Border Protection (USCBP) to enter the customs territory of the United States with required duties paid.

²²⁷ USITC DataWeb/Census, imports for consumption, accessed February 25, 2021.

²²⁸ Not all imports under eligible HTS codes entered the United States under the preferential programs. A portion of these imported products may not take advantage of the duty-free treatment and others may not be eligible for duty-free treatment as they may not meet the rules of origin.

Table 2.6 Imports for consumption under specified tariff preference programs, annual, 2018–20

In millions of dollars and percentages. AGOA = the African Growth and Opportunity Act; CBERA = the Caribbean Basin Economic Recovery Act; CBTPA = the Caribbean Basin Trade Partnership; HOPE = the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 and of 2008; GSP = the U.S. Generalized System of Preferences; GSP-LDBC = the U.S. Generalized System of Preferences for least-developed beneficiary developing countries; NTPP = the Nepal Trade Preference Program.

Tariff preference program	2018 (million \$)	2019 (million \$)	2020 (million \$)	Percentage change 2019–20 (%)
AGOA (excluding GSP)	10,817	7,312	3,227	–55.9
GSP, AGOA eligible	1,274	1,078	901	–16.4
Total AGOA (including GSP)	12,091	8,390	4,128	–50.8
CBERA (including CBTPA/Haiti HOPE) ^a	1,689	1,774	1,689	–4.8
GSP (including GSP-LDBC)	24,000	21,027	16,794	–20.1
NTPP	3	3	2	–33.3
Total tariff preference programs ^b	36,510	30,117	21,713	–27.9

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note:

^a CBERA data in 2019 incorporate USITC estimates to account for the misclassification of certain imports of methanol as not having received duty preferences under CBERA when in fact they did. These data will be subject to a forthcoming revision from the U.S. Census Bureau. Data available through USITC's DataWeb or the Census Bureau's USA Trade Online will not incorporate these revisions, until the Census Bureau's release of annual revisions in June 2022. U.S. government representative email message to USITC staff, July 20, 2021.

^b Total tariff preference programs = AGOA (excluding GSP) + CBERA/CBTPA/Haiti HOPE + GSP (including GSP-LDBC) + NTPP. Because of rounding, figures may not add to totals shown.

Table 2.7 The utilization rate of specific tariff preference programs, annual, 2018–20

In percentages. AGOA = the African Growth and Opportunity Act; CBERA = the Caribbean Basin Economic Recovery Act; CBTPA = the Caribbean Basin Trade Partnership; HOPE = the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006; GSP = the U.S. Generalized System of Preferences; GSP-LDBC = U.S. Generalized System of Preferences for least-developed beneficiary developing countries; NTPP = the Nepal Trade Preference Program.

Tariff preference program	2018	2019	2020	Percentage point change 2019–20
AGOA (excluding GSP)	77.2	64.2	52.9	–11.3
Total AGOA (including GSP)	86.3	73.6	67.6	–6.0
CBERA (including CBTPA/Haiti HOPE)	65.3	74.6	70.0	–4.6
GSP (including GSP-LDBC)	50.3	42.3	51.3	9.0
NTPP	47.1	49.1	51.5	2.4
Total tariff preference programs	56.7	47.5	52.6	5.1

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note: The utilization rate is measured by imports under specified tariff preference programs as a share of total program-eligible country imports. 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 of the United States (HTS) 8-digit subheadings from program-eligible countries.

Generalized System of Preferences

Background

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 beneficiary developing countries (BDCs) and territories.²²⁹ About 1,500 additional products are allowed duty-free

²²⁹ 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 at USTR, "[GSP in Use—Country Specific Information](#)," accessed May 27, 2021.

treatment only when imported from countries designated as least-developed beneficiary developing countries (LDBDCs).²³⁰ The most recent reauthorization, in March 2018, authorized the program through December 31, 2020.²³¹ Authorization lapsed on January 1, 2021.

The GSP program aims to accelerate economic growth by offering eligible exports from BDCs to enter the United States duty free.²³² An underlying principle of the program is that the creation of trade opportunities for developing countries encourages broader-based economic development and sustains momentum for economic reform and liberalization.²³³ As of December 31, 2020, there were 119 designated GSP BDCs and territories. Forty-four countries and territories are designated LDBDCs.

The President designates countries as BDCs under the GSP program, though countries can lose the designation and GSP eligibility based on findings of country practices that violate the provisions of the GSP statute, including inadequate protection of intellectual property rights or of internationally recognized worker rights.²³⁴ Complaints about such violations (country practice allegations) are usually brought to the attention of the interagency GSP subcommittee by a petition process.

The President also designates the articles that are eligible for duty-free treatment, but he cannot designate any articles that are “import sensitive” in the context of GSP. The statute designates certain goods (e.g., most footwear, textiles, and apparel) as “import sensitive” and thus not eligible for duty-free treatment under the GSP program.²³⁵ The statute further provides that countries “graduate” when they become “high income,” as defined by the World Bank’s per capita income tables.²³⁶ In addition, the statute allows for ending the eligibility of certain imports, or imports from specific countries, under certain conditions.

Competitive need limitations (CNLs)—quantitative ceilings on GSP benefits for each product and BDC—are another important part of the GSP program.²³⁷ There are two different measures for CNLs: during any calendar year, imports of a particular product from a specific BDC (1) account for 50 percent or more of the value of total U.S. imports of that product; or (2) exceed a certain dollar value (\$195 million in 2020). If either is met, the product from this specific BDC is considered “sufficiently competitive,” and GSP eligibility for this product from this specific BDC terminates on November 1 of the next calendar year, unless a waiver is granted.²³⁸ CNLs can be waived under special conditions.²³⁹ A CNL waiver in effect on a product for five or more years should be revoked if total U.S. imports from a beneficiary

²³⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021.

²³¹ 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.

²³² USTR, [U.S. Generalized System of Preferences \(GSP\) Guidebook](#), November 2020, 4.

²³³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 97.

²³⁴ As of March 2021, there are six ongoing country practice petitions under review by the GSP subcommittee. See USTR, [U.S. Generalized System of Preferences \(GSP\) Guidebook](#), November 2020.

²³⁵ 19 U.S.C. § 2463(b).

²³⁶ 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, 2020, the new threshold for high-income classification was \$12,535. World Bank, [“GDP per capita \(current US\\$\).”](#) accessed May 27, 2021.

²³⁷ 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).

²³⁸ 19 U.S.C. § 2463(c)–(d). USTR, [U.S. Generalized System of Preferences \(GSP\) Guidebook](#), November 2020, 9.

²³⁹ For more information on these special conditions under which CNLs can be waived, see USTR, [U.S. Generalized System of Preferences \(GSP\) Guidebook](#), November 2020, 9–10.

developing country exceed “super-competitive” value thresholds—that is, 75 percent of all U.S imports or 150 percent of the current year’s CNL dollar limit.²⁴⁰

Developments in 2020

U.S. Imports under GSP

U.S. imports under GSP dropped by over 20 percent in 2019–20 (table 2.8). GSP accounted for about 11 percent of imports from all GSP-eligible countries, up from 8.9 percent in 2019 (table 2.9). Thailand was the leading source of imports entered under the GSP program in 2020, followed by Indonesia and Brazil ([interactive dashboard of appendix A](#)). These three countries together accounted for about 55 percent of U.S. imports under GSP in 2020, while the top five countries (including Cambodia and the Philippines) accounted for about 76 percent of GSP imports.²⁴¹

Table 2.8 U.S. imports for consumption from GSP beneficiaries, annual, 2018–20

In millions of dollars and percentages. GSP = the U.S. Generalized System of Preferences; LDBC = least-developed beneficiary developing countries.

Item	2018 (million \$)	2019 (million \$)	2020 (million \$)	Percentage change 2019–20 (%)
GSP imports from LDBDCs	142	182	91	–50.0
GSP imports from non-LDBDCs	23,858	20,846	16,704	–19.9
Subtotal, GSP imports	24,000	21,027	16,794	–20.1
All other imports	214,185	214,028	135,031	–36.9
Total imports from GSP beneficiaries	238,185	235,055	151,825	–35.4

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note: Eligible products from 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. 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. Not all products are eligible for GSP. Because of rounding, figures may not add to totals shown.

Table 2.9 Share of U.S. imports for consumption from GSP beneficiaries, annual, 2018–20

In percentages. GSP = the U.S. Generalized System of Preferences; LDBDC = least-developed beneficiary developing countries; — (em dash) = not applicable.

GSP beneficiary	2018	2019	2020	Percentage point change 2019–20
GSP imports from LDBDCs	0.1	0.1	0.1	0.0
GSP imports from non-LDBDCs	10.0	8.9	11.0	2.1
Subtotal, GSP imports	10.1	8.9	11.1	2.1
All other imports	89.9	91.1	88.9	–2.1
Total imports from GSP beneficiaries	100.0	100.0	100.0	—

Source: USITC DataWeb/Census, accessed February 25, 2021. See footnote to previous table.

In 2020, imports under GSP decreased in most leading sectors. The agricultural products sector remained the top sector for imports claiming eligibility under GSP, but agricultural imports under GSP dropped 7.4 percent from 2019 (the [interactive dashboard of appendix A](#)). Similarly, chemicals and energy-related products, which ranked second and ninth, dropped by 32.1 percent and 99.7 percent,

²⁴⁰ 19 U.S.C. § 2463(d)(4)(B)(ii).

²⁴¹ USITC DataWeb/Census, imports for consumption, accessed February 25, 2021.

respectively, from 2019. Forest products as well as textiles and apparel were two sectors experiencing an increase in imports, by 25.5 percent and 13.6 percent, respectively.²⁴²

Among the top 15 GSP imports by HTS subheading (the [interactive dashboard of appendix A](#)), “jewelry and parts” was the largest by value, and increased by about 31 percent from 2019. It was followed by “container bags and boxes” (increased by 2.3 percent), “gloves” (increased by about 36 percent), and “handbags” (decreased by 10 percent).²⁴³

GSP Developments in 2020

On January 30 and 31, 2020, the GSP Subcommittee held GSP country practice reviews of Azerbaijan, Ecuador, Georgia, Indonesia, Kazakhstan, Thailand, South Africa, and Uzbekistan, and reviewed the country eligibility of Laos.²⁴⁴ In October 2020, the U.S. Trade Representative announced the closure of the reviews with no loss of eligibility for Georgia, Uzbekistan, and Indonesia. The results for the first two, Georgia and Uzbekistan, were based on improvements in the protection of worker rights in those countries. The result for the third, Indonesia, was based on improvements in providing the United States with equitable and reasonable market access. In the same month, the USTR also announced the closure of the GSP designation review of Laos without granting GSP eligibility.²⁴⁵ Country practice review was ongoing for Azerbaijan, Ecuador, Kazakhstan, and South Africa as of the yearend of 2020.²⁴⁶

On October 30, 2020, the President issued Proclamation 10107, implementing decisions regarding the 2020 Annual GSP Review. Based on Thailand’s failure to provide equitable and reasonable market access for U.S. pork products, the President suspended trade preferential treatment for \$817 million GSP-eligible imports from Thailand (about one-sixth of Thailand’s GSP benefits). The partial suspension of trade preferences for Thailand became effective December 30, 2020.²⁴⁷ Thailand accounted for the largest share of U.S. imports entered under the GSP in 2020.²⁴⁸

In the Proclamation No. 10107, the President also granted the petitions to add fresh cut roses, thereby allowing fresh cut roses to enter into the United States duty free under GSP, and partially granted the petition to remove rice products by removing parboiled rice from the list of goods eligible for GSP duty-free benefits. The President also granted one-year de minimis CNL waivers for 24 eligible products.²⁴⁹ Finally, the President removed GSP eligibility for six products from Argentina, Brazil, Ecuador, and Indonesia that exceeded the \$190 million CNL threshold for imports of those products from a single

²⁴² USITC DataWeb/Census, imports for consumption, USITC digest sector, accessed February 25, 2021.

²⁴³ USITC DataWeb/Census, imports for consumption, HTS subheading 7113.19 (jewelry and parts), 4202.92 (container bags and boxes), 4015.19 (gloves), and 4202.22 (handbags), accessed February 25, 2021.

²⁴⁴ USTR, “[Public Hearing on GSP Country Practice Reviews](#),” January 29, 2020. Country practice review are ongoing for Azerbaijan, Ecuador, Kazakhstan and South Africa.

²⁴⁵ In 2013, Laos requested that it be designated as a GSP beneficiary. Following a lack of recent engagement by the government of Laos on the worker rights eligibility criterion, USTR closed the GSP designation review without a change in status. USTR, “[USTR Announces GSP Enforcement Action](#),” October 30, 2020.

²⁴⁶ USTR, “[Ongoing Country Reviews](#),” accessed May 13, 2021; USTR, “[USTR Announces GSP Review](#),” October 30, 2020.

²⁴⁷ Proclamation No. 10107, 85 Fed. Reg. 70027 (November 4, 2020); USTR, “[USTR Announces GSP Review](#),” October 30, 2020.

²⁴⁸ USITC DataWeb/Census, imports for consumption, accessed February 25, 2021.

²⁴⁹ Proclamation No. 10107, 85 Fed. Reg. 70027 (November 4, 2020). 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 2020 was \$25 million.

country, above which the GSP statute requires removal of the product from eligibility.²⁵⁰ These modifications to the program became effective on November 1, 2020.²⁵¹

On October 30, 2020, USTR self-initiated GSP eligibility reviews for Eritrea and Zimbabwe, based on questions about compliance with the GSP worker rights criterion. The concerns in Eritrea relate to forced labor associated with Eritrea's national service requirement, as well as freedom of association. Concerns in Zimbabwe relate to a lack of freedom of association, including the rights of independent trade unions to organize and bargain collectively, and government crackdowns on labor activists.²⁵²

Nepal Trade Preference Program

The Nepal Trade Preferences Act (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.²⁵³ 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 65.²⁵⁴ Nepal, has gained 11 tariff lines, and is now eligible for duty-free treatment on 77 tariff lines, 31 of which are also duty free under GSP.²⁵⁵

In 2020, total U.S. imports from Nepal were about \$86 million; imports from Nepal under GSP were about \$10 million; and imports under the Nepal Trade Preference Program (NTPP) were \$2.4 million (table 2.10). Imports under NTPP and GSP represented 14.5 percent of total imports from Nepal, a decline from 17.2 percent in 2019 (table 2.11).

²⁵⁰ Argentina (HTS 2909.19.14, Methyl tertiary-butyl ether); Brazil (HTS 3805.10.00, Gum, wood or sulfate turpentine oils, *and* HTS 8502.12.00, Electric generating sets with compression-ignition internal-combustion piston engines, of an output exceeding 75 kVA but not over 375 kVA); Ecuador (HTS 0714.40.10, fresh or chilled taro (*Colocasia* spp.), whether or not sliced or in the form of pellets, and HTS 4412.34.32, plywood sheets n/o 6mm thick, outer ply of non- coniferous wood not in 4412.33); and Indonesia (HTS 7113.19.29, gold necklaces and neck chains). A complete list of actions taken in the 2020 annual review may be found at USTR, "[2020 Annual Review](#)," accessed May 26, 2021.

²⁵¹ Proclamation No. 10107, 85 Fed. Reg. 70027 (November 4, 2020); USTR, "[USTR Announces GSP Review](#)," October 30, 2020.

²⁵² USTR, "[USTR Announces GSP Review](#)," October 30, 2020.

²⁵³ In 2016, USITC conducted an investigation on whether certain textile and apparel articles from Nepal are import sensitive. USITC, [Nepal](#), October 2016.

²⁵⁴ 19 U.S.C. 4454 §(2)(A)(iii).

²⁵⁵ 81 Fed. Reg. 92499 (December 20, 2016); USTR, [2020 USTR Annual Report on NTPA](#), 4, accessed April 1, 2021. Nepal is an LDBDC under GSP.

Table 2.10 U.S. imports for consumption from Nepal, annual, 2018–20

In thousands of dollars and percentages. NTPP = Nepal Trade Preference Program; GSP = the U.S. Generalized System of Preferences.

Preference program	2018 (thousand \$)	2019 (thousand \$)	2020 (thousand \$)	Percentage change 2019–20 (%)
Imports under NTPP	3,218	3,124	2,443	–21.8
Imports under GSP	9,256	12,526	10,052	–19.8
Subtotal, imports under NTPP and GSP	12,474	15,650	12,495	–20.2
All other imports	86,051	75,183	73,855	–1.8
Total imports, Nepal	98,525	90,833	86,350	–4.9

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note: Nepal Preference Program (NPP)-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 liens with special duty symbols “A,” “A*,” or “A+.”

Table 2.11 Share of U.S. imports for consumption from Nepal, annual, 2018–20

In percentages. NTPP = Nepal Trade Preference Program; GSP = the U.S. Generalized System of Preferences; — (em dash) = not applicable.

Preference program	2018	2019	2020	Percentage point change 2019–20
Imports under NTPP	3.3	3.4	2.8	–0.6
Imports under GSP	9.4	13.8	11.6	–2.1
Subtotal, imports under NTPP and GSP	12.7	17.2	14.5	–2.8
All other imports	87.3	82.8	85.5	2.8
Total imports, Nepal	100.0	100.0	100.0	—

Source: USITC DataWeb/Census, accessed February 25, 2021.

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.²⁵⁶ 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).²⁵⁷ AGOA also provides duty-free treatment for certain

²⁵⁶ 19 U.S.C. § 2463; 19 U.S.C. § 3722.

²⁵⁷ 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. The GSP program expired on December 31, 2020. At the time of this writing, it is upon the pending Congressional renewal. CBP, “[Generalized System of Preferences \(GSP\)](#),” accessed April 5, 2021.

apparel articles cut and sewn in designated beneficiary countries on the condition that additional eligibility criteria are satisfied.²⁵⁸ The current AGOA expiration date is September 30, 2025.²⁵⁹

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 2020, 38 SSA countries were eligible for AGOA benefits.²⁶⁰ Of these countries, 27 were eligible for AGOA textile and apparel benefits for all or part of 2020.²⁶¹ 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 2020.²⁶² 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 additional eligibility criteria are satisfied.²⁶³ Meanwhile, as a result of the 2020 annual AGOA eligibility review, Democratic Republic of Congo's AGOA eligibility was reinstated, effective January 1, 2021. Therefore, 39 SSA countries are eligible for AGOA benefits in 2021.²⁶⁴

In 2020, the value of U.S. imports that entered free of duty from beneficiary countries under AGOA (including imports under GSP) was \$4.1 billion, a 50.8 percent decline from 2019. These imports accounted for about 22 percent of total imports from AGOA countries in 2020. In 2020, imports entering the United States exclusively under AGOA (excluding those entered under GSP) were valued at \$3.2 billion, accounting for about 18 percent of U.S. imports from AGOA countries (table 2.12 and 2.13).

²⁵⁸ Section 113 of AGOA (19 U.S.C. § 3722). See HTS chapter 98, subchapter XIX, for applicable provisions.

²⁵⁹ The Trade Preferences Extension Act of 2015 extended the expiration date of AGOA from September 30, 2015, to September 30, 2025.

²⁶⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 100; USITC, [Year in Trade 2019](#), August 2020, 97–98. In 2020, the following 38 SSA countries were designated as beneficiary AGOA countries: Angola, Benin, Botswana, Burkina Faso, Cabo Verde, 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 (DRC), Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, and Zambia.

²⁶¹ Twenty-seven SSA countries were eligible for AGOA textile and apparel benefits for all or part of 2020. They were Benin, Botswana, Burkina Faso, Cabo Verde, Chad, Côte d'Ivoire, Eswatini (formerly Swaziland), Ethiopia, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Nigeria, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, and Zambia. AGOA benefits for Mali were reinstated in 2014, and its textile and apparel benefits were reinstated in August 2020. USDOC, OTEXA, [“AGOA Preferences Eligibility,”](#) accessed April 5, 2021.

²⁶² USDOC, OTEXA, [“AGOA Preferences Eligibility,”](#) accessed April 5, 2021.

²⁶³ Chapter 98, subchapter XIX, U.S. note 2(a) through 2(e); USITC, [Harmonized Tariff Schedule of the United States \(Revision 28\)](#), November 2020.

²⁶⁴ DRC's AGOA eligibility is reinstated because the President determined that the DRC made demonstrable progress in meeting AGOA program's eligibility criteria. USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 33, 101.

Table 2.12 U.S. imports for consumption from AGOA beneficiaries, annual, 2018–20

In millions of dollars and percentages. AGOA = African Growth and Opportunity Act; GSP = the U.S. Generalized System of Preferences.

Preference program	2018 (million \$)	2019 (million \$)	2020 (million \$)	Percentage change 2019–20 (%)
Imports under AGOA, excluding GSP	10,817	7,312	3,227	–55.9
Imports under GSP, AGOA eligible	1,274	1,078	901	–16.4
Imports under AGOA	12,091	8,390	4,128	–50.8
All other imports	12,494	12,354	14,285	15.6
Total imports from AGOA countries	24,585	20,744	18,412	–11.2

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note: Eligible products under 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 2.13 Share of U.S. imports for consumption from AGOA beneficiaries, annual, 2018–20

In percentages. AGOA = African Growth and Opportunity Act; GSP = the U.S. Generalized System of Preferences; — (em dash) = not applicable.

Preference program	2018	2019	2020	Percentage point change 2019–20
Imports under AGOA, excluding GSP	44.0	35.2	17.5	–17.7
Imports under GSP, AGOA eligible	5.2	5.2	4.9	–0.3
Imports under AGOA	49.2	40.4	22.4	–18.0
All other imports	50.8	59.6	77.6	18.0
Total imports from AGOA countries	100.0	100.0	100.0	—

Source: USITC DataWeb/Census, accessed February 25, 2021. See footnote to previous table.

The decline in U.S. imports under AGOA (excluding GSP) in 2020 compared to 2019 mainly reflected a decline in the value of imports of crude petroleum, as well as a decline in imports of macadamia nuts under the program.²⁶⁵ The value of U.S. crude petroleum imports under AGOA dropped 85.2 percent (\$3.7 billion) from 2019 to 2020, while the value of U.S. imports of macadamia nuts under AGOA dropped by 44.1 percent (\$76.2 million) from 2019 to 2020. 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 (the [interactive dashboard of appendix A](#)), mostly due to the decline in global crude oil prices.

The major suppliers of duty-free U.S. imports under AGOA (excluding GSP) in 2020 were South Africa (36.5 percent of total AGOA imports), Nigeria (14.4 percent), Kenya (13.3 percent), Lesotho (7.8 percent), Ethiopia (7.3 percent), and Madagascar (6.0 percent). These six countries accounted for 85.4 percent of total imports by value under AGOA in 2020 ([interactive dashboard of appendix A](#)).

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.²⁶⁶ USTR planned to

²⁶⁵ Crude petroleum refers to products classified under HTS 2709.00, and macadamia nuts refers to products classified under HTS 0802.62.

²⁶⁶ 19 U.S.C. § 3704.

host the 2020 AGOA Forum in Washington, DC, on June 24–25, 2020. However, due to the COVID-19 pandemic, and in consultation with the SSA country governments, the event was postponed to a later date.²⁶⁷

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.²⁶⁸

The Caribbean Basin Trade Partnership Act (CBTPA) amended CBERA in 2000 and expanded the list of qualified articles to include certain apparel. The CBTPA also extended preferential treatment to several other products previously excluded from CBERA. 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.²⁶⁹ 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 expired on September 30, 2020. However, CBTPA was extended on October 10, 2020, for 10 years.²⁷⁰ In the section that follows, the term CBERA refers to CBERA as amended by the CBTPA.

At the end of 2020, 17 countries and dependent territories were designated eligible for CBERA preference, and 8 of those countries were designated eligible for CBTPA preferences.²⁷¹ 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).²⁷²

In 2020, the total value of U.S. imports from CBERA beneficiaries decreased by 10.7 percent to \$5.0 billion, while the value of all U.S. imports entered under CBERA decreased by 4.8 percent to \$1.7 billion

²⁶⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 33.

²⁶⁸ A detailed description of CBERA that includes country and product eligibility is reported in USITC, [CBERA \(25th Report\)](#), September 2019. The 17 CBERA beneficiaries at the end of 2020 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.

²⁶⁹ NTR rates of duty, also known as most-favored-nation (MFN) rates, are accorded to goods of countries having NTR status in the United States and do not allow for discrimination between such trading partners.

²⁷⁰ 19 U.S. Code § 2701 (notes). USTR, [“Ambassador Issues Statement Concerning the CBERA,”](#) October 13, 2020.

²⁷¹ CBTPA beneficiaries include Barbados, Belize, Curaçao, Guyana, Haiti, Jamaica, St. Lucia, and Trinidad and Tobago.

²⁷² 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.

in 2020 (table 2.14).²⁷³ The top five imports under CBERA in 2020—crude petroleum oils (HTS 2709.00), methanol (HTS 2905.11), cotton T-shirts (HTS 6109.10), sweaters, pullovers, and sweatshirts of manmade fibers (HTS 6110.30), and T-shirts (HTS 6109.90)—comprised 65 percent of imports under the program. U.S. imports crude petroleum oils under CBERA rose by 130 percent from \$191 million in 2019 to \$441 million in 2020, while U.S. import of methanol under CBERA decreased by 30 percent from \$355 million in 2019 to \$248 million in 2020 (the [interactive dashboard of appendix A](#)).

Table 2.14 U.S. imports for consumption from CBERA/CBTPA beneficiaries, annual, 2018-20

In millions of dollar and percentages. CBERA = the Caribbean Basin Economic Recovery Act; CBTPA = the Caribbean Basin Trade Partnership; HOPE = the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 and of 2008.

Preference program	2018 (million \$)	2019 (million \$)	2020 (million \$)	Percentage change 2019–20 (%)
Imports under CBTPA	344	449	620	38.0
Imports under CBERA, excluding CBTPA	687	596	512	–14.0
Haiti HOPE estimate	658	729	557	–23.5
Imports under CBERA/CBTPA/Haiti HOPE	1,689	1,774	1,689	–4.8
All other imports	4,405	3,810	3,296	–13.5
Total imports from CBERA countries	6,094	5,583	4,985	–10.7

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note: The data for U.S. imports under CBERA include U.S. imports under CBERA as amended by both CBTPA and HOPE and Haiti Economic Lift Program (HELP) Acts. For the Haiti HOPE methodology, refer to appendix C. 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). 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. CBERA data in 2019 incorporate USITC estimates to account for the misclassification of certain imports of methanol as not having received duty preferences under CBERA when in fact they did. These data will be subject to a forthcoming revision from the U.S. Census Bureau. Data available through USITC’s Dataweb or the Census Bureau’s USA Trade Online will not incorporate these revisions, until the Census Bureau’s release of annual revisions in June of 2022. U.S. government representative email message to USITC staff, July 20, 2021.

U.S. imports entered under CBERA accounted for 34 percent of all U.S. imports from CBERA countries in 2020 (table 2.15). Haiti was the leading supplier of U.S. imports under the program in 2020, accounting for 45 percent of the total value. Haiti is the only supplier of apparel under CBERA. Trinidad and Tobago was the second leading supplier of U.S. imports under CBERA in 2020, accounting for 28 percent of the total value. 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 73 percent of U.S. imports under CBERA preferences. Guyana, Jamaica, and The Bahamas were the third-, fourth-, and fifth-leading suppliers, accounting for 16, 6, and 3 percent of the total, respectively (the [interactive dashboard of appendix A](#)).

²⁷³ For more information on U.S. trade data for specific import preference programs such as the Caribbean Basin Economic Recovery Act (CBERA) and the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 and of 2008 (HOPE), see [appendix C](#) of this report.

Table 2.15 Share of U.S. imports for consumption from CBERA/CBTPA beneficiaries, annual, 2018–20
In percentages. CBERA = the Caribbean Basin Economic Recovery Act; CBTPA = the Caribbean Basin Trade Partnership; HOPE = the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 and of 2008; — (em dash) = not applicable.

Preference program	2018	2019	2020	Percentage point change
				2019–20
Imports under CBTPA	5.6	8.0	12.4	4.4
Imports under CBERA, excluding CBTPA	11.3	10.7	10.3	–0.4
Haiti HOPE estimate	10.8	13.0	11.2	–1.9
Imports under CBERA/CBTPA/Haiti HOPE	27.7	31.8	33.9	2.1
All other imports	72.3	68.2	66.1	–2.1
Total imports from CBERA countries	100.0	100.0	100.0	—

Source: USITC DataWeb/Census, accessed February 25, 2021.

Note: the same as table 2.14.

Haiti Initiative

In 2006, 2008, and 2010, amendments to CBERA expanded the duty-free benefits available to Haiti only. For apparel, these benefits give Haitian producers more flexibility in sourcing yarns and fabrics beyond the preferences available under the Caribbean Basin Trade Partnership Act (CBTPA), where apparel must be made exclusively from U.S. yarns, or fabrics of U.S. yarns. The Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE Act) and of 2008 (HOPE II Act) (collectively referred to as the HOPE Acts) expand the rules of origin for apparel by permitting the limited use of materials of any origin, and added new benefits for ignition wiring sets for vehicles, aircraft, or ships assembled in Haiti.²⁷⁴ The Haitian Economic Lift Program of 2010 (HELP Act) further modified existing U.S. trade preferences for Haiti (for certain apparel) established under the CBTPA and HOPE Acts, and extended benefits through September 30, 2020.²⁷⁵ The Trade Preferences Extension Act of 2015 extended the HOPE/HELP Acts preferences through September 30, 2025.²⁷⁶ To date, there have been no other changes to the HOPE/HELP Acts.

As in recent years, nearly all (98 percent) of U.S. imports of textiles and apparel from Haiti entered duty-free under trade preference programs in 2020 (table 2.17). Of the duty-free U.S. imports of apparel from Haiti, a smaller percentage relied on the preference rules of the CBTPA program in 2020 (23 percent) than in 2019 (25 percent). Although slight, the drop in CBTPA's share of the preference trade reflects a continued shift in utilization away from CBTPA to the more liberal HOPE/HELP preference rules of origin. Although the value of U.S. imports of textile and apparel entering under the HOPE/HELP Acts declined by 21 percent (table 2.16),²⁷⁷ the imports under HOPE/HELP represented 75 percent of total U.S. textile and apparel imports from Haiti, up from 73 percent in 2019, and 70 percent in 2018 (table 2.17).

²⁷⁴ 19 U.S.C. § 2703a. There were no U.S. imports of ignition wiring sets (HTS 8544.30.00 and 9820.85.44) from Haiti during 2007–20.

²⁷⁵ Haiti Economic Lift Program Act of 2010, 19 U.S.C. § 2701 (notes). For more information on this program, see USITC, *Year in Trade 2011*, July 2012, 2–22 to 2–23. And USITC, *Year in Trade 2010*, July 2011, 2–21 to 2–22.

²⁷⁶ Trade Preferences Extension Act of 2015, 19 U.S.C. § 2101 (notes).

²⁷⁷ The decrease in U.S. apparel imports from Haiti in 2020 is comparable to the decline in imports from all suppliers (about 20 percent), a reflection of the market and supply chain disruptions caused by the effects of the COVID-19 virus. USITC DataWeb/Census, chapters 61 and 62, accessed April 6, 2021.

Table 2.16 U.S. imports of textiles and apparel from Haiti, annual, 2018–20

In millions of dollars and percentages. CBERA= the Caribbean Basin Economic Recovery Act; CBTPA= the Caribbean Basin Trade Partnership; HOPE= The Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 and of 2008; HELP=The Haiti Economic Lift Program of 2010.

Preference program	2018 (Million \$)	2019 (Million \$)	2020 (Million \$)	Percentage change 2019–20 (%)
CBERA/CBTPA	254.3	246.1	175.3	–28.8
HOPE and HELP Acts	641.7	722.4	573.1	–20.7
Imports under a trade preference program	896.0	968.4	748.6	–22.7
Imports under non-trade preference programs	27.8	22.9	16.1	–29.7
Total textile and apparel imports from Haiti	923.8	991.3	764.7	–22.9

Source: Compiled from official statistics of USDOC, ITA, Office of Textiles and Apparel, accessed March 2, 2021 and April 5, 2021.

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.

Table 2.17 Share of U.S. imports of textiles and apparel from Haiti, annual, 2018–20

In percentages. CBERA= the Caribbean Basin Economic Recovery Act; CBTPA= the Caribbean Basin Trade Partnership; HOPE= The Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 and of 2008; HELP=The Haiti Economic Lift Program of 2010.

Preference program	2018	2019	2020	Percentage point change 2019–20
CBERA/CBTPA	27.5	24.8	22.9	–1.9
HOPE and HELP Acts	69.5	72.9	74.9	2.0
Imports under a trade preference program	97.0	97.7	97.9	0.2
Imports under non-trade preference programs	3.0	2.3	2.1	–0.2
Total textile and apparel imports from Haiti	100.0	100.0	100.0	—

Source: Compiled from official statistics of USDOC, ITA, Office of Textiles and Apparel, accessed March 2, 2021 and April 5, 2021.

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.

Table 2.18 below shows the usage of each type of preference rule under CBTPA and Haiti HOPE/HELP. Apparel production in Haiti remains concentrated in high-volume, basic commodity garments such as knit T-shirts, pullovers, and undergarments, that have relatively predictable consumer demand and require few styling changes.²⁷⁸ There was a notable increase in the usage of the HOPE/HELP preference rule for headwear in 2020 (\$9.0 million) as compared to 2019 (\$4.9 million).²⁷⁹

In terms of non-apparel textile imports from Haiti, of special note are the imports under the HOPE/HELP home goods provision. Imports under this preference rule first appeared in 2017 (\$2.7 million), increased rapidly in 2018 (\$10.2 million) and 2019 (\$15.2 million), and grew slightly in 2020 (\$16.1 million) despite challenging market conditions where imports of other products declined.²⁸⁰

²⁷⁸ In 2020, nearly 85 percent by value of the U.S. imports of apparel from Haiti were of knit garments (HTS chapter 61) and 15 percent were of woven or non-knit garments (HTS chapter 62), traditionally considered as higher value or requiring a more complex skill set for assembly. The split between knit and non-knit is consistent compared to 2019 (87 percent knit vs. 13 percent woven or non-knit). USITC DataWeb/Census, accessed April 6, 2021.

²⁷⁹ The HOPE/HELP preference rule for headwear applies to HTS headings 6501, 6502 or 6504 or subheadings 6505.00.04 through 6505.00.90. Headwear under HTS 6505.00.80 accounted for 90 percent of the HOPE/HELP trade under this rule in both 2019 (\$4.3 million) and 2020 (\$8.1 million). USITC DataWeb/Census, accessed April 6, 2021.

²⁸⁰ 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 (USCBP) for a mattress cover and pillow

Table 2.18 U.S. general imports of textiles and apparels from Haiti, by duty treatment, annual, 2018–20
In millions of dollars and percentages. — (em dash) = not applicable.

Product/duty treatment	HTS subheading(s)	2018 (million \$)	2019 (million \$)	2020 (million \$)	Percentage change 2019–20 (%)
Certain apparel of regional knit fabrics of U.S. yarns	9820.11.09	133.5	134	94.7	–29.3
Certain knit T-shirts of regional fabrics of U.S. yarns	9820.11.12	76.4	70.8	58.4	–17.5
Apparel cut and assembled from U.S. fabric	9820.11.06 and 9820.11.18	44.5	41.3	22.2	–46.2
Subtotal CBTPA	—	254.3	246.1	175.3	–28.8
Knit apparel regional limit	9820.61.35	299.2	330.5	242.9	–26.5
Woven apparel regional limit	9820.62.05	151.7	122.4	107.6	–12.1
Value-added regional limits	9820.61.25 and 9820.61.30	108.3	121.5	112.9	–7.1
Earned Import Allowance Program (EIAP)	9820.62.25	71.4	127.1	81.7	–35.7
Home goods	9820.63.05	10.2	15.2	16.5	8.6
Headwear	9820.65.05	0.5	4.9	9.0	83.7
All other	—	0.4	0.8	2.5	212.5
Subtotal HOPE/HELP Acts	—	641.7	722.4	573.1	–20.7
Total duty-free imports	—	896.0	968.4	748.6	–22.7
Total dutiable imports	—	27.8	22.9	16.1	–29.7
Grand total	—	923.8	991.3	764.7	–22.9

Source: Compiled from official statistics of USDOC, ITA, Office of Textiles and Apparel, accessed March 2, 2021 and April 5, 2021.

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

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. USCBP [Customs Ruling N301907](#), December 18, 2019.

Chapter 3

The World Trade Organization

This chapter provides an overview of major developments at the World Trade Organization (WTO) during 2020, particularly as they affect the United States. The overview includes developments at ministerial and General Council meetings, selected WTO plurilateral agreements under discussion, and developments under the WTO Dispute Settlement Mechanism.

Background

The WTO was established by 124 governments through the Marrakesh Agreement in April 1994, which replaced an earlier world trade framework under the General Agreement on Tariffs and Trade (GATT) established in October 1947. The main functions of the WTO include: (1) facilitating the implementation, administration and operations of the Marrakesh Agreement, the Multilateral Trade Agreements, and the plurilateral agreements; (2) providing a forum for negotiations among its members concerning their multilateral trade relations; and (3) administering the Understanding on Rules and Procedures Governing the Settlement of Disputes.²⁸¹ Currently, the WTO oversees 16 different multilateral agreements (to which all WTO members are parties) and two plurilateral agreements (to which only some WTO members are parties).²⁸² As of March 29, 2021, the WTO had 164 member and 25 observer countries.²⁸³ Turkmenistan was the latest country to receive observer status on July 22, 2020.²⁸⁴

Under the Marrakesh Agreement, the Ministerial Conference is the WTO's highest decision-making body. It is composed of representatives of all the members and carries out the functions of the WTO. Usually convening once every two years, the Ministerial Conference has the authority to take decisions on all matters under any of the multilateral trade agreements.²⁸⁵ Day-to-day work in between the ministerial conferences is handled by three bodies: the General Council (GC), the Dispute Settlement Body, and the Trade Policy Review Body.²⁸⁶ The GC is also composed of representatives of all the members and it meets as appropriate. In the intervals between the Ministerial Conference meetings, it conducts the functions of the Ministerial Conference.²⁸⁷ The WTO Secretariat, led by the WTO Director-General, provides support to its members and the WTO work.²⁸⁸

²⁸¹ WTO, [Marrakesh Agreement Establishing the World Trade Organization](#), Article III Functions of the WTO, April 15, 1994.

²⁸² WTO, ["Overview,"](#) accessed March 29, 2021.

²⁸³ WTO, ["Members and Observers,"](#) accessed March 29, 2021.

²⁸⁴ WTO, ["Members Endorse Turkmenistan's WTO Observer Status,"](#) July 22, 2020.

²⁸⁵ WTO, [Marrakesh Agreement Establishing the World Trade Organization](#), Article IX Decision-Making, April 15, 1994; WTO, ["Ministerial Conferences,"](#) accessed March 29, 2021.

²⁸⁶ WTO, ["Whose WTO is It Anyway?"](#) accessed May 13, 2021.

²⁸⁷ WTO, [Marrakesh Agreement Establishing the World Trade Organization](#), Article IV Structure of the WTO, April 15, 1994; WTO, ["The WTO General Council,"](#) accessed March 29, 2021.

²⁸⁸ WTO, ["Overview of the WTO Secretariat,"](#) accessed March 29, 2021.

WTO Developments in 2020

Ministerial Conference

The Twelfth WTO Ministerial Conference was originally scheduled to take place during June 8–11, 2020, in Kazakhstan's capital, Nur-Sultan. Due to the COVID-19 pandemic, it was postponed to the week of November 29, 2021, in Geneva, Switzerland.²⁸⁹

General Council

During 2020, one priority of the GC became the selection of a new WTO Director-General. On May 14, 2020, WTO Director-General Roberto Azevêdo informed members that he intended to step down on August 31, 2020, a year before his term was to expire. Under the process set out by GC Chair Ambassador David Walker, eight nominations for the post were submitted during June 8–July 8, 2020. On July 31, 2020, the GC agreed on the guidelines for the Director-General selection process. The consultations with WTO members commenced on September 7, 2020, to assess their preferences and to determine which candidate was best placed to attract consensus support. During these confidential consultations, the field of candidates was narrowed from eight to five and then two. On October 28, 2020, the GC Chair informed members that the consultations indicated a strong preference among members for Ngozi Okonjo-Iweala, nominated by Nigeria.²⁹⁰ However, the WTO reported that the United States continued to support another candidate, Minister Yoo Myung-hee, nominated by South Korea.²⁹¹ Unable to reach a final agreement, the GC meeting to select the Director-General, originally scheduled for November 9, 2020, was postponed.²⁹²

In other business, on December 10, 2019, members of the GC agreed to extend two existing moratoriums related to customs duties. One was on electronic transmissions and the other was on initiation of “non-violation” complaints under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Both were scheduled for decision during the Twelfth Ministerial Conference in June 2020.²⁹³ However, due to the pandemic, the conference was postponed to November 2021, suggesting a decision on these moratoriums will be taken then.

²⁸⁹ WTO, “[Twelfth WTO Ministerial Conference](#),” accessed March 29, 2021.

²⁹⁰ WTO, “[WTO Director-General Selection Process](#),” accessed March 30, 2021.

²⁹¹ WTO, “[Strong Preference for Ngozi Okonjo-Iweala as DG but US Objects](#),” October 28, 2020.

²⁹² On February 15, 2021, the General Council reached a consensus and selected Ngozi Okonjo-Iweala of Nigeria as the WTO’s seventh Director-General. Dr. Okonjo-Iweala is the first woman and the first African to be chosen as the WTO Director-General. Her term, which is renewable, will expire on August 31, 2025. WTO, “[History Is Made: Ngozi Okonjo-Iweala chosen as Director-General](#),” accessed March 29, 2021.

²⁹³ WTO, “[WTO Members Agree to Extend E-Commerce](#),” December 10, 2019.

Selected Plurilateral Agreements under Discussion

Negotiations on Electronic Commerce

Members launched negotiations on trade-related aspects of electronic commerce (e-commerce) in Davos, Switzerland, in January 2019. By the end of 2020, 86 members participated in the e-commerce negotiations.²⁹⁴ Throughout 2020, participating members continued to engage in negotiations of rules on e-commerce. According to the WTO, despite the challenges presented by the pandemic, the negotiations advanced, leading to progress in small groups on specific issues.²⁹⁵ At a plenary meeting in October 2020, participants re-engaged on topics that had been slated for the postponed negotiating rounds in March, April, and May of 2020. Topics included protection of personal information and data; spam; source code; open government data; trade facilitation in goods; services market access; electronic signatures and authentication; and online consumer protection.²⁹⁶ Co-conveners (Australia, Japan, and Singapore) encouraged members to negotiate informally—bilaterally and in small groups—in order to reach consensus by November 16, 2020, the deadline for submissions of new proposals.²⁹⁷ In December 2020, co-conveners released a public statement and provided an update on e-commerce negotiation. According to the statement, a consolidated text was developed and circulated among participants on December 7, 2020.²⁹⁸ The text was based on members' proposals, which cover the following themes: enabling electronic commerce; openness and e-commerce; trust and e-commerce; crosscutting issues; telecommunications; market access; and scope and general provisions. Co-conveners stated that the text would form the basis of the next stage of negotiation.²⁹⁹

Negotiations on Fisheries Subsidies

WTO members launched negotiations on fisheries subsidies in 2001 at the Doha Ministerial Conference. At the 11th Ministerial Conference (MC11) in Buenos Aires, 2017, ministers committed to negotiations with an aim to adopt an agreement before the next Ministerial Conference.³⁰⁰ Based on the mandate fixed under the Ministerial Decision from MC11, negotiators were expected to secure an agreement on the elimination of subsidies for illegal, unreported, and unregulated (IUU) fishing.³⁰¹ The agreement would also cover the prohibition of certain forms of fisheries subsidies that contribute to overcapacity

²⁹⁴ WTO, "[E-Commerce Negotiations](#)," February 5, 2021.

²⁹⁵ WTO, "[E-Commerce Co-Convenors Release Update on the Negotiations](#)," December 14, 2020.

²⁹⁶ WTO, "[Negotiations on E-Commerce](#)," October 23, 2020.

²⁹⁷ WTO, "[Negotiations on E-Commerce](#)," October 23, 2020.

²⁹⁸ WTO, "[Joint Statement Initiative on E-Commerce: Co-Conveners' Update](#)," December 2020.

²⁹⁹ WTO, "[Co-Conveners of E-Commerce Negotiations Cite Commendable Progress](#)," December 10, 2020; WTO, "[Joint Statement Initiative on E-Commerce: Co-Conveners' Update](#)," December 2020.

³⁰⁰ WTO, "[Negotiations on Fisheries Subsidies](#)," accessed April 5, 2021.

³⁰¹ Illegal, unreported, and unregulated (IUU) fishing is a broad term that captures a wide variety of fishing activity that undermines national and regional efforts to conserve and manage marine resources and, as a consequence, inhibits progress towards achieving the goals of long-term sustainability and responsibility. For more information on IUU, see FAO, "[What Is IUU Fishing?](#)" accessed May 13, 2021, and USITC, "[Seafood Obtained via Illegal, Unreported, and Unregulated Fishing](#)," February 2021.

and overfishing. In addition, the agreement would allow developing and least-developed countries to receive special and differential treatment.³⁰²

According to the WTO, since 2017, the Rules Negotiating Group has held regular meetings in various configurations to advance the negotiations on fisheries subsidies. Following the resumption of WTO activities in Geneva in early summer 2020, negotiations proceeded under a rigorous schedule. Negotiating rounds took place every few weeks along with extensive intersessional work to revise a slim “draft consolidated text” prepared by the Chair in June 2020.³⁰³

In spite of the difficulties caused by COVID-19 pandemic-related disruptions to the 2020 meeting schedules, the Rules Negotiating Group members expressed the hope that progress made in 2020 would facilitate an agreement early in 2021.³⁰⁴ Pending issues as of November 2020 include: the duration of a subsidy prohibition when a vessel or operator is found to have engaged in IUU fishing; unassessed stocks; dispute settlement and remedies; and special and differential treatment for developing and least-developed country members.³⁰⁵

Negotiations on Services

The Special Session of the Council for Trade in Services was formed in 2000, in accordance with the Uruguay Round mandate of the General Agreement on Trade in Services (GATS), to undertake new multi-sectoral services negotiations. The four major areas of service negotiations are: market access; domestic regulation; GATS rules (emergency safeguard measures, government procurement and subsidies); and implementation of special treatment of least-developed countries under GATS.³⁰⁶ The Special Session of the Council for Trade in Services held informal meetings in October and December 2020. The focus of the meetings was market access for environmental services, agricultural-related services, logistics, and financial services.³⁰⁷ The discussion of market access issues relating to logistics and financial services stemmed from two new communications submitted by members underscoring the importance of these sectors to world trade and economic growth.³⁰⁸

The Chair of the negotiations on services domestic regulation circulated a negotiating text in December 2020 that reflected the progress made in 2020 on domestic regulation disciplines. The disciplines under discussion are related to licensing and qualification requirements for service providers as well as the procedures and technical standards for supplying services. They are intended to facilitate trade in services, and to increase transparency and predictability. At a meeting on December 10, 2020, participants agreed to clarify that the disciplines build upon GATS and do not diminish any obligations contained in the Agreement. According to the WTO, 63 developed and developing countries participated in the negotiations on services domestic regulation.³⁰⁹

³⁰² WTO, “[DG Azevêdo Call on Members to Intensify Fisheries Subsidies Negotiations](#),” March 6, 2020.

³⁰³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 151.

³⁰⁴ WTO, “[WTO Members Committed to Fisheries Subsidies Negotiations](#),” December 14, 2020.

³⁰⁵ WTO, “[Fisheries Subsidies Negotiations Chair Introduces Revised Draft Consolidated Text](#),” November 2, 2020.

³⁰⁶ WTO, “[Services Negotiations](#),” accessed April 2, 2021.

³⁰⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 151.

³⁰⁸ WTO, “[WTO Members Explore Market Access Issues](#),” December 9, 2020.

³⁰⁹ WTO, “[Chair of Services Domestic Regulation Talks Issues Revised Negotiating Text](#),” December 18, 2020.

Waiver Proposal for Certain TRIPS Provisions

On October 2, 2020, South Africa and India submitted a proposal calling for a waiver for all WTO members of certain provisions of the TRIPS Agreement in relation to the “prevention, containment or treatment” of COVID-19.³¹⁰ According to the proponents, the objective of the waiver request is to avoid barriers to the timely access to affordable medical products including vaccines and medicines or to scaling-up of research, development, manufacture, and supply of essential medical products. The waiver would cover obligations in four sections of the TRIPS Agreement—Section 1 on copyright and related rights, Section 4 on industrial designs, Section 5 on patents, and Section 7 on the protection of undisclosed information. Under the proposal, the waiver would last for a specific number of years, to be determined by the General Council. It would remain in place until vaccination is available globally, and the majority of the world's population has developed immunity to COVID-19. WTO members would review the waiver annually until termination.³¹¹

The proposal was subsequently co-sponsored by the delegations of Kenya, Eswatini, Pakistan, Mozambique, and Bolivia.³¹² Discussions on the waiver proposal were held at the TRIPS Council meetings on October 15–16, November 20, and December 3 and 10, 2020.³¹³ Some WTO members at the time expressed opposition to the waiver, citing the existing flexibilities in the TRIPS Agreement which allows for compulsory licensing in health emergencies such as the pandemic.³¹⁴

Dispute Settlement Body

This section provides an overview of the WTO dispute settlement process, as well as information about proceedings during calendar year 2020, 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 2020 under the WTO Dispute Settlement Understanding; (2) a table that lists the new dispute settlement panels established during calendar year 2020 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 in 2020, as well as summaries of panel and Appellate Body reports issued during 2020 in disputes that involved the United States. This section also describes the impact that both the COVID-19 pandemic and the impasse on appointing new Appellate Body members had on panel and Appellate Body activity during 2020.

³¹⁰ WTO, [“Waiver from Certain Provisions of the TRIPS Agreement,”](#) October 2, 2020, IP/C/W 669.

³¹¹ WTO, [“Members Continue to Discuss Temporary IP Waiver,”](#) December 10, 2020.

³¹² WTO, [“Members Continue to Discuss Temporary IP Waiver,”](#) December 10, 2020.

³¹³ WTO, [“Members Discuss TRIPS Waiver Request,”](#) February 23, 2021.

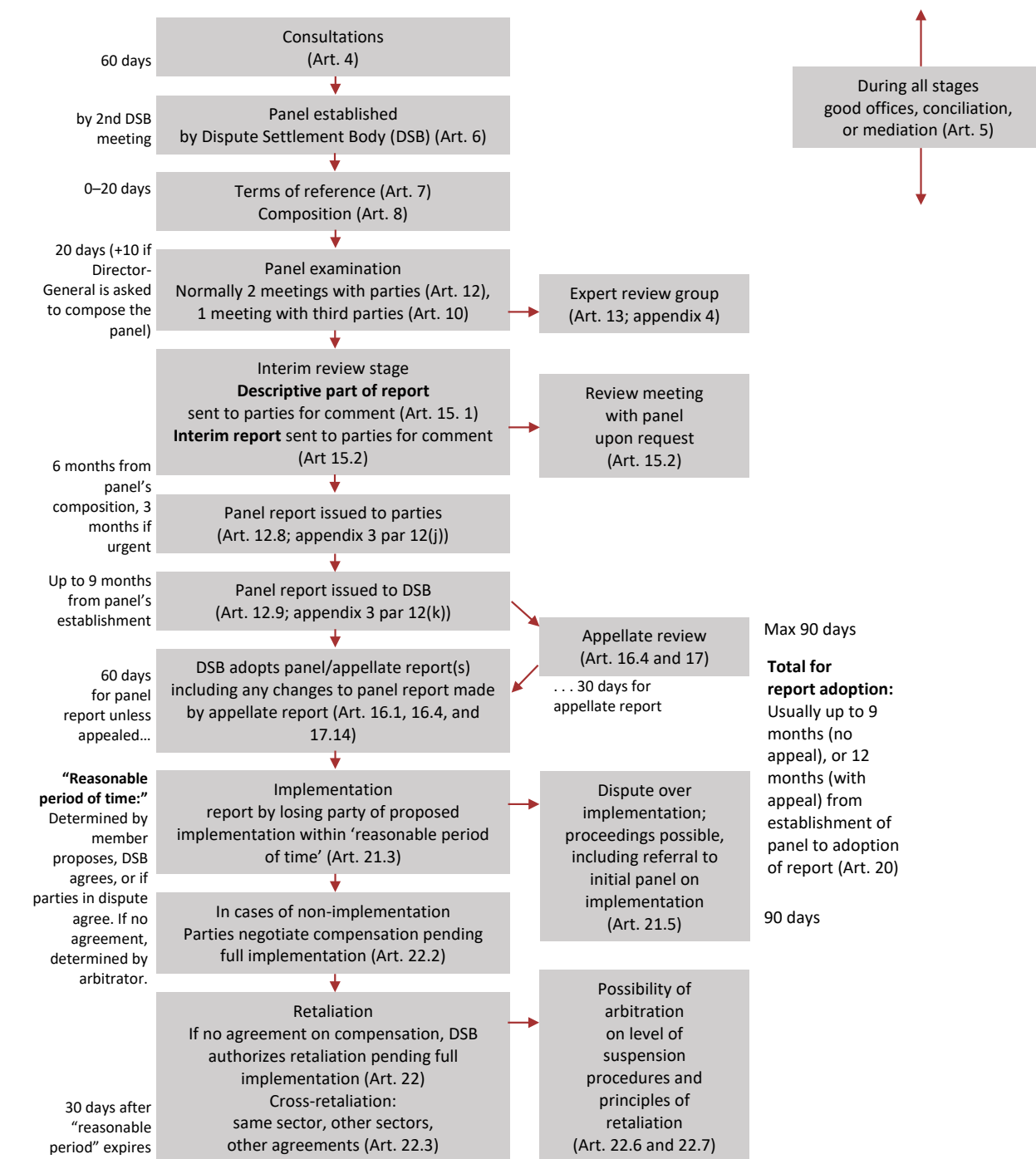
³¹⁴ EC, [“Answer for Question E-005595/2020,”](#) December 23, 2020; WTO, [“Responses to Questions on Waiver from Certain Provisions of the TRIPS Agreement,”](#) January 15, 2021, IP/C/W/672; Government of the United Kingdom, [“UK Statement to the TRIPS Council,”](#) October 16, 2020; WTO, [“TRIPS Council to Continue to Discuss Temporary IP Waiver,”](#) April 30, 2021. On May 5, 2021, the U.S. Trade Representative Katherine Tai released a statement announcing the Biden-Harris Administration’s support for waiving intellectual property protections for COVID-19 vaccines due to the global health crisis and extraordinary circumstances of the pandemic. Discussions at the WTO are ongoing. USTR, [“Statement from Ambassador Katherine Tai on the COVID-19 TRIPS Waiver,”](#) May 5, 2021.

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 *2021 Trade Policy Agenda and 2020 Annual Report* released by the Office of the U.S. Trade Representative (USTR), 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 2020 in disputes in which the United States was the complainant or respondent appears in the [interactive dashboard of appendix A](#).

This section focuses on developments during 2020, including panel and Appellate Body reports issued during 2020 and adopted by the Dispute Settlement Body (DSB). With minor exceptions, panel and Appellate Body reports and DSB actions after the close of 2020 will be summarized in the next edition of Commission's report covering 2021. A number of disputes filed before 2020 remained inactive throughout 2020, 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 largely on developments through the panel and Appellate Body stage and includes only limited discussion of 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 settlement 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 table in the [interactive dashboard of 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 2020.

Figure 3.1 Timeline for a typical WTO dispute settlement process

Source: WTO, ["Flow Chart of the Dispute Settlement Process,"](#) accessed March 29, 2021.

Dispute Activities During 2020

During 2020, the COVID-19 pandemic slowed the filing of new disputes and delayed the progress of ongoing disputes before established and composed panels.³¹⁵ The pandemic impacted the ability to hold face-to-face proceedings and required parties to disputes to agree to flexible arrangements in order to proceed.³¹⁶ Similarly, the impasse over appointment of new members to the Appellate Body prevented it from addressing new appeals. The combination of these two situations likely slowed the pursuit of disputes even at the panel stage.

During 2020, WTO members filed five new requests for dispute settlement consultations. This number was the lowest number for any year since the establishment of the WTO in 1995, and sharply lower than the 20 requests filed during 2019 and 38 filed during 2018.³¹⁷ Only five countries filed requests, and no country filed more than one request. The requests were filed by Japan, Turkey, Peru, Hong Kong, and Australia, respectively. No country was the named respondent in more than one request. The named respondents were South Korea, the European Union, Brazil, the United States, and China.³¹⁸

New Dispute Filed in Which the United States Was the Named Respondent

DS597: United States—Origin Marking Requirement

The single new dispute filed in 2020 involving the United States, “DS597: United States—Origin Marking Requirement,” was filed by Hong Kong. On October 30, 2020, Hong Kong requested consultations with the United States regarding certain measures concerning the origin marking requirement applicable to goods produced in Hong Kong. Hong Kong claimed that the U.S. measures appear to be inconsistent

³¹⁵ For example, the chair of the panel in “DS562: United States—Safeguard Measure on Imports of Crystalline Silicon Photovoltaic Products,” informed the DSB on April 24, 2020, that, “due to a delay in the beginning of the panel’s work resulting from the lack of available experienced lawyers in the Secretariat and delays caused by the global COVID-19 pandemic, the panel did not expect to issue its final report to the parties before the end of 2020. On December 21, 2020, the Chair of the panel informed the DSB that in light of further delays in the proceedings caused by the global COVID-19 pandemic, the panel expected to issue its final report to the parties around the middle of 2021.” WTO, “[DS562: United States](#),” accessed March 29, 2021.

³¹⁶ The COVID-19 pandemic, for example, impacted modes of travel and also the ability to enter and exit countries. In response, the WTO sought to encourage parties to disputes to develop, by agreement, flexible arrangements to conduct proceedings and resolve disputes. At a meeting of the Dispute Settlement Body (DSB) on December 18, 2020, a group of WTO members signaled their intention to adopt flexible arrangements in dispute proceedings during the ongoing COVID-19 pandemic, including the holding of virtual and hybrid panel hearings, in order to ensure prompt settlement of disputes. The DSB chair also announced that the Philippines and Thailand have agreed to the appointment of a Facilitator to help mediate in their dispute over Thai customs and fiscal measures on imported cigarettes from the Philippines. WTO, “[Members Pledge Flexibility during COVID Pandemic](#),” December 18, 2020.

³¹⁷ WTO, “[Dispute Settlement Activity—Some Figures](#),” Chart 2: Requests for Consultations (1995–2020), accessed March 29, 2021.

³¹⁸ WTO, “[Chronological List of Disputes Cases](#),” accessed March 29, 2021.

with: Articles I:1, IX:1, and X:3(a) of the GATT 1994 Agreement; Articles 2(c), 2(d) and 2(e) of the Agreement on Rules of Origin; and Article 2.1 of the Technical Barriers to Trade (TBT) Agreement.

In its request for establishment of a panel, Hong Kong noted that the U.S. Customs and Border Protection (CBP) had published a notice on August 11, 2020, stating that, after September 25, 2020, goods produced in Hong Kong must be marked to indicate that their origin is "China" for the purposes of the origin marking requirement set forth in Section 304 of the Tariff Act of 1930, 19 U.S.C. 1304. Hong Kong noted that CBP in a subsequent notice extended the date for compliance with this requirement to November 10, 2020.³¹⁹

On November 9, 2020, the United States requested the Chair of the DSB to circulate to members a communication where it indicated that the United States was willing to enter into consultations with Hong Kong without prejudice to the U.S. view that the measures imposed by the United States concern issues of national security not susceptible to review or capable of resolution by WTO dispute settlement.

On November 13, 2020, the Russian Federation requested to join the consultations. On November 19, 2020, the United States requested the Chair of the DSB to circulate to members a communication where it rejected the Russian Federation's request to join the consultations. The United States and Hong Kong held consultations on November 24, 2020. The consultations failed to resolve the dispute and Hong Kong requested establishment of a panel on January 14, 2021.³²⁰

No New Panels Were Established in 2020 that Involve the United States

No new dispute settlement panels were established during 2020 in which the United States was the named complaining party or responding party. This compares with six dispute settlement panels that were established during 2019 in which the United States was a named party—three in which the United States was the complaining party, and three in which the United States was the responding party. In 2018, 23 panels were established: The United States was the complaining party in 8 of the disputes, and the responding party in 15 disputes.³²¹

³¹⁹ WTO, "[DS597: United States](#)," accessed March 30, 2021.

³²⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 97. At its meeting on January 25, 2021, the DSB deferred the establishment of a panel. At its meeting on February 22, 2021, the DSB established a panel. Brazil, Canada, China, the European Union, India, Japan, South Korea, Norway, the Russian Federation, Singapore, Switzerland, Turkey, and Ukraine reserved their third-party rights. WTO, "[DS597: United States](#)," accessed March 30, 2021.

³²¹ The majority of these disputes related either to disputes brought by WTO members against the United States after the United States imposed higher duties on imports of certain imports of steel and aluminum products under the U.S. national security provision in section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862), or to disputes brought by the United States against WTO members that had imposed countermeasures on imports of U.S. goods in response to the higher duties. USITC, [Year in Trade 2019](#), August 2020, 116–17.

Panel and Appellate Body Reports Issued and/or Adopted during 2020 That Involve the United States

During 2020, the WTO Appellate Body issued one report in a dispute to which the United States was a party, and WTO dispute settlement panels issued reports in two disputes to which the United States was a party. The United States was the named respondent in all three of the disputes (table 3.1). With the exception of the overview below of developments at the compliance level in two U.S. and EU disputes on large civil aircraft, 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 compliance reports are noted in the [interactive dashboard of appendix A](#), which contains a procedural summary of most of the dispute settlement cases that are still active in some respect.

Table 3.1 WTO dispute settlement panel and Appellate Body (AB) reports circulated and/or adopted in 2020 in which the United States was a party

Case no.	Complainant	Respondent	Case name	Development
DS505	Canada	United States	United States—Measures on Supercalendered Paper from Canada	DS505: AB report was adopted on February 28, 2020; panel report was adopted on March 5, 2020.
DS533	Canada	United States	United States—Countervailing Measures on Softwood Lumber from Canada	DS533: Panel report circulated on August 24, 2020; notice of appeal filed on September 28, 2020.
DS543	China	United States	United States—Tariff Measures on Certain Goods from China	DS543: Panel report was circulated on September 15, 2020; notice of appeal was filed on October 26, 2020.

Source: WTO, [“Chronological List of Disputes Cases,”](#) accessed March 29, 2021.

Developments at the Compliance Level in Two U.S. and EU Disputes on Large Civil Aircraft

One dispute active at the compliance level in 2020, “DS316: European Communities and Certain Member States—Measures Affecting Trade in Large Civil Aircraft,” had been filed by the United States in 2004. It alleged that subsidies provided to Airbus by the EU as well as Germany, France, Spain, and the UK violated various provisions of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) and Article XVI:1 of the GATT 1994.³²²

On October 2, 2019, after 15 years of litigation and multiple panel and Appellate Body reports in the United States’ favor, the arbitrator addressing the level of countermeasures sought by the United States issued its decision. The decision states that the level of countermeasures commensurate with the

³²² WTO, [“DS316: European Communities,”](#) accessed March 29, 2021; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 66.

degree and nature of the adverse effects determined to exist are up to \$7.5 billion annually.³²³ It was by far the largest award in WTO history—nearly twice the largest previous award. The Arbitrator calculated this amount based on WTO findings that EU launch aid for Airbus had been causing significant loss of sales of Boeing large civil aircraft, as well as impeding exports of Boeing large aircraft to the EU, Australia, China, South Korea, Singapore, and United Arab Emirates markets. Under WTO rules, the Arbitrator’s decision is final and not subject to appeal.³²⁴ On April 12, 2019, USTR initiated a section 301 investigation to enforce U.S. rights in this WTO dispute. For more information on U.S. implementation of countermeasures and other development, see section 301 investigations in [chapter 2](#) of this report.

In further developments in 2020, the EU, in a communication dated August 21, 2020, informed the DSB that it had amended the French A350XWB MSF and the Spanish A350XWB MSF loan agreements. The EU noted that the amendment aligns the terms of these financial instruments with a market benchmark prevailing at the time of the original measure, with the prospective effect from the date of the amendment. The EU claimed that these measures achieve full compliance with the findings of a report issued on December 2, 2019 by a second compliance panel.³²⁵ In addition, the EU noted that it had adopted these measures in spite of having appealed the findings of the compliance panel report and disagreeing with some of the findings of the Arbitrator’s decision of October 2, 2019.³²⁶

A second dispute that was active at the compliance level during 2020 also involved large civil aircraft. That dispute was initially filed in 2004 by the EU and concerned U.S. subsidies allegedly 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. It found only one program, a Washington State tax measure worth an

³²³ The arbitrator’s decision followed reports of a compliance panel issued in September 2016 and the Appellate Body in May 2018 confirming that the EU and certain Member States failed to comply with the earlier WTO determination finding launch aid inconsistent with their WTO obligations. The Appellate Body further confirmed that almost \$5 billion in new launch aid for the A350 XWB was WTO-inconsistent. The Appellate Body found that the WTO-inconsistent subsidies continue to cause significant lost sales of Boeing aircraft in the twin-aisle and very large aircraft markets, and that these subsidies impede exports of Boeing 747 aircraft to numerous geographic markets. WTO, “[DS316: European Communities](#),” accessed March 29, 2021; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 66.

³²⁴ USTR, “U.S. Wins \$7.5 Billion Award in Airbus Subsidies Case,” October 2, 2019. For more information on the development under section 301 investigation to enforce U.S. rights in this WTO dispute, see [chapter 2](#) of this report.

³²⁵ On May 17, 2018, the EU informed the DSB that it had taken new steps to achieve compliance with its WTO obligations. However, following consultations, the United States did not agree that the EU had achieved compliance. At the request of the EU, the WTO established a second compliance panel on August 27, 2018. This compliance panel issued its report on December 2, 2019, which the EU appealed to the DSB on December 6, 2019. USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 64; WTO, “[DS316: European Communities](#),” accessed March 29, 2021.

³²⁶ WTO, “[DS316: European Communities](#),” accessed March 29, 2021.

average annual value of about \$100 million from 2013 to 2015, to be WTO-inconsistent.³²⁷ On June 5, 2019, at the request of the EU, the arbitration regarding the level of countermeasures was resumed.³²⁸

On October 13, 2020, the arbitrator issued its decision with respect to the adverse effects caused by the Washington State tax rate reduction during the historical 2012 reference period. The arbitrator determined the level of countermeasures commensurate with the degree and nature of the adverse effects determined to exist is about \$3.99 billion annually. On October 26, 2020, the WTO granted the EU authorization to take countermeasures consistent with the arbitrator's decision. In the U.S. view, the EU had no legal basis to maintain countermeasures on U.S. goods because the Washington State tax rate reduction was repealed effective April 1, 2020.³²⁹ On November 7, 2020, the EU imposed duties of 15 percent on imports of certain aircraft and 25 percent on imports of certain machinery, vehicles, and parts, food and alcohol products, luggage, and other products from the United States, effective November 10, 2020.³³⁰ These duties totaled about \$4 billion annually.³³¹

Reports in Which the United States Was the Complainant

There were no reports where the United States was the Complainant.

Reports in Which the United States Was the Respondent

DS505: United States—Countervailing Measures on Supercalendered Paper from Canada

On March 30, 2016, Canada requested consultations with the United States to consider claims related to U.S. countervailing duties on supercalendered paper from Canada (Investigation C-122-854). Consultations between the United States and Canada took place in Washington, DC on May 4, 2016. On June 9, 2016, Canada requested the establishment of a panel challenging certain actions of the U.S. Department of Commerce (USDOC) with respect to the countervailing duty investigation and final determination, the countervailing duty order, and an expedited review of that order. The WTO established a panel on July 21, 2016, and the Director-General composed the panel on August 31, 2016.³³²

³²⁷ WTO, "[DS353: United States](#)," accessed March 29, 2021; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 80–81; USTR, "[WTO Rejects Claims That U.S. Provides Subsidies](#)," March 28, 2019.

³²⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 79.

³²⁹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 79.

³³⁰ European Commission, [Commission Implementing Regulation 2020/1646 of November 7, 2020](#), O.J. (L373) 1.

³³¹ The WTO arbitrator issued its decision on October 13, 2020, shortly before the DSB authorized the EU to take countermeasures. WTO, "[United States—Measures Affecting Trade in Large Civil Aircraft \(Second Complaint\)](#)," October 13, 2020, WT/DS353/ARB.

³³² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 87; WTO, "[DS505: United States](#)," accessed April 20, 2021.

The panel report was circulated on July 5, 2018. The panel found the USDOC acted inconsistently with certain articles of the SCM Agreement³³³ and Article VI:3 of the GATT 1994.³³⁴ The USDOC terminated the countervailing duties on July 5, 2018.³³⁵ On August 27, 2018, the United States notified the DSB of its decision to appeal to the Appellate Body certain issues of law and legal interpretations in the panel report.³³⁶ A hearing was held in Geneva on November 4 and November 5, 2019, and a report in appeal issued by the Appellate Body was circulated on February 6, 2020.³³⁷ This appellate document contains a majority view upholding the findings of the panel report and also a separate opinion that calls into question the reasoning and interpretative analysis of the appellate majority concerning “ongoing conduct.”³³⁸

At its meetings held on February 28 and March 5, 2020, the DSB considered this appellate document and the panel report.³³⁹ The United States noted in its DSB statement that it had serious procedural and substantive concerns, and it objected to the adoption of the appellate document as an Appellate Body Report. The United States explained that the document cannot be an Appellate Body report because the Chinese national who served on the appeal was not a valid member of the Appellate Body given that the individual is affiliated with the Government of China, in breach of Article 17.3 of the WTO Dispute Settlement Understanding (DSU). The concern related to the individual’s service was further compounded because the appeal directly implicated the interests of the Government of China. The United States also reiterated its concerns of ex-Appellate Body members’ continuation of service without authorization by the DSB, and the failure to adhere to the deadline in Article 17.5 of the DSU. Accordingly, the United States did not join in a consensus to adopt the document and report that were before the DSB. The United States explained that because there was no valid Appellate Body Report in this dispute, the document and report could only be adopted by positive consensus. It further explained that because there was no consensus on adoption, the DSB did not validly adopt any document and report in this dispute, and therefore there was no valid recommendation of the DSB with which to bring a measure into conformity with a covered agreement.³⁴⁰

On June 18, 2020, Canada requested authorization to suspend concessions and other obligations pursuant to Article 22.2 of the DSU. On June 26, 2020, the United States objected to Canada’s request, referring the matter to arbitration pursuant to Article 22.6 of the DSU. On August 6, 2020, the WTO notified the parties that the arbitration would be carried out by the panelists who served during the panel proceeding. The arbitration proceedings were ongoing as of the end of 2020.³⁴¹

³³³ The panel found the USDOC acted inconsistently with Article 1.1(a), 1.1(b), 10, 11.3, 12.7, 12.8, 19.1, 19.3, 19.4, and 32.1 of the SCM Agreement. WTO, “[DS505: United States](#),” accessed August 12, 2021.

³³⁴ WTO, “[DS505: United States](#),” accessed August 12, 2021.

³³⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 87.

³³⁶ WTO, “[DS505: United States](#),” accessed August 12, 2021.

³³⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 88; WTO, “[DS505: United States](#),” accessed August 12, 2021.

³³⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 88.

³³⁹ WTO, “[DS505: United States](#),” accessed August 12, 2021.

³⁴⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 88.

³⁴¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 87–88.

DS533: United States—Countervailing Measures on Softwood Lumber from Canada

On November 28, 2017, the United States received from Canada a request for consultations pertaining to the final determination issued by the USDOC following a countervailing duty investigation regarding softwood lumber from Canada. Canada claimed that the USDOC determination is inconsistent with U.S. commitments and obligations under Articles 1.1(a), 1.1(b), 2.1(a), 2.1(b), 10, 11.2, 11.3, 14(d), 19.1, 19.3, 19.4, 21.1, 21.2, 32.1, and 32.5 of the SCM Agreement; and Article VI:3 of the GATT 1994. Specifically, Canada challenged the USDOC's determinations regarding benchmarks for stumpage, log export permitting processes, and non-stumpage programs. The United States and Canada held consultations on January 17, 2018. At Canada's request, the WTO established a panel on April 9, 2018, and the Director-General composed the panel on July 6, 2018.³⁴²

The panel circulated its report on August 24, 2020. The panel found that the USDOC's determinations regarding benchmarks for stumpage, log export permitting processes, and non-stumpage programs were inconsistent with certain articles of the SCM Agreement.³⁴³ USTR responded that the panel applied the WTO Appellate Body's flawed test for using out-of-country benchmarks in its analysis of benchmarks from within Canada that the USDOC used to measure the benefit of subsidies. In addition, USTR noted that the panel applied a heightened level of scrutiny to its review of the USDOC's determination, in essence putting itself in the place of the investigating authority, contrary to the terms of the SCM Agreement. On September 28, 2020, the United States notified the DSB of its decision to appeal certain issues of law covered in the panel report.³⁴⁴

DS543: United States—Tariff Measures on Certain Goods from China

On April 4, 2018, China requested consultations with the United States concerning certain tariff measures on Chinese goods that the United States proposed to implement under sections 301–310 of the Trade Act of 1974.³⁴⁵ China alleged that the tariff measures were inconsistent with U.S. commitments and obligations under the Articles I:1, II:1(a), and II:1(b) of the GATT 1994 and Article 23 of the DSU. On July 6, July 16, and September 18, China requested additional consultations regarding tariff measures imposed under section 301 that supplemented its original consultations request of April 4, 2018. The United States and China held consultations in Geneva on August 28 and October 22, 2018. On December 6, 2018, China requested the establishment of a panel, which was established on January 28, 2019. The Panel was composed on June 3, 2019. Following the resignation of a panelist on September 25, 2019, the Director-General appointed a new panelist on October 17, 2019. The panel circulated its report on September 15, 2020. The panel concluded that the tariff measures at issue are inconsistent with Article I:1 of the GATT 1994 (most-favored-nation treatment, or MFN), because they fail to provide treatment for Chinese products that is no less favorable than that granted to like products originating from other WTO members, and with Articles II:1(a) and (b) of the GATT 1994, because the

³⁴² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 91.

³⁴³ WTO, "[DS533: United States](#)," accessed August 13, 2021.

³⁴⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 91.

³⁴⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 93; and WTO, "[DS543: United States](#)," accessed August 13, 2021.

additional duties are in excess of the bound rates found in the U.S. Schedule of Concessions. On October 27, 2020, the United States notified the DSB of its decision to appeal certain issues of law covered in the panel report.³⁴⁶

U.S. Concerns about WTO Dispute Settlement

In February 2020, USTR issued a detailed report, *Report on the Appellate Body of the World Trade Organization* (the February 2020 Report), setting out U.S. concerns about the operation of the WTO dispute settlement, particularly at the Appellate Body level. The February 2020 Report identified seven areas of concerns in which the Appellate Body has exceeded its authority: (1) “Contrary to the principle of prompt settlement of disputes, the Appellate Body has consistently breached the mandatory deadline for the completion of appeals.” (2) “Contrary to WTO rules, the Appellate Body has unilaterally declared that it has the authority to allow individuals formerly serving on the Appellate Body, whose terms have expired, to continue to participate in and decide appeals.” (3) “The Appellate Body has exceeded its limited authority to review legal issues by reviewing panel findings of fact, including factual findings relating to the meaning of WTO Members’ domestic law.” (4) “The Appellate Body has overstepped its role under the Dispute Settlement Understanding by rendering advisory opinions on issues not necessary to assist the Dispute Settlement Body in resolving a dispute.” (5) “The Appellate Body wrongly claims that its reports are entitled to be treated as binding precedent and must be followed by panels, absent cogent reasons.” (6) “The Appellate Body has asserted that it may ignore the text of the Dispute Settlement Understanding explicitly mandating it recommend a WTO Member to bring a WTO-inconsistent measure into compliance with WTO rules.” And (7) “The Appellate Body has overstepped its authority and opined on matters within the authority of other WTO bodies, including the Ministerial Conference, the General Council, and the Dispute Settlement Body.”³⁴⁷ The February 2020 Report stated that “the Appellate Body’s persistent overreaching has taken away rights and imposed new obligations through erroneous interpretations of WTO agreements,”³⁴⁸ and supported this with examples to illustrate how the Appellate Body’s erroneous findings have harmed WTO Members, and in particular have prejudiced the ability of market economy countries to take measures to address economic distortions caused by non-market economies.³⁴⁹

In its 2020 Annual Report, issued in March 2021, USTR recapped efforts made to raise those concerns at DSB meetings during 2020, particularly regarding the Appellate Body’s disregard for the rules set by WTO members, adding to or diminishing rights or obligations under the WTO Agreement. The 2020 Annual Report stated that many WTO members share the same concerns: (1) on the mandatory 90-day deadline for appeals, (2) review of panel fact finding, (3) issuing of advisory opinions on issues not necessary to resolve a dispute, (4) the treatment of Appellate Body reports as precedent, or (5) persons continuing to serve on appeals after their term has ended. The 2020 Annual Report said that the United States has also explained that when the Appellate Body abused the authority that it had been given within the dispute settlement system, it undermined the legitimacy of the system and damaged the interests of all WTO members who cared about having the agreements respected as they had been

³⁴⁶ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 93.

³⁴⁷ USTR, [Report on the Appellate Body of the WTO](#), February 2020, 4–8.

³⁴⁸ USTR, [Report on the Appellate Body of the WTO](#), February 2020, 2.

³⁴⁹ USTR, [Report on the Appellate Body of the WTO](#), February 2020, 8–12.

negotiated and agreed. The 2020 Annual Report indicated that for many years, the United States and other WTO members have raised repeated concerns about appellate reports going far beyond the text setting out WTO rules in areas as varied as subsidies, antidumping and countervailing duties, standards under the TBT Agreement, and safeguards. The report stated that such overreach restricts the ability of the United States to regulate in the public interest or protect U.S. workers and businesses against unfair trading practices. The USTR report stated 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.³⁵⁰

³⁵⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 166.

Chapter 4

Selected Regional and Bilateral Activities

This chapter summarizes trade-related activities during 2020 in two major multilateral organizations—the Organisation for Economic Co-operation and Development and the Asia-Pacific Economic Cooperation forum. It also covers the activities conducted under U.S. trade and investment framework.

Organisation for Economic Co-operation and Development

Background

Established in 1961, the Organisation for Economic Co-operation and Development (OECD) is an international intergovernmental organization that “works to build better policies for better lives.”³⁵¹ It serves as a policy forum as well as a knowledge hub, producing data and analyses, enabling member countries to share experience and best practices, and providing advice on public policy and international standard-setting. Collaborating closely with the G7 and the G20, the OECD focuses on finding multilateral solutions to a range of global economic, social, and environmental challenges.³⁵²

The OECD’s membership has expanded in recent years. At the end of 2020, it included 37 middle- and high-income countries, with Colombia being the latest member to join in April 2020.³⁵³ On May 15, 2020, Costa Rica became an OECD accession candidate, and its membership will take effect once it meets the accession requirements. The OECD also works closely with the so-called “OECD key partners,” including Brazil, China, India, Indonesia, and South Africa. Although they are not OECD members, the OECD key partners participate in policy discussions in the OECD bodies, take part in the regular OECD surveys, and are included in the OECD statistical databases.³⁵⁴

³⁵¹ OECD, “[About: Who We Are](#),” accessed February 22, 2021.

³⁵² The G7 is an intergovernmental organization consisting of Canada, France, Germany, Italy, Japan, the UK, and the United States, plus the EU. The G20 is an international forum with members including the EU and 19 countries—Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the UK, and the United States. OECD, “[About: Who We Are](#),” accessed February 22, 2021; G20, “[About the G20](#),” accessed July 2, 2021; and G7 UK2021, “[What is the G7?](#)” accessed July 2, 2021.

³⁵³ OECD, “[Global OECD Welcomes Colombia as Its 37th Member](#),” April 28, 2020.

³⁵⁴ OECD, “[About: Who We Are](#),” accessed February 22, 2021. The OECD’s 37 members are: Austria, Australia, Belgium, Canada, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the UK, and the United States.

The OECD organizational structure consists of the OECD Council, Committees, and the Secretariat. The OECD Council is the overarching decision-making body. It convenes the annual Ministerial Council Meeting to set priorities, discuss the global economic and trade environment, and agree upon issues such as the OECD budget or the accession process. Led by the OECD Secretariat, through various bodies such as committees, expert groups, and working groups, the OECD carries out key areas of work, such as agriculture and climate, development, energy, green investment and finance, as well as international negotiation.³⁵⁵ The OECD trade bodies include the Trade Committee and its subsidiary bodies.

OECD Developments in 2020

Ministerial Council Meeting

The annual OECD Ministerial Council Meeting took place virtually on October 28–29, 2020. The theme of the 2020 OECD Ministerial Council Meeting was “The Path to Recovery: Strong, Resilient, Green and Inclusive,” focusing on measures to strengthen international cooperation and promote an inclusive, sustainable global recovery from the COVID-19 pandemic. At the meeting, Ministers discussed “macroeconomic policies and recovery priorities, employment and social protection, trade and investment, global value chain resilience, and the actions needed for an inclusive and sustainable recovery.”³⁵⁶ In the *2020 Ministerial Council Statement*, Ministers proposed (1) harnessing the acceleration of the digital transition induced by the pandemic and its transformative potentials, (2) promoting a job-rich recovery through education and active labor market policies, and (3) incorporating the advancement of sustainable, resource-efficient, carbon-neutral economies in the recovery plan, among other topics.³⁵⁷

Digital Taxation Negotiations

Throughout 2020, the OECD continued to work on the issues surrounding taxation of the digital economy under the Base Erosion and Profit Shifting (BEPS) Project and the OECD/G20 Inclusive Framework on BEPS (the OECD/G20 Inclusive Framework).

The term of BEPS refers to tax planning strategies used by multinational enterprises that use gaps and mismatches in tax rules to avoid paying tax, such as artificially shifting profits from countries where their activities are located to jurisdictions with low or zero tax rates. The OECD estimates that the BEPS practice costs countries \$100–\$240 billion dollars in lost tax revenue every year.³⁵⁸ The OECD launched the BEPS Project in partnership with the G20 in 2013 to tackle tax avoidance, while improving the coherence of international tax rules and ensuring a more transparent tax environment.³⁵⁹ Under the OECD/G20 BEPS project, 15 action items were developed, with action 1 focusing on tax challenges arising from digitalization.³⁶⁰ The OECD/G20 Inclusive Framework was established in 2016 to review and

³⁵⁵ OECD, “[Organisational Structure](#),” accessed February 23, 2021; OECD, “[Key Areas of Work](#),” accessed April 28, 2021.

³⁵⁶ OECD, “[2020 Ministerial Council Statement](#),” October 29, 2020.

³⁵⁷ OECD, “[2020 Ministerial Council Statement](#),” October 29, 2020.

³⁵⁸ OECD, “[Understanding Tax Avoidance](#),” accessed March 23, 2021.

³⁵⁹ OECD, “[Tax and Digitalisation Policy Note](#),” October 2018.

³⁶⁰ OECD, “[OECD/G20 Inclusive Framework on BEPS](#),” 20, accessed March 2, 2021; OECD, “[Action 1—Tax Challenges Arising from Digitalisation](#),” accessed March 8, 2021.

monitor the implementation of the OECD/G20 BEPS Project. As of February 2021, the OECD/G20 Inclusive Framework had 139 countries and jurisdictions as members, including the United States.³⁶¹

Given the difficulty of drawing borders around the digitalized economy and other potential theoretical and administrative challenges to taxing digital activities (for more information on digital taxation challenges, see [box 4.1](#)), since 2019, the OECD/G20 Inclusive Framework has been working on developing a multilateral, consensus-based solution with a two-part, or so-called “two-pillar” approach.³⁶² Pillar One focuses on the profit allocation rules across multiple jurisdictions. Pillar Two, also referred to as the global anti-base erosion or “GloBE” proposal, focuses on the remaining BEPS issues, seeking to develop rules to ensure a minimum level of taxation for both traditional and digital companies.³⁶³ Members’ various proposals were grouped under these two pillars.³⁶⁴

At the 8th Session on January 29–30, 2020, the OECD reported that the members of the OECD/G20 Inclusive Framework endorsed the outline of the “Unified Approach” as the basis for negotiations of the Pillar One solution. Developed by the OECD Secretariat, the OECD states that the Unified Approach identifies commonalities among different proposals and thus brings together competing proposals. The OECD further states that this Approach is designed to incorporate new business models enabled by digitization, expand the taxing rights of market jurisdictions, and enhance dispute prevention and resolution procedures.³⁶⁵

At the OECD/G20 Inclusive Framework meeting on October 8–9, 2020, the OECD noted that members agreed that the two-pillar approach provides a foundation for a future agreement, and endorsed the release of the *Reports on the Blueprints of Pillar One and Pillar Two* for public consultation.³⁶⁶ According to the OECD statement, these outlines reflect convergent views on several key policy features, principles, and parameters under these two pillars.³⁶⁷ However, the OECD said that discussions would continue, and that different views on certain issues would need to be bridged in the future multilateral process.³⁶⁸

³⁶¹ OECD, “[Action 1—Tax Challenges Arising from Digitalisation](#),” accessed March 8, 2021; OECD, “[About the Inclusive Framework on BEPS](#),” accessed March 10, 2021; OECD, “[OECD/G20 Inclusive Framework on BEPS](#),” accessed March 2, 2021.

³⁶² For activities and development in 2019, see USITC, [Year in Trade 2019](#), August 2020, 129–31.

³⁶³ OECD, “[Action 1—Tax Challenges Arising from Digitalisation](#),” accessed March 8, 2021.

³⁶⁴ OECD, “[Programme of Work to Develop a Consensus Solution](#),” May 31, 2019.

³⁶⁵ OECD, “[Statement by the OECD/G20 Inclusive Statement on BEPS on the Two-Pillar Approach](#),” January 2020.

³⁶⁶ OECD, [Report on Pillar One Blueprint](#), October 14, 2020; OECD, [Report on Pillar Two Blueprint](#), October 14, 2020.

³⁶⁷ OECD, “[Cover Statement on the Reports on the Blueprints of Pillar One and Pillar Two](#),” October 2020.

³⁶⁸ OECD, “[International Community Renews Commitment to Address Tax Challenges](#),” October 12, 2020. In 2019 and 2020, the U.S. Trade Representative initiated two section 301 investigations of Digital Services Taxes. For more information on these investigations, see [chapter 2](#). According to the Office of U.S. Trade Representative (USTR), the United States remains committed to reaching an international consensus through the OECD process but is also maintaining its options under section 301 until such a consensus is reached. USTR, “[USTR Announces Next Steps of Section 301 Digital Services Taxes Investigations](#),” March 26, 2021; USTR, “[USTR Initiates Section 301 Investigations of Digital Services Taxes](#),” June 2, 2020; USTR, [Report on France’s Digital Services Tax](#), December 2, 2019.

At the G20 Finance Ministers and Central Bank Governors Meeting in October 2020, leaders urged the OECD/G20 Inclusive Framework to address the remaining issues and reach a global and consensus-based solution by mid-2021.³⁶⁹

Box 4.1 The Challenge of Digitization for the Global Tax System

The OECD states that rapid digital transformation across the globe in recent years has led to a wide range of implications for international taxation. Therefore, addressing the tax challenges raised by digitalization has been a key area of focus of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project since its inception.

According to the OECD, international tax treaties determine the allocation of taxing rights between jurisdictions (the "nexus" rules based on physical presence) and the relevant share of a multinational enterprise's profits that will be subject to tax in a given jurisdiction (the "profit allocation" rules based on the arm's length principle). These tax rules have helped stimulate global trade by reducing tax uncertainty and eliminating double taxation. However, as they were developed before the advent of the internet, and therefore largely reflect the practices of firms in a "brick-and-mortar" economic environment, the OECD has identified a need for review of international tax rules in the existing agreements in light of the rise of the digital economy.

As the OECD describes, digital transformation has facilitated three business models:

- 1) Cross-jurisdictional scale without mass: refers to the phenomenon that digitalization allows some highly digitalized enterprises to be heavily involved in the economic activities of a jurisdiction without any, or any significant, physical presence;
- 2) Reliance on intangible assets: for many digitalized enterprises, the intense use of intellectual property assets, such as software and algorithms supporting their platforms, websites, and many other crucial functions, are central to their business models; and
- 3) The centrality of data: data, user participation, network effects, and the provision of user-generated content are commonly observed in the business models of more highly digitalized businesses.

Because of the many new ways that firms now operate in foreign markets, digitalization has introduced important challenges for the existing global tax system.

Source: OECD, [Report on Pillar Two Blueprint](#), October 14, 2020; OECD, ["Action 1—Tax Challenges Arising from Digitalisation,"](#) accessed March 8, 2021; OECD, ["Tax and Digitalisation Policy Note,"](#) October 2018.

Asia-Pacific Economic Cooperation

Background

The Asia-Pacific Economic Cooperation (APEC) is a regional economic and trade forum established in 1989 and composed of 21 member economies.³⁷⁰ The primary goal of APEC is to "support sustainable

³⁶⁹ G20, ["Communiqué: G20 Finance Ministers and Central Bank Governors,"](#) October 14, 2020.

³⁷⁰ In 2020, the 21 APEC member economies were Australia; Brunei Darussalam (Brunei); Canada; Chile; China; Hong Kong; Indonesia; Japan; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; Russia;

economic growth and prosperity in the Asia-Pacific region.” Through initiatives, APEC champions free and open trade and investment, promotes and accelerates regional economic integration, encourages economic and technical cooperation, enhances human security, and facilitates a favorable and sustainable business environment.³⁷¹

APEC is an international intergovernmental group committed to reducing barriers to trade and investment without requiring its members to enter into legally binding obligations. APEC achieves its goals by promoting dialogue and arriving at decisions on a voluntary, consensus basis.³⁷²

APEC has a two-level operational structure. At the policy level, APEC economic leaders and ministers and the APEC Business Advisory Council meet annually to provide policy direction and set the vision for overarching goals and initiatives. At the working level, four core committees, including the Committee on Trade and Investment and its subsidiary bodies, implement initiatives and carry out activities.³⁷³ The APEC Secretariat operates as the core support mechanism for the APEC process. It administers the budget and performs a central project management role, overseeing more than 250 APEC-funded projects.³⁷⁴

Every year, one of the 21 APEC member economies hosts APEC meetings and serves as the APEC chair. In 2020, Malaysia was the APEC chair.³⁷⁵

APEC Developments in 2020

2020 APEC Themes and Priorities

Under Malaysia’s leadership in 2020, APEC adopted the theme “Optimizing Human Potential towards a Resilient Future of Shared Prosperity: Pivot. Prioritise. Progress,” and focused on three priority areas: “Improve the Narrative of Trade and Investment; Inclusive Economic Participation through Digital Economy and Technology; and Driving Innovative Sustainability.”³⁷⁶

Response to the COVID-19 Pandemic

On May 5, 2020, the APEC Ministers Responsible for Trade issued a statement regarding the response to the COVID-19 pandemic in the APEC region. The Ministers Responsible for Trade urged APEC economies to identify and resolve any unnecessary barriers to trade, facilitate the flow of essential goods and services to fight the pandemic, and minimize disruptions to the global supply chains. The Committee on Trade and Investment held a virtual meeting on June 23, 2020, to discuss the implementation of the statement by the Ministers Responsible for Trade. As a result, several initiatives and projects were undertaken in 2020, including initiatives concerning the movement of essential goods and people across

Singapore; South Korea; Taiwan; Thailand; the United States; and Vietnam. For further details, see APEC, “[About APEC](#),” accessed March 16, 2021.

³⁷¹ APEC, “[Mission Statement](#),” accessed March 16, 2021.

³⁷² APEC, “[How APEC Operates](#),” accessed March 16, 2021.

³⁷³ APEC, “[Working Level](#),” accessed March 16, 2021.

³⁷⁴ APEC, “[APEC Secretariat](#),” accessed March 17, 2021.

³⁷⁵ APEC, “[How APEC Operates](#),” accessed March 16, 2021.

³⁷⁶ APEC, “[APEC2020 Theme and Priority Areas](#),” accessed March 16, 2021.

borders, a proposal regarding notifying the WTO of COVID-19 related emergency measures, several self-funded projects concerning the stabilization and resilience of supply chains, and a project seeking to share best practices on utilizing digital technologies to facilitate trade during the pandemic and beyond. In addition, on September 17, 2020, the Committee on Trade and Investment and the OECD jointly organized a webinar, *Impacts of COVID-19 on International Trade and Investment: Insights and Policy Responses for APEC*.³⁷⁷

Support for the Multilateral Trading System

Throughout 2020, APEC continued to support the multilateral trading system and contribute to various ongoing negotiations under the WTO.³⁷⁸ Some areas of focus were the WTO negotiations on e-commerce and fishery subsidies; the implementation of the WTO Trade Facilitation Agreement, Technical Barriers to Trade Agreement, and Information Technology Agreement; and the implementation of the 2015 WTO Ministerial decision on agricultural export subsidies.³⁷⁹ The United States undertook three capacity-building and technical assistance projects to support APEC economies' implementation of the WTO Trade Facilitation Agreement, including Article 1 (publication and availability of information), Article 3 (advance ruling), and Article 8 (border agency cooperation).³⁸⁰

Progress toward the Bogor Goal

With an intention to complete the Bogor Goal of creating a free and open trade and investment area in the Asia-Pacific by 2020,³⁸¹ APEC Policy Support Unit conducted the final review of APEC's Progress toward the Bogor Goal and presented the findings in its November 2020 report. The review concluded that progress has been made in many areas since the inception of the Bogor Goal in 1994. In particular, it noted that tariff rates have been significantly reduced across the APEC region, and that trade facilitation efforts have led to simplified procedures, improved logistics services, and reduced trade costs in the APEC region. However, the review identified several areas for further improvement, such as uneven sectoral tariff liberalization; a high number of nontariff measures; restrictions on cross-border data transfer, storage, and processing; and a slowdown in improvement of investment conditions in primary sectors and some services sectors.³⁸²

According to the report, although the pandemic initially led to an increase in temporary export restrictions, many of them had been suspended or terminated as of late 2020. Meanwhile, several APEC economies implemented a temporary reduction or suspension of import tariffs and other measures to facilitate trade, especially concerning imports of COVID-19 related medical equipment and supplies, medicines, and personal protective equipment.³⁸³

³⁷⁷ APEC, [APEC Committee on Trade and Investment 2020](#), November 2020, 4–7.

³⁷⁸ APEC, [APEC Committee on Trade and Investment 2020](#), November 2020, 8.

³⁷⁹ APEC, [APEC Committee on Trade and Investment 2020](#), November 2020, 8–10.

³⁸⁰ APEC, [APEC Committee on Trade and Investment 2020](#), November 2020, 9.

³⁸¹ In 1994, at a meeting in Bogor, Indonesia, APEC member economies adopted the Bogor Goals of creating a free and open trade and investment area in the Asia-Pacific region by 2010 for industrialized member economies and by 2020 for developing member economies. For more background information on APEC's Bogor Goal, see USITC, [Year in Trade 2014](#), July 2015, 117–18.

³⁸² APEC, [The Final Review of APEC's Progress towards the Bogor Goals](#), November 2020, 1–3.

³⁸³ APEC, [The Final Review of APEC's Progress towards the Bogor Goals](#), November 2020, 4.

In 2020, the Group on Services implemented the “final push” on services to address the unfinished business of the Bogor Goals, including work plans in five priority areas: domestic services regulation, development of the APEC index, mutual recognition of qualifications and licensing, environmental services, and manufacturing-related services.³⁸⁴

Internet, Digital Economy, and E-Commerce

Internet, digital economy, and e-commerce continued to be an important area of work at APEC in 2020.³⁸⁵ On September 8–10, 2020, Australia organized the Digital Symposium Series, discussing current development and opportunities in digital trade including emerging technologies, digital privacy, and digital trade standards. On October 13–14, 2020, the United States held the APEC Digital Trade Policy Dialogue Webinar, discussing policies and regulatory frameworks that facilitate digital trade, commercial development, and the adoption of emerging technologies, particularly in the COVID-19 environment.³⁸⁶ In addition, the APEC Digital Economy Steering Group produced two reports: one in March 2020, providing information on policies, initiatives and best practices to develop digital economy and promote participation by small and medium-sized enterprises; and the other in June 2020, discussing consumer protection in digital trade.³⁸⁷

On March 9, 2020, the Philippines became the ninth APEC economy to join the APEC Cross-Border Privacy Rules System, following the United States, Mexico, Canada, Japan, South Korea, Singapore, Chinese Taipei (Taiwan),³⁸⁸ and Australia. The system is a government-backed data privacy certification that companies can join to demonstrate compliance with internationally recognized data privacy protections.³⁸⁹

Trade and Investment Framework Agreements

Trade and Investment Framework Agreements (TIFAs) provide a strategic framework and principles for dialogue on trade and investment issues between the United States and its trading partners. TIFAs and related council meetings serve as a setting for the United States and other parties to discuss diverse issues of mutual interest (e.g., market access, labor, environment, and intellectual property rights), with the objective of strengthening trade and investment ties. At the end of 2020, the United States had entered into 59 TIFAs, whether specifically called a TIFA or by a similar name including Agreement on Trade and Economic Cooperation (ATEC), Trade and Investment Council Agreement (TIC), Trade and

³⁸⁴ APEC, [APEC Committee on Trade and Investment 2020](#), November 2020, 11.

³⁸⁵ For background information, see USITC, [Year in Trade 2017](#), August 2018, 116–17. For activities in previous years, see USITC, [Year in Trade 2018](#), October 2019, 125–26; USITC, [Year in Trade 2019](#), August 2020, 135–36.

³⁸⁶ APEC, [APEC Committee on Trade and Investment 2020](#), November 2020, 25.

³⁸⁷ APEC, [APEC Committee on Trade and Investment 2020](#), November 2020, Appendix 4.

³⁸⁸ The official name at APEC for Taiwan is Chinese Taipei.

³⁸⁹ APEC, [“What Is the Cross-Border Privacy Rules System?”](#) accessed March 22, 2021.

Investment Cooperation Forum (TICF), Trade and Investment Cooperation Agreement (TICA), and Trade and Investment Cooperation Forum Agreement (TICFA). All are considered TIFAs by USTR.³⁹⁰

On October 15, 2020, the United States signed a TIFA with Fiji. This is the first TIFA that the United States signed with a small developing island state in the Pacific.³⁹¹ On October 19, 2020, the United States and Brazil signed a new Protocol on Trade Rules and Transparency, updating the U.S.-Brazil ATEC concluded in 2011 with three new annexes: (1) Trade Facilitation and Customs Administration, (2) Good Regulatory Practices, and (3) Anti-Corruption.³⁹² On December 8, 2020, the United States and Ecuador updated their TIC Agreement by signing a new Protocol on Trade Rules and Transparency. The Protocol of Trade Rules and Transparency is composed of four annexes that are added on to the TIC: (1) Customs Administration and Trade Facilitation, (2) Good Regulatory Practices, (3) Anticorruption, and (4) Small and Medium-Sized Enterprises.³⁹³ For more information on the 2020 developments under other TIFAs, see table 4.1 below.

³⁹⁰ USTR, “[Trade and Investment Framework Agreements](#),” accessed March 23, 2021. For more information on TIFAs, also see USITC, [Year in Trade 2019](#), August 2020, 138–39.

³⁹¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 4; U.S. Embassy in Fiji, Kiribati, Nauru, Tonga, and Tuvalu, “[United States and Fiji Sign Trade and Investment Framework Agreement](#),” October 15, 2020.

³⁹² USTR, “[United States and Brazil Update Agreement on Trade](#),” October 19, 2020.

³⁹³ U.S. Embassy Ecuador, “[United States and Ecuador Sign New Protocol](#),” December 8, 2020; USTR, “[Joint Statement of the United States-Ecuador Trade and Investment Council](#),” November 19, 2020.

Table 4.1 U.S. trade and investment framework agreements (TIFAs) developments in 2020

ATEC = Agreement on Trade and Economic Cooperation; TIC = Trade and Investment Council; TICF = Trade and Investment Cooperation Forum; TICA = Trade and Investment Cooperation Agreement; and TICFA = Trade and Investment Cooperation Forum Agreement.

Type and name	Date signed	2020 Development
U.S.-Argentina TIFA	Mar. 23, 2016	In Nov. 2020, the United States and Argentina held the sixth meeting of the Innovation and Creativity Forum for Economic Development, established under the U.S.-Argentina TIC.
U.S.-Bangladesh TICFA	Nov. 25, 2013	On Mar. 5, 2020, the U.S.-Bangladesh TICFA Council held its fifth meeting in Dhaka, Bangladesh, focusing on market access for U.S. agricultural products and financial services, as well as upholding international labor norms.
U.S.-Brazil ATEC	March 19, 2011	On Oct. 19, 2020, the United States and Brazil updated the ATEC with a new Protocol on Trade Rules and Transparency.
U.S.-Ecuador TIC	Jul. 23, 1990	On Nov. 10, 2020, the United States and Ecuador held the third TIC meeting, discussing a range of trade and investment-related issues, including intellectual property, environment, labor, and trade in agriculture products. On Dec. 8, 2020, the United States and Ecuador updated the TIC Agreement with New Protocol on Trade Rules and Transparency.
U.S.-Fiji TIFA	Oct. 15, 2020	On Oct. 15, 2020, the United States signed a TIFA with Fiji.
U.S.-Nepal TIFA	Apr. 15, 2011	On Dec. 15, 2020, the U.S.-Nepal TIC held its fifth meeting virtually, discussing a range of bilateral trade and investment-related issues such as customs and trade facilitation, intellectual property, digital trade and e-commerce, labor, financial services, investment promotion, trade in agriculture products, and utilization of the Nepal Trade Preference Program.
U.S.-Pakistan TIFA	Jun. 25, 2003	In May and Nov. 2020, the United States engaged with Pakistan at intersessional meetings of the U.S.-Pakistan TIFA Council, focusing on intellectual property protection and enforcement, labor, market access for agricultural and nonagricultural goods and services, technical barriers to trade, and regulatory developments affecting digital trade, data privacy, and e-commerce.
U.S.-Paraguay TIFA	Jan. 13, 2017	In Dec. 2020, the United States and Paraguay convened technical discussions under the TIFA, including on a Work Plan on IPR to replace the Memorandum of Understanding on Intellectual Property Rights, which expired at the end of 2020.

Sources: USTR, [“Trade and Investment Framework Agreements,”](#) accessed March 23, 2021; USTR, [“USTR Statement on 5th U.S.-Bangladesh Trade and Investment Cooperation Forum Agreement Council Meeting,”](#) March 5, 2020; USTR, [“2021 Trade Policy Agenda and 2020 Annual Report,”](#) March 2021; USTR, [“Joint Statement of the United States-Ecuador Trade and Investment Council,”](#) November 19, 2020; USTR, [“United States and Ecuador Update TICA with New Protocol on Trade Rules and Transparency,”](#) December 8, 2020; USTR, [“Joint Statement on the 5th U.S.-Nepal Trade and Investment Framework Agreement Council Meeting,”](#) December 16, 2020; UNCTAD, [“UNCTAD Investment Policy Hub,”](#) accessed March 25, 2021; USTR, [“United States and Brazil Update Agreement on Trade,”](#) October 19, 2020.

Chapter 5

U.S. Free Trade Agreements

This chapter summarizes developments related to U.S. free trade agreements (FTAs)³⁹⁴ during 2020. It describes trends in U.S. merchandise imports entered under FTAs, summarizes major activities involving U.S. FTAs in force during 2020, and highlights the status of U.S. FTA negotiations during the year. To date, the United States has implemented 14 FTAs with a total of 20 countries (table 5.1).³⁹⁵

Table 5.1 U.S. free trade agreements (FTAs) in force as of December 31, 2020

FTA = free trade agreement; TPA = trade promotion agreement; Korea refers to the Republic of Korea, or South Korea.

FTA	Date of signature	Date of entry into force
U.S.-Israel FTA	April 22, 1985	September 1, 1985
U.S.-Jordan FTA ^a	October 24, 2000	December 17, 2001
U.S.-Chile FTA	June 6, 2003	January 1, 2004
U.S. Singapore FTA	May 6, 2003	January 1, 2004
U.S.-Australia FTA	May 18, 2004	January 1, 2005
U.S.-Morocco FTA	June 15, 2004	January 1, 2006
U.S.-Bahrain FTA	September 14, 2004	August 1, 2006
Dominican Republic-Central America FTA (CAFTA-DR) ^b	May 28, 2004	Various dates
U.S.-Oman FTA	January 19, 2006	January 1, 2009
U.S.-Peru TPA	April 12, 2006	February 1, 2009
U.S.-Korea FTA (KORUS)	June 30, 2007	March 15, 2012
U.S.-Colombia TPA	November 22, 2006	May 15, 2012
U.S.-Panama TPA	June 28, 2007	October 31, 2012
United States-Mexico-Canada Agreement (USMCA) ^c	November 30, 2018	July 1, 2020

Source: USTR, "[Free Trade Agreements](#)," accessed April 14, 2021.

Note:

^a The U.S.-Jordan FTA was fully implemented on January 1, 2010.

^b CAFTA-DR is an FTA between the United States with six small developing economies: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, as well as the Dominican Republic. All parties signed CAFTA-DR on May 28, 2004, except the Dominican Republic, which signed in August 2004. CAFTA-DR entered into force between the United States and Costa Rica on January 1, 2009, between the United States and the Dominican Republic on March 1, 2007, between the United States and Guatemala on July 1, 2006, between the United States and Honduras and Nicaragua on April 1, 2006, and between the United States and El Salvador on March 1, 2006.

^c On July 1, 2020, the USMCA replaced the North America Free Trade Agreement (NAFTA) which entered into force on January 1, 1994.

U.S. Imports Entered under FTAs in 2020

The value of U.S. merchandise imports entered under FTAs (hereafter FTA imports)³⁹⁶ decreased by over 14 percent in 2020 (table 5.2). During this period, U.S. imports entered under NAFTA/USMCA decreased by nearly 16 percent, while U.S. imports entered under non-NAFTA/USMCA FTAs decreased by nearly 7

³⁹⁴ According to USTR, the term "free trade agreements" includes free trade agreements (FTAs) and trade promotion agreements (TPAs). USTR, "[Free Trade Agreements](#)," accessed April 14, 2021.

³⁹⁵ USTR, "[Free Trade Agreements](#)," accessed April 14, 2021.

³⁹⁶ Data on imports in this section use "imports for consumption" as a measure, which covers 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.

percent. U.S. FTA imports from Mexico and Canada incurred the largest decreases in absolute dollar value; meanwhile, U.S. FTA imports from Bahrain, Jordan, Oman, and Colombia had the largest decreases in percentage changes. Morocco and Singapore were the only two FTA partners from which the United States increased FTA imports in 2020 (table 5.2).³⁹⁷

Table 5.2 U.S. imports entered under FTA provisions, by FTA partner, annual, 2018–20

In millions of dollars and percentages. NAFTA = North America Free Trade Agreement; USMCA = United States-Mexico-Canada Agreement; CAFTA-DR = Dominican Republic-Central America-United States Free Trade Agreement. The table first shows U.S. imports for consumption from Canada and Mexico under NAFTA and the USMCA; then from U.S. partners under 13 other FTAs; then imports for consumption under non-FTAs; and finally, total U.S. imports for consumption.

FTA partner	2018 (million \$)	2019 (million \$)	2020 (million \$)	Percentage change, 2019–20 (%)
Canada	129,450	124,155	101,049	–18.6
Mexico	199,950	202,719	174,003	–14.2
Entered under NAFTA/USMCA	329,401	326,874	275,052	–15.9
Israel	2,889	2,895	2,829	–2.3
Jordan	1,612	1,864	1,557	–16.4
Chile	6,405	5,446	5,394	–0.9
Singapore	4,484	5,102	5,534	8.5
Australia	3,747	3,942	3,793	–3.8
Morocco	238	257	307	19.3
Bahrain	509	603	350	–42.0
CAFTA-DR	14,716	14,924	12,550	–15.9
Oman	905	744	522	–29.9
Peru	3,733	3,544	3,485	–1.7
South Korea	33,397	36,437	35,292	–3.1
Colombia	5,712	6,039	4,508	–25.4
Panama	49	50	49	–0.9
Entered under non-NAFTA/USMCA FTAs	78,396	81,847	76,169	–6.9
Entered under all FTAs	407,797	408,721	351,220	–14.1
All imports under non-FTAs	2,141,582	2,093,159	1,986,347	–5.1
Total U.S. imports for consumption	2,549,379	2,501,880	2,337,567	–6.6

Source: USITC DataWeb/Census, accessed February 25, 2021.

In 2020, FTA imports accounted for almost 39 percent of U.S. merchandise imports from FTA partners and 15 percent of U.S. merchandise imports from the world.³⁹⁸ FTA imports made up more than 50 percent of total imports for 7 of 15 FTA partners, including Jordan, Oman, Peru, Bahrain, Mexico, Chile, and CAFTA-DR countries, indicating the importance of FTAs for these partners.³⁹⁹ Although the shares of FTA imports in total imports from most FTA partners declined in 2020, Morocco was a notable exception with an increase of 12.5 percentage points (table 5.3). Among the top U.S. FTA imports from Morocco in 2020 were road wheels and parts for motor vehicles, sardines, and mandarins.⁴⁰⁰ While sardines and mandarins have been top FTA imports from Morocco for years, the United States only recently (in 2019) began importing road wheels, which have contributed to the rising FTA imports from Morocco.

³⁹⁷ USITC DataWeb/Census, accessed February 25, 2021.

³⁹⁸ Not all products imported from FTA partners are eligible for FTA treatment or, if eligible, take advantage of their eligibility.

³⁹⁹ USITC DataWeb/Census, imports for consumption, accessed February 25, 2021.

⁴⁰⁰ USITC DataWeb/Census, imports for consumption, accessed February 25, 2021.

Table 5.3 Share of U.S. imports entered under FTA provisions, by FTA partner, annual, 2018–20

In percentages. NAFTA = North America Free Trade Agreement; USMCA = United States-Mexico-Canada Agreement; CAFTA-DR = Dominican Republic-Central America-United States Free Trade Agreement. The table first shows share of U.S. imports for consumption from Canada and Mexico entered under NAFTA and the USMCA; then from other U.S. partners entered under 13 other FTAs; and finally share of U.S. imports for consumption entered under all FTAs.

FTA partner	2018	2019	2020	Percentage point change, 2019–20
Canada	40.6	38.9	37.3	–1.6
Mexico	58.0	56.7	53.5	–3.2
Entered under NAFTA/USMCA	49.6	48.3	46.1	–2.1
Israel	13.0	14.4	17.9	3.5
Jordan	88.6	85.7	82.6	–3.1
Chile	55.4	52.4	53.3	0.8
Singapore	16.8	19.4	18.0	–1.4
Australia	37.3	36.2	26.3	–9.8
Morocco	15.3	16.2	28.6	12.5
Bahrain	51.9	59.9	58.1	–1.8
CAFTA-DR	58.4	57.9	52.8	–5.1
Oman	66.1	63.9	63.9	–0.1
Peru	47.6	57.9	62.1	4.2
South Korea	44.7	48.0	47.0	–1.0
Colombia	40.1	41.3	39.1	–2.1
Panama	11.8	10.8	7.1	–3.8
Entered under non-NAFTA/USMCA FTAs	22.9	24.0	24.3	0.4
Entered under all FTAs	40.5	40.1	38.6	–1.5

Source: USITC DataWeb/Census, imports for consumption, accessed February 25, 2021.

Developments in U.S. FTAs Already in Force During 2020

During 2020, the United States had 14 free trade agreements in force, including the USMCA, which replaced NAFTA on July 1, 2020. While these agreements vary in coverage, they address, along with their supplemental agreements, many issues beyond trade, including labor, environment, intellectual property, anti-corruption, digital trade, regulatory practices, and small and medium enterprises.⁴⁰¹ Highlights of development in 2020 related to these FTA provisions as well as other issues are discussed below.

The United States-Mexico-Canada Agreement

On January 29, 2020, the President signed the United States-Mexico-Canada Agreement Implementation Act (USMCA Implementation Act)⁴⁰² into law. Through the USMCA Implementation Act, Congress approved the United States-Mexico-Canada Agreement (USMCA) and enacted legislation that implements its provisions. The USMCA entered into force on July 1, 2020. This section describes actions

⁴⁰¹ For more information on various provisions in U.S. FTAs, see USITC, [Economic Impact of Trade Agreements Implemented under Trade Authorities Procedures](#), June 2021.

⁴⁰² United States-Mexico-Canada Agreement Implementation Act, 19 U.S.C. §§ 4501–4732.

taken in 2020 to implement provisions such as automotive rules, environment and labor monitoring and enforcement, cross-border long-haul trucking services, and dispute settlement.

Background

The USMCA Implementation Act and its companion bill were passed in the U.S. House of Representative and U.S. Senate, and signed by the President on January 29, 2020. NAFTA remained in effect until the USMCA entered into force on July 1, 2020 (table 5.4).⁴⁰³

Table 5.4 Major USMCA developments, 2018–21

Major development	Dates
The United States, Mexico, and Canada sign the USMCA.	November 30, 2018
The U.S. Trade Representative and members of Congress negotiate proposed changes to the USMCA to address ongoing congressional concerns.	Throughout 2019
Mexico ratifies the USMCA signed in November 2018.	June 2019
The United States, Mexico, and Canada agree to a Protocol of Amendment to the USMCA, which sets forth the amendments to the agreement after negotiations between Congress and USTR.	December 10, 2019
The Mexican Senate approves the amendments.	December 12, 2019
The United States, Mexico, and Canada sign the Protocol of Amendment to the 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
The USMCA legislation is passed by the House Ways and Means Committee.	December 17, 2019
The USMCA legislation is passed by the full House.	December 19, 2019
The USMCA legislation is passed by the Senate Finance Committee.	January 7, 2020
The USMCA legislation is passed by the full Senate.	January 16, 2020
The President signs the USMCA Implementation Act into law.	January 29, 2020
The Interagency Autos Committee is established.	February 28, 2020
The Interagency Environment Committee is established.	February 28, 2020
The Interagency Labor Committee is established.	April 28, 2020
The USITC amends its procedures regarding investigations of U.S.-Mexico cross-border long haul trucking services	July 10, 2020 (interim ruling), April 8, 2021 (final ruling)
The Parliament of Canada concludes the final ratification of the USMCA.	March 13, 2020
Canada notifies the United States and Mexico that it has completed its domestic ratification process for the USMCA.	April 3, 2020
The USMCA enters into force.	July 1, 2020

Source: USTR, [2018 Trade Policy Agenda and 2017 Annual Report](#), March 2018; USTR, [“Trilateral Statement on the Conclusion of the 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, [“Joint Statement from United States Trade Representative Robert Lighthizer and Canadian Foreign Affairs Minister Chrystia Freeland,”](#) September 30, 2018; USTR, [2019 Trade Policy Agenda and 2018 Annual Report](#), March 2019; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021; 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,”](#) July 1, 2020.

⁴⁰³ [USMCA Protocol](#). For a detailed summary of the USMCA in comparison to NAFTA, from before the protocol of amendment was signed, see USITC, [Year in Trade 2018](#), October 2019, 145–47. For background information on the negotiation and passage of the USMCA, see USITC, [Year in Trade 2019](#), August 2020, 156–59.

Developments in the Implementation of the USMCA

Rules of Origin

On June 3, 2020, in coordination with Mexico and Canada, the United States released the Uniform Regulations. The Uniform Regulations are comprised of two documents. The “Origin Procedures” document is relatively short and concerns “the interpretation, application, and administration of Chapter 5 (Origins Procedures), Chapter 6 (Textiles and Apparel Goods), and Chapter 7 (Customs Administration and Trade Facilitation).”⁴⁰⁴ The “Rules of Origin (ROOs)” document is more extensive and concerns “the interpretation, application, and administration of Chapter 4 (Rules of Origin) and related provisions in Chapter 6 (Textiles and Apparel Goods).”⁴⁰⁵ On July 2, 2020, the USMCA Free Trade Commission issued its first decision, agreed to and signed by the three countries. The decision includes the adoption of the Uniform Regulations.⁴⁰⁶

The Uniform Regulations provide information on how USMCA’s rules of origin should be interpreted, applied, and administrated, especially as relevant to the automotive as well as textiles and apparel goods industries. They cover several key USMCA obligations, including the automotive rules of origins, the textile and apparel rules of origin, the labor value content rules, and the steel and aluminum purchasing requirements. The Uniform Regulations also cover procedural and implementation elements related to ROOs.⁴⁰⁷

On April 20, 2020, the U.S. Customs and Border Protection (CBP) published the interim USMCA implementing instructions, which was subsequently updated on June 16, 2020 to reflect the published Uniform Regulations.⁴⁰⁸

Automotive Rules

The USMCA’s new ROOs for motor vehicles raise the regional value content requirements to 75 percent for automobiles to receive preferential tariff treatment (compared to 62.5 percent under the NAFTA). The USMCA also requires that at least 70 percent of a producer’s steel and aluminum purchases originate in North America. In addition, a new rule for labor value content requires that a certain percentage of qualifying vehicles be produced by employees earning an average of \$16 per hour.⁴⁰⁹ However, the USMCA allows vehicle producers to request an alternative staging regime for these requirements, which would permit them up to five years from entry into force of the agreement but no later than January 1, 2025, to meet these regional value and labor value content requirements.⁴¹⁰

⁴⁰⁴ [USMCA Uniform Regulations: Origins Procedures.](#)

⁴⁰⁵ [USMCA Uniform Regulations: Rules of Origins.](#)

⁴⁰⁶ [Decision No. 1 of the Free Trade Commission of the CUSMA, T-MEC, USMCA \(“Agreement”\), July 2, 2021.](#)

⁴⁰⁷ [USMCA Uniform Regulations: Origins Procedures](#); [USMCA Uniform Regulations: Rules of Origins.](#)

⁴⁰⁸ CBP, “[USMCA](#),” accessed August 3, 2021.

⁴⁰⁹ 19 U.S.C. § 4532.

⁴¹⁰ [USMCA, Chapter 4.](#)

As required by the USMCA Implementation Act, the President established an Interagency Committee on Trade in Automotive Goods (Interagency Autos Committee) on February 28, 2020.⁴¹¹ The Interagency Autos Committee has held regular meetings to prepare relevant information for the implementation of the USMCA's automotive rules of origin, including information for the alternative staging regime, the U.S. Customs and Border Protection (CBP) guidance, and the Uniform Regulations.⁴¹²

The Uniform Regulations, published on June 3, 2020, and signed by the three countries, include provisions related to the ROOs for automotive goods. The Uniform Regulations are intended to assist North American automotive producers, exporters, and importers by ensuring all USMCA countries share the same interpretation, application, and administration of the automotive rules contained in the USMCA.⁴¹³ However, this did not resolve all disagreements, such as one outstanding issue concerning the applicability of an alternative calculation of origination for so-called "supercore" parts, which may affect vehicle manufacturers' plans.⁴¹⁴

The alternative staging regime allows vehicle producers up to five years to phase in the regional value content requirement. On April 21, 2020, USTR, in consultation with the Interagency Autos Committee, published a notice in the *Federal Register* providing procedures and guidance for North American producers of vehicles intending to submit petitions for alternative staging.⁴¹⁵ According to USTR, 13 companies that requested alternative staging were approved.⁴¹⁶

Environment⁴¹⁷

The USMCA Implementation Act allocates over \$400 million in new resources to support cooperation and enhanced monitoring and enforcement of USMCA environment provisions, including resources to support the construction of wastewater facilities along the U.S.-Mexico border and cooperation to combat illegal, unreported, and unregulated (IUU) fishing.⁴¹⁸ USTR was allocated \$60 million over four

⁴¹¹ [Sec. 202A\(b\) of the USMCA Implementation Act](#) requires the President to establish an Interagency Committee on Trade in Automotive Goods (Interagency Autos Committee) to provide advice in the operation of the USMCA with respect to the trade of automotive goods. The members of the Interagency Autos Committee include the Secretary of Commerce, the Secretary of Labor, the U.S. Trade Representative, the Chairman of the U.S. International Trade Commission, the Commissioner of U.S. Customs and Border Protection in the U.S. Department of Homeland Security, and any other members determined to be necessary by the U.S. Trade Representative. 19 U.S.C. § 4532(b); 85 Fed. Reg. 12983–12984 (March 6, 2020). See also USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 15.

⁴¹² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 15.

⁴¹³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 15.

⁴¹⁴ Martin and Laing, ["U.S. and Mexico Fail to Resolve Dispute on Trade Rules for Cars,"](#) July 23, 2021.

⁴¹⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

⁴¹⁶ The 13 companies whose requests have been approved are listed at [USTR](#) website: Cooperation Manufacturing Plant Aguascalientes (COMPAS), FCA North America Holdings LLC, Ford Motor Company, Honda North America, Inc., Hyundai Motor America, Kia Motors Manufacturing Georgia, Kia Motors Mexico, Mazda North America, Nissan North America Inc., Tesla Inc., Toyota Motor North America Inc., Volkswagen Group of America, Inc. and Volvo Car Corporation. USTR, ["Alternative Staging,"](#) accessed June 4, 2021.

⁴¹⁷ For more information on the environment provisions in the USMCA, see USITC, [Economic Impact of Trade Agreements Implemented under Trade Authorities Procedures](#), June 2021, 78–79.

⁴¹⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

years to strengthen monitoring and enforcement of the USMCA environmental obligations.⁴¹⁹ These resources were used to establish the Interagency Environment Committee⁴²⁰ to monitor and enforce the USMCA environment obligations and three new environment attaché positions in the U.S. Embassy in Mexico City, Mexico. The attaché positions' objectives are to communicate directly with the Mexican government, industry, and civil society to assist with monitoring and enforcement of environment obligations under the USMCA.⁴²¹ In addition, USTR selected a Senior U.S. Trade Representative to Mexico, a new position intended to support the coordination of the USMCA labor and environmental issues in Mexico, as well as other USMCA implementation matters.⁴²²

In parallel with the USMCA Environment Chapter, the United States, Mexico, and Canada entered into the Environment Cooperation Agreement (ECA), which took effect and superseded the North American Agreement on Environmental Cooperation on July 1, 2020, the same day as the USMCA. The ECA retains and modernizes the Commission on Environment and Cooperation (CEC).⁴²³ One of the ECA objectives is to support the implementation of the USMCA Environment Chapter commitments. The ECA also facilitates cooperation among the three countries in the areas of pollution reduction, strengthening environmental governance, biological diversity conservation, and sustainably managing natural resources.⁴²⁴

The CEC Council met virtually in British Columbia on June 26, 2020.⁴²⁵ At this 27th session of the CEC Council and Meeting of the Joint Public Advisory Committee, the CEC announced the renewal and expansion of the trilateral commitment to environmental cooperation through the cooperative framework of the ECA. The CEC also announced the adoption of a comprehensive 2021–2025 CEC Strategic Plan, which establishes the CEC strategic priorities in six pillar areas for the upcoming five

⁴¹⁹ United States-Mexico-Canada Agreement Implementation Act, 19 U.S.C. §§ 4501–4732; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

⁴²⁰ The Interagency Environment Committee was established on February 28, 2020. [Sec. 811 of the USMCA Implementation Act](#) requires the President to establish an Interagency Environment Committee for Monitoring and Enforcement (Interagency Environment Committee). Members of the Interagency Environment Committee include the U.S. Trade Representative, representatives of the U.S. Department of State, the U.S. Department of Treasury, the U.S. Department of Justice, the U.S. Fish and Wildlife Service in the U.S. Department of Interior, the U.S. Forest Service and Animal and the Plant Health Inspection Service in the U.S. Department of Agriculture, the National Oceanic Atmospheric Administration in the U.S. Department of Commerce, the U.S. Customs and Border Protection in the U.S. Department of Homeland Security, the U.S. Environmental Protection Agency, the U.S. Agency for International Development, and representatives from other federal agencies, as the President determines to be appropriate. 85 Fed. Reg. 12977–12978 (March 5, 2020); 19 U.S.C. §§ 4711–4717; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

⁴²¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

⁴²² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

⁴²³ In 1994, Canada, Mexico and the United States began collaborating the protection of North America's environment through the North American Agreement on Environmental Cooperation (NAAEC). The NAAEC came into force at the same time as NAFTA. It established the Commission for Environmental Cooperation (CEC), an intergovernmental organization, to support cooperation among the NAFTA partners to address environmental issues. As of 2020, CEC operates in accordance with the Environmental Cooperation Agreement, which entered into force at the same time as the USMCA. CEC, "[About](#)," accessed June 15, 2021. For more information on CEC Council, see USITC, [Year in Trade 2019](#), August 2020, 161. CEC, "[North American Agreement on Environmental Cooperation](#)," accessed April 12, 2021; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

⁴²⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 16.

⁴²⁵ EPA, "[2020: CEC's 27th Annual Council Session](#)," accessed June 15, 2021.

years. These six pillar areas are clean air, water, and land; prevention and reduction of pollution in the marine environment; circular economy and sustainable materials management; shared ecosystems and species; resilient economies and communities; and, effective enforcement of environmental laws.⁴²⁶ CEC noted that the Strategic Plan 2021–2025 marks a renewed commitment by Canada, Mexico and the United States to work together on pressing regional and global issues related to trade and the environment within the framework of the USMCA and the ECA.⁴²⁷

Labor

The Labor Chapter of the USMCA requires the Parties to adopt and maintain in law and practice labor rights as recognized by the International Labour Organization (ILO)’s Declaration on Fundamental Principles and Rights at Work, to effectively enforce their labor laws, and not to waive or derogate from their labor laws. It includes new provisions requiring Parties to take measures to prohibit the importation of goods produced by forced labor and to address violence against workers exercising their labor rights. The USMCA labor provisions are fully enforceable under the USMCA’s dispute settlement mechanism. The USMCA also includes a Rapid Response Mechanism in the Dispute Settlement Chapter to address protection of association and collective bargaining rights at the facility level. The new mechanism provides for the suspension of the USMCA tariff benefits or the imposition of other penalties, such as blocking imports from businesses that are repeat offenders, in cases of non-compliance with key labor obligations.⁴²⁸

As per the USMCA Implementation Act, the President established the Interagency Labor Committee (ILC) on April 28, 2020.⁴²⁹ The Committee met in 2020 on several occasions to review labor rights issues in Mexico and prepare reports to the U.S. Congress.⁴³⁰ The USMCA Implementation Act allocates \$30 million over four years for USTR to support the monitoring of compliance with labor obligations, including through the ILC. With these resources, USTR hired three new employees in the Office of Labor Affairs and designated three attorneys to cover the USMCA labor issues in the Office of the General Counsel.⁴³¹ In addition, USTR selected a Senior U.S. Trade Representative in December 2020 to Mexico to support the coordination of the USMCA labor and environmental issues in Mexico, as well as other USMCA implementation matters.⁴³²

To monitor and evaluate the implementation and maintenance of Mexico’s labor reform, as well as compliance with its labor obligations, the USMCA Implementation Act, through the ILC, established the

⁴²⁶ CEC, “[CEC Ministerial Statement—2020](#),” June 26, 2020; CEC, “[Strategic Plan 2021–2025](#),” July 8, 2020.

⁴²⁷ CEC, “[Strategic Plan 2021–2025](#),” July 8, 2020.

⁴²⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 17. For more information on the labor provisions in the USMCA, see USITC, [Economic Impact of Trade Agreements Implemented under Trade Authorities Procedures](#), June 2021, 73–75.

⁴²⁹ [Sec. 711 of the USMCA Implementation Act](#) requires the President to establish an Interagency Labor Committee (ILC) for monitoring an enforcement of the labor obligations, to monitor the implementation and maintenance of Mexico labor reforms, and to request enforcement action with respect to a USMCA country that is not in compliance with such labor obligation. The ILC is co-chaired by the Trade Representative and the Secretary of Labor, including representatives of other Federal department or agencies with relevant expertise as the President determines appropriate. 19 U.S.C. §§ 4631–4693; 85 Fed. Reg. 26315–26316 (May 1, 2020).

⁴³⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 17.

⁴³¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 17.

⁴³² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 17.

Independent Mexico Labor Expert Board (the Board).⁴³³ The Board delivered its first interim report to the ILC and the U.S. Congress on December 12, 2020. The Interim report indicated that “Mexico has made significant progress in the implementation of the May 1, 2019 labor law reform, especially taking into account the impact of the Covid-19 pandemic.... At the same time, it must be acknowledged that many of the changes promised to improve the lives of workers, in terms of union democracy, freedom of association and collective bargaining, remain to be implemented.”⁴³⁴ However, the Board did not make a determination on whether Mexico was in compliance with its labor obligations under the USMCA,⁴³⁵ noting that Mexico’s new labor institutions began operating less than a month from the date of the delivery of the Interim Report.⁴³⁶

Finally, Annex 31-A to the USMCA’s Dispute Settlement Chapter established a Rapid Response Labor Mechanism, which allows the United States to take expedited enforcement action against individual facilities in Mexico that deny workers the right of free association and collective bargaining under Mexico’s laws necessary to fulfill the obligations under the USMCA labor provisions. It also requires the establishment and maintenance of three lists of Rapid Response Labor Panelists who can serve as Labor Panelists for the Mechanism.⁴³⁷ On July 1, 2020, the United States named six U.S.-national labor panelists, and in consultation with Mexico, had agreed on six non-U.S. national panelists.⁴³⁸

Cross Border Long-haul Trucking Services

Section 322 of the USMCA Implementation Act⁴³⁹ requires the U.S. International Trade Commission (the Commission) to undertake an investigation, upon filing of a petition or request, and to make a determination as to whether “a grant of authority”—registration granted to persons of Mexico—has caused material harm or threatens material harm to U.S. suppliers of cross border long-haul trucking services, and if affirmative, to recommend a remedy to the President. Section 324(a) requires the President, within 30 days of receiving an affirmative determination from the Commission and subject to the exceptions in section 324(b), to issue an order to the Secretary of Transportation specifying the relief to be provided. The nature of the relief the President is authorized to provide is described in section 324(c).⁴⁴⁰ On July 10, 2020, the Commission published a notice of interim rulemaking in the

⁴³³ [Sec. 731 of the USMCA Implementation Act](#) established that the Independent Mexico Labor Expert Board will be composed of 12 members including four members appointed by the Labor Advisory Committee, two members appointed by the Speaker of the House of Representatives, two members appointed by the President, two members appointed by the minority leader of the House of Representatives, and two members appointed by the President pro tempore of the Senate. Members of the Board will serve for a term of 6 years. 19 U.S.C. §§ 4671–4674.

⁴³⁴ IMLEB, [Interim Report](#), December 15, 2020, 37.

⁴³⁵ [Sec. 734 of the USMCA Implementation Act](#) authorizes the Independent Mexico Labor Expert Board to make such a determination. 19 U.S.C. § 4674.

⁴³⁶ IMLEB, [Interim Report](#), December 15, 2020, 37.

⁴³⁷ 19 U.S.C. §§ 4691–4693; [USMCA](#), Chapter 31, Annex 31-A, “Facility-Specific Rapid Response Labor Mechanism.”

⁴³⁸ USTR, [“U.S. Names Panelists for USMCA Labor Enforcement,”](#) July 1, 2020.

⁴³⁹ United States-Mexico-Canada Agreement Implementation Act, 19 U.S.C. § 4572.

⁴⁴⁰ United States-Mexico-Canada Agreement Implementation Act, 19 U.S.C. § 4574.

Federal Register to implement the provisions of the USMCA Implementation Act regarding its investigations of cross-border long-haul trucking services.⁴⁴¹

USMCA Dispute Settlement

The main dispute settlement mechanisms of the USMCA are included in Chapter 10 (Trade Remedies), Chapter 14 (Investment), and Chapter 31 (Dispute Settlement).⁴⁴² Article 10.12 under Chapter 10 establishes a mechanism to provide an alternative to judicial review by domestic courts of final determinations in antidumping and countervailing duty cases with review by independent binational panels established under the agreement. Chapter 14 includes procedures for resolving disputes between a party and an investor of another party. Annex 14-C addresses the transition from NAFTA to the USMCA regarding “Legacy Investment Claims and Pending Claims.” Two annexes (Annexes 14-D and 14-E) apply only between Mexico and the United States regarding investment disputes. Finally, Chapter 31 governs government-to-government disputes concerning interpretations of, and obligations under, the Agreement. As noted previously, an annex to that chapter, Annex 31-A, established a Rapid Response Labor Mechanism, which allows the United States to take expedited enforcement action against individual facilities in Mexico that deny workers the right of free association and collective bargaining under Mexico’s laws necessary to fulfill the obligations under the USMCA labor provisions.⁴⁴³

At the end of 2020, there were three active cases under review by binational panels established under Chapter 10. Two challenge the U.S. Department of Commerce’s (USDOC) antidumping and countervailing duty orders on softwood lumber from Canada, and one challenges the Canadian investigating authority’s final antidumping determination on gypsum board, sheet, or panel originating in or exported from the United States. The USMCA active review panels under Article 10.12 are shown in table 5.5.

Table 5.5 Active panels reviews under USMCA Chapter 10 during 2020 and their statuses as of December 31, 2020

AD = antidumping duty; CVD = countervailing duty; AR = administrative review.

Country of determination under panel review	Panel review number	Case	Date of request	Status
United States	USA-CDA-2020-10.12-01	Softwood lumber CVD AR	December 10, 2020	Active
United States	USA-CDA-2020-10.12-02	Softwood lumber AD AR	December 22, 2020	Active
Canada	CDA-USA-2020-10.12-01	Gypsum board AD	November 26, 2020	Active

Source: USMCA Secretariat, “[Publications](#),” Chapter 10 Article 10.12, accessed March 3, 2020.

In addition, the United States requested consultations with Canada on December 9, 2020 regarding Canada’s administration of its 14 tariff-rate quotas on dairy products.⁴⁴⁴ The parties held consultations

⁴⁴¹ 85 Fed. Reg. 41355 (July 10, 2020). On April 8, 2021, the Commission published a notice of final rulemaking in the *Federal Register*, with the final rule to become effective on May 10, 2021. See 86 Fed. Reg. 18183 (April 8, 2021).

⁴⁴² USMCA Secretariat, “[Dispute Settlement](#),” March 25, 2020.

⁴⁴³ 19 U.S.C. §§ 4691–4693; [USMCA](#), Chapter 31, Annex 31-A, “United States-Mexico Facility-Specific Rapid Response Labor Mechanism.”

⁴⁴⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 51.

on December 21, 2020 but did not resolve the dispute.⁴⁴⁵ Canada requested consultations with the United States under Chapter 31 on December 22, 2020 regarding the imposition and ongoing application of U.S. safeguard tariffs on solar photovoltaic products, including from Canada.⁴⁴⁶ On December 30, 2020, Mexico requested to join the consultations as a third party.⁴⁴⁷

The North American Free Trade Agreement

The North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico was superseded on July 1, 2020, when the USMCA entered into force. The following section provides an update on NAFTA developments during 2020.

NAFTA Dispute Settlement

The dispute settlement provisions of NAFTA—found in NAFTA’s Chapter 11 (Investment), Chapter 19 (Review and Dispute Settlement in Antidumping/Countervailing Duty Matters), and Chapter 20 (State-to-State Dispute Settlement)—cover a variety of areas.⁴⁴⁸ During 2020, pending cases filed under Chapter 11 include five cases against Canada by U.S. investors;⁴⁴⁹ four cases filed against Mexico, three filed by U.S. investors and one by Canadian investors;⁴⁵⁰ and two cases filed against the United States, one filed by Canadian and Mexican investors, and one filed by Canadian enterprises.⁴⁵¹ Pursuant to the USMCA Annex 14-C, which addresses the transition between NAFTA and the USMCA for investor-state disputes, these cases may proceed to their conclusion in accordance with Chapter 11 of NAFTA.⁴⁵² There were no pending disputes under Chapter 20 in 2020.

During 2020, there were 11 active binational panels under Chapter 19. As of December 31, 2020, there were eight active binational panels remaining (table 5.6). Two concern the USITC’s determinations in fabricated structural steel, and one concerns the USDOC’s determination in its related investigation on goods from Mexico. Other active Chapter 19 cases include challenges to both the USDOC antidumping and countervailing duty orders on softwood lumber from Canada; a challenge to the USDOC antidumping duty administrative reviews in large residential washers from Mexico and light-walled rectangular pipe from Mexico; and a challenge to the Mexican investigating authority’s final antidumping determination on ammonium sulphate from the United States. Pursuant to the USMCA

⁴⁴⁵ In May 2021 USTR requested and established a dispute settlement panel on Canada’s tariff-rate quota allocations. USTR, [“United States Advances First USMCA Dispute Panel to Enforce Canada’s Dairy Commitments,”](#) May 25, 2021.

⁴⁴⁶ Government of Canada, [“Request for the establishment of a Panel by Canada—Solar Products,”](#) accessed June 23, 2021.

⁴⁴⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 51.

⁴⁴⁸ A description of NAFTA provisions, settlement mechanisms, and arbitral provisions are provided in last year’s report, USITC, [Year in Trade 2019](#), August 2020, 163.

⁴⁴⁹ USDOS, [“Cases Filed Against the Government of Canada,”](#) accessed June 4, 2021.

⁴⁵⁰ USDOS, [“Cases Filed Against the Government of Mexico,”](#) accessed June 4, 2021.

⁴⁵¹ USDOS, [“Cases Filed Against the Government of the United States,”](#) accessed June 4, 2021.

⁴⁵² USTR, [USMCA](#), Chapter 14, Annex 14-C, Article 5. Annex 14-C addresses the transition between NAFTA and the USMCA regarding “Legacy Investment Claims and Pending Claims.”

Chapter 34, which provides the transitional provisions from NAFTA, these panel reviews may proceed to their completion in accordance with Chapter 19 of NAFTA.⁴⁵³

During 2020, the Secretariate received five requests for binational panel review under Chapter 19: three regarding the matter of fabricated structural steel from Mexico, and two regarding the matter of fabricated structural steel from Canada. One panel review was “suspended/stayed,” and two panel reviews were completed during 2020.⁴⁵⁴ On April 10, 2020, the Secretariate issued a notice of the completion of the panel review in the matter of certain fabricated structural steel from Mexico (USA-MEX- 2020-1904-03). According to the notice, the dispute was terminated, effective April 2, 2020, because Mexico withdraw its request for panel review on March 31, 2020, and no complaints were filed by the deadline of April 1, 2020.⁴⁵⁵ On May 22, 2020, the panel completed the review in the matter of softwood lumber from Canada (USA-CDA-2018-1904-03), upholding the Commission’s affirmative remand determination from December 2017 that imports of softwood lumber from Canada materially injured American producers and workers.⁴⁵⁶ The Secretariat subsequently issued a notice that the panel review was completed on July 9, 2020.⁴⁵⁷

⁴⁵³ USMCA Secretariat, “[Publications](#),” NAFTA-Chapter 19-Article 1904, accessed August 14, 2021. Article 34.1 “Transitional Provision from NAFTA 1994” of the USMCA states that “Chapter 19 of NAFTA shall continue to apply to binational panel reviews related to final determinations published by a Party before the entry into force of this agreement,” and the Secretariat established under the USMCA “shall perform the functions assigned to the NAFTA Secretariat under NAFTA Chapter 19 and under, for Chapter 19, the domestic implementation procedures adopted by the Parties in connection therewith, until the binational panel has rendered a decision and a Notice of Completion of Panel Review has been issued by the Secretariat pursuant to the Rules of Procedures for Article 1904 Binational Panel Reviews.” [USMCA, Chapter 34](#).

⁴⁵⁴ USMCA Secretariat, “[Publications](#),” NAFTA-Chapter 19-Article 1904, accessed August 14, 2021. The file No. USA-CDA-2020-1904-02 was marked as “suspended/stayed,” meaning the panel review is temporarily on hold until other related cases are resolved.

⁴⁵⁵ 85 Fed. Reg. 20244 (April 20, 2020).

⁴⁵⁶ Secretariate File No. USA-CDA-2018-1904-03: [Article 1904 Binational Panel Review](#) (May 22, 2020).

⁴⁵⁷ 85 Fed. Reg. 42828 (July 15, 2020).

Table 5.6 Active panels reviews under NAFTA Chapter 19 during 2020 and their statuses as of December 31, 2020

AD = antidumping; IN = injury; CVD = countervailing; AR = administrative review; IN = injury determination; USDOC = U.S. Department of Commerce; ITA = International Trade Administration; USITC = U.S. International Trade Commission.

Country of determination under panel review	Panel review number	Dispute	Investigating authority	Status
United States	USA-MEX-2020-1904-01	Fabricated structural steel from Mexico (AD)	USDOC/ITA	Active ^a
United States	USA-MEX- 2020-1904-03	Certain fabricated structural steel from Mexico (CVD)	USDOC/ITA	Completed
United States	USA-MEX-2020-1904-04	Fabricated structural steel from Mexico (IN)	USITC	Active
United States	USA-CDA-2020-1904-02	Certain fabricated structural steel from Canada (AD)	USDOC/ITA	Suspended/Stayed
United States	USA-CDA-2020-1904-05	Fabricated structural steel from Canada (IN)	USITC	Active
United States	USA-MEX-2019-1904-01	Light-walled rectangular pipe and tube from Mexico (AD)	USDOC/ITA	Active
United States	USA-CDA-2018-1904-03	Certain softwood lumber products from Canada (IN)	USITC	Completed
United States	USA-MEX-2018-1904-04	Large residential washers from Mexico (AR)	USDOC/ITA	Active
United States	USA-CDA-2017-1904-02	Certain softwood lumber products from Canada (CVD)	USDOC/ITA	Active
United States	USA-CDA-2017-1904-03	Certain softwood lumber products from Canada (AD)	USDOC/ITA	Active
Mexico	MEX-USA-2015-1904-01	Ammonium sulfate from the United States and China (AD)	Secretaría de Economía	Active

Source: USMCA Secretariat, "[Publications](#)," NAFTA-Chapter 19-Article 1904, accessed August 14, 2021.

Note:

^a On March 30, 2021, the Secretariate issued a notice that this panel review was terminated. 86 Fed. Reg. 16587 (March 30, 2021).

Other U.S. FTAs in Force

In 2020, the COVID-19 pandemic limited the ability of FTA partners to meet with U.S. counterparts in person. However, U.S. officials continued to engage with FTA partners for discussions on several matters, including labor and environmental issues, enhancing trade and investment, and dispute settlement. Highlights of these activities are summarized below.

The U.S.-Israel FTA

The U.S.-Israel Joint Committee, established to oversee the implementation of the FTA, met in December 2020. Representatives discussed (1) progress made in removing trade barriers related to standards and customs, (2) the potentials for further engagement in the areas of services, investment, and digital trade, and (3) their ongoing commitment to the negotiation of a permanent United States-Israel Agreement on Trade in Agricultural Products (ATAP).⁴⁵⁸ In addition, a new FTA annex on

⁴⁵⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 11.

certificates of origin entered into force in 2020, which allows Israeli customs authorities to accept streamlined declarations.⁴⁵⁹

The U.S.-Jordan FTA

In response to requests brought before the U.S.-Jordan Joint Committee in 2019, Jordan issued regulations in 2020 aimed at reducing import barriers. These regulations allow for the importation of products that contain genetically engineered ingredients and establish a 5 percent threshold for labeling purposes.⁴⁶⁰ Jordan also abolished the requirements for legalization of commercial invoices, certificates of origin, and other customs documentation.⁴⁶¹

In accordance with commitments made under the Implementation Plan Related to Working and Living Conditions of Workers in Jordan⁴⁶² and the U.S. Department of Labor (USDOL)-funded International Labour Organization (ILO) Better Work program, Jordan continued to improve inspections of garment factory dormitories through additional technical support in 2020. Jordan made garment sector audits public and worked with the ILO to increase the understanding of internationally recognized standards within the Jordanian Ministry of Labor.⁴⁶³

The U.S.-Chile FTA

Although the U.S.-Chile Joint Committee did not meet in 2020, representatives of both countries continued to engage on issues related to intellectual property rights through the year, including those associated with Chapter 17 (Intellectual Property Rights) of the U.S.-Chile FTA.⁴⁶⁴ In addition, both countries continued a dialogue under the auspices of the FTA labor cooperation mechanism, focused on sharing information and best practices through technical exchanges. Discussion topics in 2020 concerned the implementation of the FTA labor chapters, pathways for promoting women in the workplace, and potential labor policy responses to the COVID-19 pandemic.⁴⁶⁵

The U.S.-Singapore FTA

Although the U.S.-Singapore Joint Committee did not meet in 2020, USTR noted that representatives of both countries continued to strengthen their trade and broader bilateral relationship.⁴⁶⁶

The U.S.-Australia FTA

In April 2020, officials from USTR, the U.S. Department of Agriculture (USDA), and the Australian government discussed the topics of U.S. market access for pork, turkey, beef, and horticulture products, under the auspices of the U.S.-Australia FTA Sanitary and Phytosanitary Committee.⁴⁶⁷

⁴⁵⁹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 11.

⁴⁶⁰ USDA, FAS, [Jordan Issues Instructions for Handling of GE Derived Food](#), April 10, 2020.

⁴⁶¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 12.

⁴⁶² The Implementation Plan Related to Working and Living Conditions of Workers in Jordan was developed in 2013 under the auspices of the U.S.-Jordan FTA labor provisions.

⁴⁶³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 12–13.

⁴⁶⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 9.

⁴⁶⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 9–10.

⁴⁶⁶ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 22.

⁴⁶⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 4.

The U.S.-Morocco FTA

In January 2020, the U.S.-Morocco FTA Agriculture Subcommittee and Sanitary and Phytosanitary (SPS) Subcommittee held meetings, in which representatives finalized export certificates for U.S. breeding and fattening cattle being shipped to Morocco and discussed the use of common names for meats and cheeses in Moroccan markets. They also reviewed the FTA's tariff-rate quotas affecting access to Moroccan markets for U.S. wheat and meat products.⁴⁶⁸

Throughout 2020, U.S. trade and labor officials continued to monitor the implementation of a new domestic worker law, and engage with Moroccan labor stakeholders on existing labor priorities as well as the impacts of the pandemic on workplaces.⁴⁶⁹

The U.S.-Bahrain FTA

Although the U.S.-Bahrain Joint Committee did not meet in 2020, Bahrain continued to implement commitments established by the 2018 U.S.-Bahrain Memorandum of Understanding on Trade in Food and Agriculture Products.⁴⁷⁰

The Dominican Republic-Central America FTA (CAFTA-DR)

Throughout 2020, various U.S. government agencies continued to engage in labor-related capacity building projects with CAFTA-DR countries:

- The USDOL continued to fund labor-related technical assistance projects focused on enforcing Costa Rican labor laws on agricultural worker health and safety, supporting vulnerable and marginalized youth via job training programs, and enacting legislation to align the legal worker age requirements with such programs.⁴⁷¹
- In November 2020, the USDOL's Bureau of Labor Statistics and the Ministry of Labor of El Salvador held a technical exchange under the Labor Cooperative Dialogue, centered around labor market intelligence, enforcement of labor laws, and further compliance with labor commitments under CAFTA-DR.⁴⁷²
- Throughout 2020, the USDOL sponsored various technical assistance projects under the CAFTA-DR labor Cooperation and Capacity building Mechanism, including activities supporting freedom of association and labor relations under the U.S. Agency for International Development's (USAID) Global Labor Program, and a U.S. Department of State (USDOS)-sponsored program combatting labor violence in Guatemala and Honduras.⁴⁷³
- The U.S. government conducted a mission to Honduras to assess the progress made on the Labor Rights Monitoring and Action Plan (MAP). The two governments also agreed to extend the MAP for 9 months following the end of Honduras' COVID-19 state of emergency, to ensure that

⁴⁶⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 18.

⁴⁶⁹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 18. Commercial Law Development Program (CLDP), "[Morocco: CLDP Provides Technical Support for Handicraft Exports](#)," January 13, 2020.

⁴⁷⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 5.

⁴⁷¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 7.

⁴⁷² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 7.

⁴⁷³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 6.

certain requirements are achieved.⁴⁷⁴ The USDOL continued to fund supplementary programs aimed at helping Honduras achieve its MAP commitments, including programs to reduce child labor, improve labor rights, and expand a new electronic case management system for labor inspections.⁴⁷⁵

During 2020, the United States worked with CAFTA-DR countries to improve customs processes, standardize regulations, and facilitate trade:

- The USDOC established the Central America Customs, Border Management, and Supply Chain Trade Facilitation Program to assist the governments of El Salvador, Guatemala, and Honduras in implementing reforms to customs clearance procedures.⁴⁷⁶
- El Salvador, Guatemala, and Honduras improved regulatory transparency and tariff rate quota administration, which increased market access for various U.S. exports, such as dairy products and table eggs.⁴⁷⁷
- The United States and Costa Rica finalized a bilateral agreement allowing for the recognition of the U.S. Department of Transportation's "Blue Ribbon" program as satisfying Costa Rican tire regulations.⁴⁷⁸
- The USAID and the USDA jointly organized workshops on the functioning of the U.S. regulatory system, internal standards, and WTO obligations for CAFTA-DR Parties.⁴⁷⁹

In 2020, environmental protection developments included:

- Trade and environment officials from CAFTA-DR countries met virtually four times to further the monitoring and implementation of CAFTA-DR Environment Chapter.⁴⁸⁰ Furthermore, the U.S. government implemented trade-related environmental cooperation programs to assist in the implementation of the FTA Environment Chapter in the areas of enforcement, combatting illegal trade of wild flora and fauna, air quality, and waste management.
- The Secretariat for Environmental Matters received and reviewed one new submission from the public alleging that a CAFTA-DR country failed to enforce its environmental laws and virtually conducted workshops to promote the use of the Secretariat submission mechanism.⁴⁸¹

⁴⁷⁴ Examples of requirements Honduras must meet under the MAP include improving the capacity for collecting fines determined by the new inspection law and resolving freedom of association cases in the two sectors of melon and automotive parts. USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 6.

⁴⁷⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 7.

⁴⁷⁶ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 8–9.

⁴⁷⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 8.

⁴⁷⁸ The U.S. Department of Transportation (USDOT) convenes various blue-ribbon programs and panels of representatives from relevant industries, academia, social interest groups and state and local governments to address issues, best practices, challenges and opportunities in the field of transportation. Brown, "[USDOT Forms Wide-Ranging Blue-Ribbon Federal Automation Advisory Panel](#)," January 14, 2017.

⁴⁷⁹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 9.

⁴⁸⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 130.

⁴⁸¹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 130.

Other activities include:

- The Commercial Law Development Program, sponsored by USTR and the USDOC, held multiple workshops focused on textile and apparel industry competitiveness in global supply chains, utilization of CAFTA-DR preferences, and U.S. supply chains.⁴⁸²
- During 2020, CAFTA-DR Parties announced notifications of modification to product-specific rules of origin. The U.S. modifications became effective as of November 1, 2020.⁴⁸³
- CAFTA-DR countries satisfied Article 3.18 of the FTA in 2020, by exchanging trade data reports under the associated Agricultural Review Commission.⁴⁸⁴

The U.S.-Oman FTA

Although the U.S.-Oman Joint Committee did not meet in 2020, USTR and the USDOL continued to monitor labor rights in Oman pursuant to labor provisions of the FTA. As a part of the effort to improve labor rights, in 2020, the government of Oman implemented its first unemployment insurance scheme for Omani workers.⁴⁸⁵

The U.S.-Peru TPA (PTPA)

Throughout 2020, several activities took place under the U.S.-Peru Trade Promotion Agreement (PTPA). In January 2020, Peru issued a final ruling in a self-initiated countervailing duty investigation into imports of U.S. corn, which determined that duty imposition was not justified.⁴⁸⁶ In September 2020, the U.S.-Peru Committee on Sanitary and Phytosanitary Matters met to discuss topics including the Peruvian moratorium on agricultural biotechnology.⁴⁸⁷ In October 2020, the United States continued to block timber imports from Peruvian exporter Inversiones La Oroza SRL (Oroza) for an additional three years or until the compliance is demonstrated, due to illegally harvested timber found in its supply chain.⁴⁸⁸ Throughout 2020, the USDOL funded four technical assistance projects aimed at improving Peru's enforcement of labor laws and compliance with the PTPA Labor Chapter. In addition, the United States and Peru began the process to select and designate a new Executive Director of the U.S.-Peru Secretariat for Submissions on Environmental Enforcement Matters in April 2020 and completed the hiring process in October of 2020.⁴⁸⁹

⁴⁸² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 9.

⁴⁸³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 7–8; 85 Fed. Reg. 55059 (September 3, 2020).

⁴⁸⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 8.

⁴⁸⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 19; ILO, "[Oman Institutes Its First Unemployment Insurance Scheme](#)," October 16, 2020.

⁴⁸⁶ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 21; USDA, FAS, [Prospects for U.S. Corn in Latin America](#), October 2020, 2.

⁴⁸⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 20.

⁴⁸⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 21; USTR, "[USTR Announces Enforcement Action to Block Illegal Timber Imports from Peru](#)," October 19, 2020.

⁴⁸⁹ United States—Peru Trade Promotion Agreement Secretariat for Submissions on Environmental Enforcement Matters, "[Executive Director](#)," April 2020; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 21.

U.S.-Korea FTA (KORUS)⁴⁹⁰

The U.S.-Korea Joint Committee met in April 2020 to discuss work in progress.⁴⁹¹ Of the 21 committees and working groups established under the KORUS, six held meetings throughout 2020. At these meetings, representatives discussed issues including cross-border data transfers by financial service providers, innovation valuation and pharmaceutical pricing and reimbursement policies, automotive regulations, regulations related to fair market access for online content, cloud computing services procurement, barriers to U.S. meat and poultry exports, various regulatory processes related to genetically engineered products, and Korean positive list system for pesticides and TRQs on agricultural goods.⁴⁹²

Following engagement between the United States and Korean governments aimed at increasing the fairness of competition hearings, the Korean Fair Trade Commission adopted administrative rules in December 2020, allowing for the review of documents classified as business confidential information by a respondents' outside counsel.⁴⁹³ In addition, during 2020, USTR led U.S. government engagement with Korean counterparts on agricultural biotechnology by sharing policy and regulatory approaches based on science.⁴⁹⁴

The U.S.-Colombia TPA (CTPA)

The U.S.-Colombia Trade Promotion Agreement (CTPA) Committees on Agriculture and Sanitary and Phytosanitary Measures met in December 2020 to discuss preferential treatment under the CTPA corn tariff-rate quota, cooperation on biotechnology, and other sanitary and phytosanitary-related market access issues.⁴⁹⁵

The two countries finalized updates to the CTPA's ROOs to reflect 2007, 2012, and 2017 changes to the Harmonized Commodity Description and Coding System (Harmonized System or HS) nomenclature and codified these modifications via a formal decision by the U.S.-Colombia Free Trade Commission in February 2020.⁴⁹⁶

Throughout 2020, the United States and Colombia continued efforts to resolve labor issues raised in the USDOL's January 2017 report submitted under the Labor Chapter of the CTPA. These actions included a sixth round of the USDOL-led Contact Point Consultations under the Labor Chapter, Colombia's

⁴⁹⁰ In this report, Korea refers to the Republic of Korea, or South Korea.

⁴⁹¹ These committees and working groups met throughout 2020, including in May (Financial Services Committee), June (Medical and Medical Devices Committee), September (Automotive Working Group), November (Services and Investment Committee), and December (Committee on Agricultural Trade and Committee on Sanitary and Phytosanitary Matters). USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 13–14.

⁴⁹² USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 13–14.

⁴⁹³ KFTC, [“Pre-Announcement of Enactment of the Guidelines on Access to and Copy of Data,”](#) November 12, 2020.

⁴⁹⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 14.

⁴⁹⁵ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 117.

⁴⁹⁶ The modified ROOs became effective on January 1, 2021. The United States-Colombia Free Trade Commission is the central oversight body for the CTPA. USTR, [“Colombia TPA Free Trade Commission Outcomes,”](#) accessed April 13, 2021.

prosecution of cases of homicide cases targeting at union leaders and members, and implementation of an electronic case management system within the Colombian Ministry of Labor.⁴⁹⁷

The U.S.-Panama TPA

Throughout 2020, the central oversight body for the TPA—the U.S.-Panama Free Trade Commission (FTC)—continued to work towards finalizing changes to the ROOs to reflect the 2017 Harmonized System nomenclature changes, with the expectation that modified ROOs will enter into force in 2021.⁴⁹⁸

In September 2020, the U.S. government launched a cooperative labor dialogue with Panama. As a result, officials from the U.S. Federal Mediation and Conciliation Service and Panama’s Ministry of Labor exchanged information on mediation practices.⁴⁹⁹ In addition, during 2020, the U.S. Department of Labor funded one active technical assistance project to combat child labor in Panama.

The Secretariat for Environmental Matters received one new submission in 2020 from the public alleging that Panama failed to enforce its environmental laws, and virtually conducted outreach to promote the use of the Secretariat submission mechanism.⁵⁰⁰

Developments in FTA Negotiations during 2020

U.S.-EU Negotiations

USTR initially notified Congress of the President’s intent to enter into negotiations with the EU in October 2018, and published its negotiating objectives for a U.S.-EU FTA in January 2019.⁵⁰¹ Although no official FTA negotiating rounds were held between the United States and the EU in 2020, the two parties did negotiate commitments to lowering or eliminating tariffs on a subset of products. These products included EU imports of lobsters and U.S. imports of certain prepared meals, certain crystal glassware, surface preparations, propellant powders, and cigarette lighters and lighter parts. Implemented by the EU on December 16, and by the United States on December 22, 2020, these tariff changes were retroactive to August 1, 2020.⁵⁰² For more information on these tariff changes, see [the EU section in chapter 6](#) of this report.

⁴⁹⁷ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 10.

⁴⁹⁸ As of January 1, 2021, Panama provides duty-free access to all U.S. consumer and industrial products, under the TPA. USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 19.

⁴⁹⁹ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 20.

⁵⁰⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 130.

⁵⁰¹ USTR, [“Trump Administration Announces Intent to Negotiate Trade Agreements with Japan, EU and UK,”](#) October 16, 2018; USTR, [United States-European Union Negotiations](#), January 2019. For more information on negotiation development in 2018 and 2019, see USITC, [Year in Trade 2018](#), October 2019, 141–42; USITC, [Year in Trade 2019](#), August 2020, 151–53.

⁵⁰² Proclamation No. 10128, 85 Fed. Reg. 85491 (December 29, 2020); [Regulation \(EU\) 2020/2131 of the European Parliament and of the Council of 16 December 2020 on the Elimination of Customs Duties on Certain Goods, 2020 O.J. \(L430\)](#), December 18, 2020; USTR, [“Joint Statement of the United States and the European Union on a Tariff Agreement,”](#) August 21, 2020.

U.S.-Japan Negotiations

USTR initially notified Congress of the President’s intent to enter into negotiations with Japan in October 2018, and published its negotiating objectives for a U.S.-Japan FTA in December 2018.⁵⁰³ Although the two sides did not reach agreement on a comprehensive FTA, they did reach two agreements in 2019 characterized as “early achievements” of the negotiations. These two agreements—the U.S.-Japan Trade Agreement and the U.S.-Japan Digital Trade Agreement—went into effect on January 1, 2020.⁵⁰⁴ A joint statement by President Trump and Prime Minister Shinzo Abe at the signing of the agreements in fall 2019 noted that the parties intended to enter into further negotiations in the areas of customs duties and other restrictions on trade, barriers to trade in services and investment, and other issues.⁵⁰⁵ For more information about these agreements see [Japan section in chapter 6](#) of this report.

U.S.-Kenya Negotiations

On February 6, 2020, President Trump announced U.S. intent to initiate trade agreement negotiations with Kenya. USTR notified Congress of this intent on March 17, 2020, per procedures under the Bipartisan Congressional Trade Priorities and Accountability Act of 2015.⁵⁰⁶

In a March 23, 2020 *Federal Register* notice in advance of an intended public hearing, USTR sought public comments on a potential U.S.-Kenya trade agreement on topics, such as relevant barriers to trade in goods and services, the economic costs and benefits of tariff removal to U.S. producers and consumers, and customs and trade facilitation issues.⁵⁰⁷ USTR eventually canceled the public hearing due to uncertainties during the COVID-19 pandemic and extended the deadline for public submissions until April 28, 2020, the original hearing date.⁵⁰⁸

⁵⁰³ USTR, “[Trump Administration Announces Intent to Negotiate Trade Agreements with Japan, EU and UK](#),” October 16, 2018; USTR, [United States-Japan Negotiations](#), December 2018. For more information on negotiation development in 2018 and 2019, see USITC, [Year in Trade 2018](#), October 2019, 142–43; USITC, [Year in Trade 2019](#), August 2020, 148–51.

⁵⁰⁴ USTR, “[U.S.-Japan Trade Agreement Text](#),” October 7, 2019; USTR, “[U.S.-Japan Digital Trade Agreement](#),” October 7, 2019.

⁵⁰⁵ White House, “[Joint Statement of the United States and Japan](#),” September 25, 2019; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 1. The negotiation of the agreement with Japan in stages was noted in the U.S. negotiating objectives.

⁵⁰⁶ Renewal of the Trade Promotion Authority; 19 U.S.C. §§ 3801–3813. This act is the most recent renewal of the Trade Promotion Authority (TPA), which defines U.S. negotiating objectives and priorities for trade agreements and establishes consultation and notification requirements for the President to follow throughout the negotiation process. At the end of the negotiation and consultation process, Congress gives the agreement an up or down vote, without amendment. U.S. negotiations with the UK, the EU, and Japan were all notified to Congress following procedures under the TPA as well. USTR, “[President Trump Announces Intent to Negotiate Trade Agreement with Kenya](#),” February 6, 2020; USTR, “[Trump Administration Notifies Congress of Intent to Negotiate Trade Agreement with Kenya](#),” March 17, 2020.

⁵⁰⁷ 85 Fed. Reg. 16450 (March 23, 2020).

⁵⁰⁸ 85 Fed. Reg. 20562 (April 13, 2020).

After considering public comments, USTR published negotiating objectives for a U.S. trade agreement with Kenya on May 22, 2020.⁵⁰⁹ They largely mirror those set by the United States in its negotiations with the EU, UK, and Japan. Exceptions include language on enhancing customs procedures to facilitate e-commerce and small business trade, promoting the interoperability of data protection regimes and improving mechanism to facilitate cross-border information transfers, providing a framework for effective cooperation on matters related to IPR protection and enforcement, and addressing money-laundering and corruption.⁵¹⁰ Kenya released its own proposed negotiating objectives in July 2020. Among Kenya's specific negotiating objectives is to ensure that the future agreement provides U.S. market access at least the equivalent to which Kenya enjoys under the African Growth and Opportunity Act (AGOA), and that there is no disruption to this market access when AGOA expires on September 30, 2025.⁵¹¹

Negotiations were officially launched between the two countries on July 8, 2020, following a joint statement by Ambassador Robert Lighthizer and Kenyan Cabinet Secretary for Industrialization, Trade, and Enterprise Development Betty Maina. In the statement, Ambassador Lighthizer highlighted that the agreement, once negotiated, would serve as a model for future U.S. trade agreements with other African countries, and would complement Kenya's existing regional economic integration commitments, including under the East African Community (EAC), and the African Continental Free Trade Area (AfCFTA).⁵¹² Two rounds of negotiations were reported as of November 2020, with all rounds held virtually.⁵¹³

The February 2020 announcement of the intent to initiate free trade agreement negotiations was delivered while the United States and Kenyan officials met in two bilateral forums in Washington, DC. The U.S.-Kenya Trade and Investment Working Group (TIWG) met for the third time,⁵¹⁴ and representatives made progress on a number of issues, including Kenya's approval of phytosanitary protocol which provides access to the Kenyan wheat market for U.S. growers from Washington, Oregon, and Idaho, and the development of a technical assistance and capacity-building plan to maximize Kenya's utilization of its trade preferences under AGOA.⁵¹⁵ In addition, USTR, the USDOC, and the U.S. Small Business Administration also convened a small and medium-sized enterprises (SMEs) roundtable in February with U.S. and Kenyan government officials and over 90 U.S. and Kenya SME stakeholders in

⁵⁰⁹ USTR, [United States-Kenya Negotiations](#), May 2020; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 2.

⁵¹⁰ USTR, [United States-Kenya Negotiations](#), May 2020, 3, 7-8, 12.

⁵¹¹ Ministry of Industrialization, Trade, and Enterprise, [Proposed Kenya-US Free Trade Area Agreement—Negotiation Principles](#), June 22, 2020, 7.

⁵¹² USTR, [“Joint Statement Between the United States and Kenya on the Launch of Negotiations Towards a Free Trade Agreement,”](#) July 8, 2020.

⁵¹³ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 33.

⁵¹⁴ The working group, which met for the first time in April 2019, was established by President Trump and Kenyan President Uhuru Kenyatta in order to explore avenues for commercial cooperation, the reduction of barriers to trade and investment, and the utilization of Kenya's trade preferences under AGOA. USTR, [“FACT SHEET: U.S.-Kenya Trade and Investment Relationship,”](#) February 2020; USTR, [“Inaugural Meeting of the U.S.-Kenya Trade and Investment Working Group,”](#) April 8, 2019.

⁵¹⁵ USTR, [“President Trump Announces Intent to Negotiate Trade Agreement with Kenya,”](#) February 6, 2020; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 114.

attendance. At the roundtable, participants discussed ways to increase cooperation in the SME sector and the benefits to SMEs of reducing barriers to trade between the two countries.⁵¹⁶

U.S.-UK Negotiations

USTR initially notified Congress of the President's intent to enter into negotiations with the UK in October 2018 and published its negotiating objectives for a U.S.-UK FTA in February 2019.⁵¹⁷ In 2020, the United States and United Kingdom held five rounds of trade negotiations virtually: on May 5–15, June 15–26, July 27–August 4, September 8–18, and October 19–30.⁵¹⁸ As reported by the UK government, negotiations reflected a mutually high ambition for services, investment, and digital trade disciplines.⁵¹⁹ Between the third and fourth rounds of negotiations, the United States and UK exchanged their initial market access offers in terms of tariff concessions.⁵²⁰

No comprehensive FTA between the two countries was concluded in 2020. However, through an exchange of letters, five agreements entered into force on December 31, 2020, covering several products and services that are covered in existing agreements between the United States and the EU. They include two bilateral agreements on wine and insurance/reinsurance, as well as three mutual recognition agreements on certain distilled spirits/spirit drinks; marine equipment; and telecommunications equipment, electromagnetic compatibility (EMC), and pharmaceutical good manufacturing practices (GMPs).⁵²¹

The UK published its objectives for FTA negotiations with the United States in March 2020. While the UK negotiating objectives cover many of the same areas as those put forth by the United States, the UK objectives also intersect with the government's internal commitments on gender, international development, and the environment. Specifically, there are objectives to advance women's empowerment and access to the economic benefits under a U.S.-UK agreement, to support the UK government's own objectives with regard to trade and development and the delivery of the United Nations' Sustainable Development Goals, and to further the UK government's ambitions to achieve net-zero carbon emissions by 2050.⁵²²

⁵¹⁶ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 126.

⁵¹⁷ USTR, ["Trump Administration Announces Intent to Negotiate Trade Agreements with Japan, EU and UK,"](#) October 16, 2018; USTR, [United States-United Kingdom Negotiations: Summary of Specific Negotiating Objectives](#), February 2019. For more information on negotiation development in 2018 and 2019, see USITC, [Year in Trade 2018](#), October 2019, 140–41; USITC, [Year in Trade 2019](#), August 2020, 153–55.

⁵¹⁸ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 2; UK Parliament, ["Negotiations on the UK's Future Trading Relationship with the US: Update,"](#) June 30, 2020; Government of the UK, ["Negotiations on the UK's Future Trading Relationship with the US: Update,"](#) May 18, 2020; Government of the UK, ["Negotiations on the UK's Future Trading Relationship with the US: Update,"](#) August 12, 2020; Government of the UK, ["Negotiations on the UK's Future Trading Relationship with the US: Update,"](#) September 22, 2020; Government of the UK, ["Negotiations on the UK's Future Trading Relationship with the US: Update,"](#) November 2, 2020.

⁵¹⁹ UK Parliament, ["Negotiations on the UK's Future Trading Relationship with the US: Update,"](#) June 30, 2020.

⁵²⁰ Government of the UK, ["Negotiations on the UK's Future Trading Relationship with the US: Update,"](#) September 22, 2020.

⁵²¹ USTR, ["U.S.-UK Trade Agreement Negotiations,"](#) accessed April 12, 2020.

⁵²² Government of the UK, DIT, [UK-US Free Trade Agreement](#), March 2, 2020, 9–12.

Chapter 6

U.S. Trade in 2020

This chapter provides an overview of U.S. trade in goods and services in 2020. It also reviews U.S. bilateral trade relations with selected major trading partners in 2020: the European Union (EU),⁵²³ China, Mexico, Canada, Japan, the United Kingdom (UK), and India. These trading partners were selected based on the size of their U.S. bilateral trade value in goods and services, as well as recent trade policy activities. For each trading partner, the chapter summarizes U.S. bilateral trade in goods and services, and reports major developments in bilateral trade policies and programs during 2020.

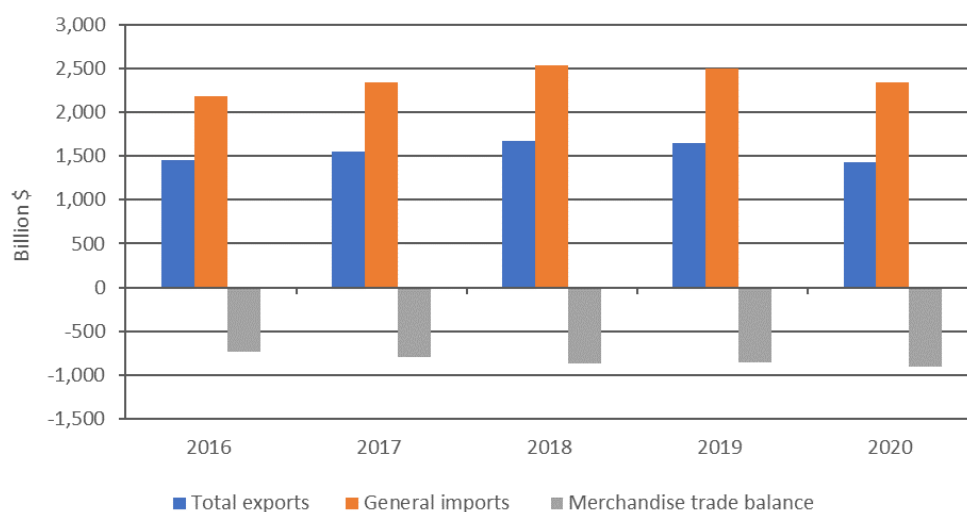
U.S. Merchandise Trade

Overview

The value of total U.S. merchandise trade⁵²⁴ was \$3.8 trillion in 2020, a 9.0 percent decrease from the 2019 level. The value of U.S. merchandise exports decreased by 12.9 percent to \$1.4 trillion, while the value of U.S. merchandise imports decreased by 6.4 percent to \$2.3 trillion. As a result, the U.S. merchandise trade deficit increased by almost 6 percent to \$905 billion in 2020 (figure 6.1).⁵²⁵

Figure 6.1 U.S. merchandise trade, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.20](#).



Source: USITC DataWeb/Census, accessed February 25, 2021.

⁵²³ EU data exclude the UK for the entire time series presented in this report.

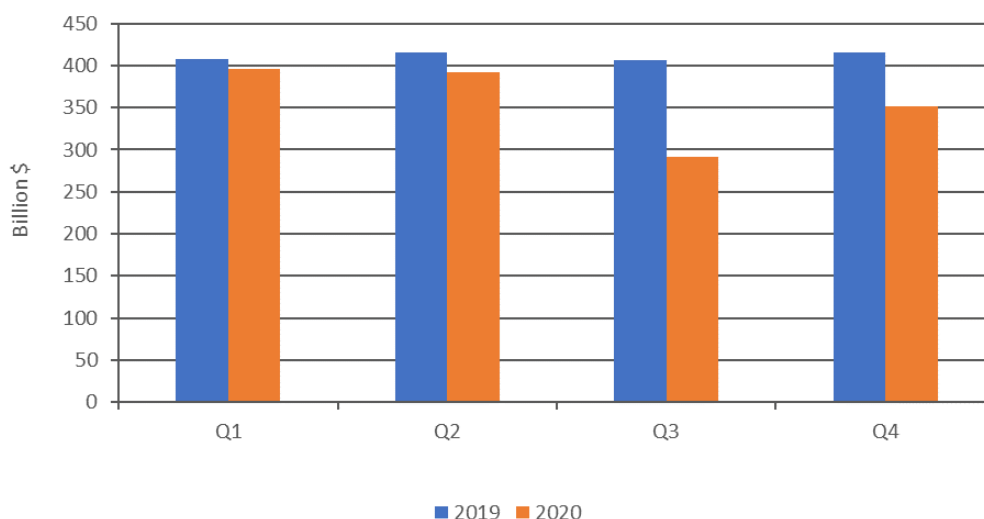
⁵²⁴ Trade data in this section are reported as total exports and general imports. Measures include products that have been imported into the United States and re-exported without any further U.S. manufacturing. See USITC, “[A Note on Trade Statistics](#),” August 22, 2014.

⁵²⁵ USITC DataWeb/Census, accessed February 25, 2021.

Due to the global COVID-19 pandemic, in 2020, U.S. exports and imports both experienced marked quarterly declines compared to their 2019 levels, with the exception of imports in the fourth quarter. The decline in U.S. exports was most apparent during the third quarter (Q3) (figure 6.2), driven by major decreases in transportation equipment, electronic products, chemical products, as well as energy-related products. The decline in U.S. imports was most notable during the second quarter (Q2) (figure 6.3), primarily driven by the decrease in transportation equipment and energy-related products.

Figure 6.2 U.S. merchandise exports, quarterly, 2019–20

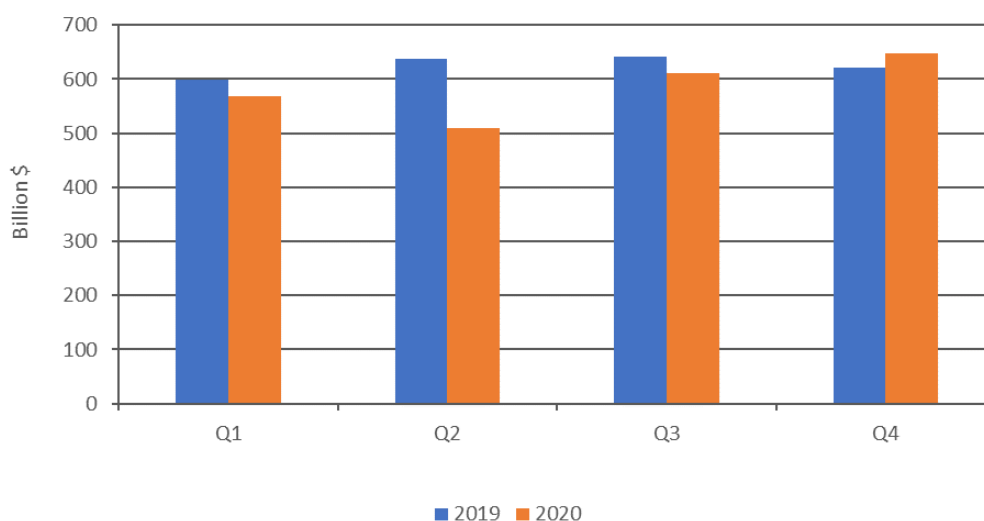
In billions of dollars. Underlying data for this figure can be found in appendix table [B.21](#).



Source: USITC DataWeb/Census, total exports, accessed April 19, 2021.

Figure 6.3 U.S. merchandise imports, quarterly, 2019–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.22](#).



Source: USITC DataWeb/Census, general imports, accessed April 19, 2021.

U.S. Merchandise Trade by Trading Partner

In 2020, the EU, as a single entity, was the United States' top trading partner in terms of two-way merchandise trade, followed by China, Mexico, Canada, and Japan. The United States had the largest bilateral merchandise trade deficit with China (table 6.1).

Table 6.1 U.S. merchandise trade with top five trading partners, 2020

In billions of dollars.

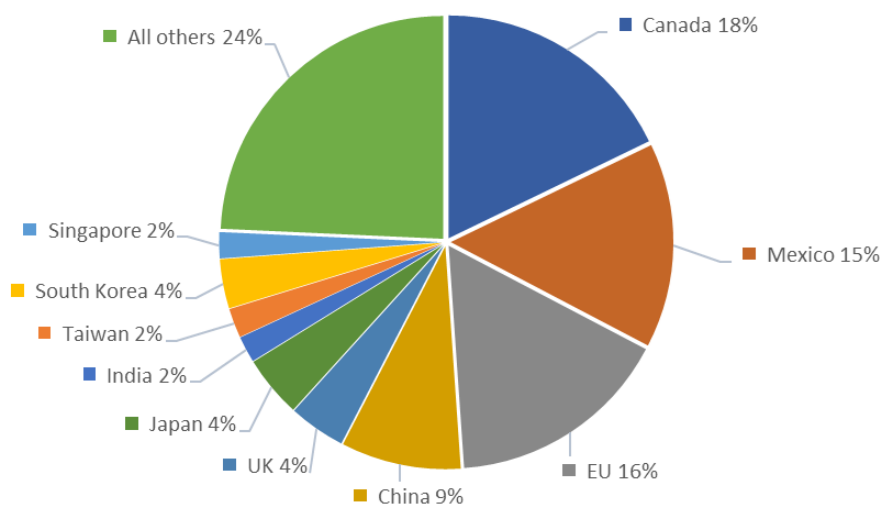
Trading partner	Total trade (billion \$)	Total exports (billion \$)	General imports (billion \$)	Trade balance (billion \$)
EU	647.6	232.1	415.5	-183.4
China	560.1	124.6	435.4	-310.8
Mexico	538.1	212.7	325.4	-112.7
Canada	525.5	255.1	270.4	-15.2
Japan	183.6	64.1	119.5	-55.4

Source: USITC DataWeb/Census, accessed February 25, 2021.

Canada was the leading market for U.S. merchandise exports, followed by the EU and Mexico (figure 6.4). China surpassed the EU to become the leading source of U.S. merchandise imports in 2020, followed by the EU, Mexico, and Canada (figure 6.5).

Figure 6.4 Leading markets for U.S. merchandise exports, by share, 2020

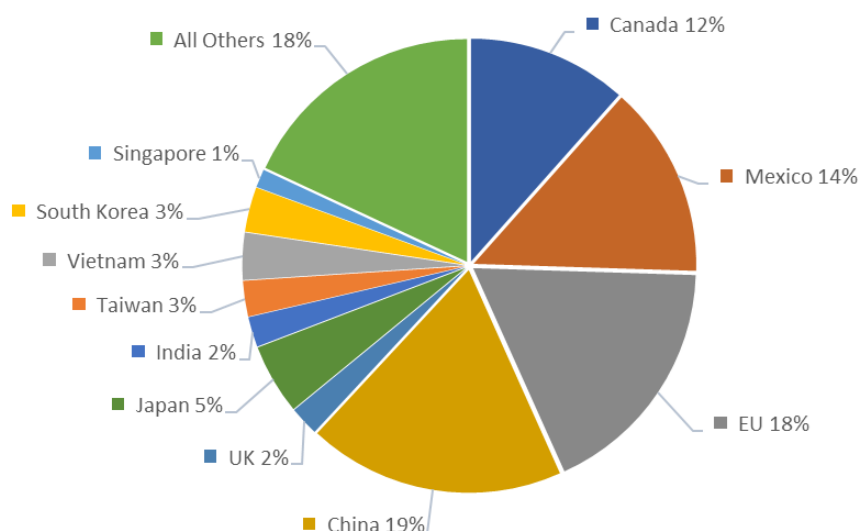
In percentages. Underlying data for this figure can be found in appendix table [B.23](#).



Source: USITC DataWeb/Census, total exports, accessed February 25, 2021.

Figure 6.5 Leading sources for U.S. merchandise imports, by share, 2020

In percentages. Underlying data for this figure can be found in appendix table [B.24](#).



Source: USITC DataWeb/Census, general imports, accessed February 25, 2021.

U.S. exports to most leading trade partners decreased from 2019 to 2020. Among the exceptions are U.S. exports to China, which were boosted by record sales of soybeans to China. U.S. exports to Mexico, Canada, and the EU experienced the largest decreases in terms of absolute value, while U.S. exports to India experienced the largest percentage decrease (table 6.2). Exports to FTA partners accounted for 45.5 percent of U.S. total exports, decreasing from 46.6 percent in 2019.⁵²⁶

U.S. imports from most leading trading partners decreased from 2019 to 2020. U.S. imports from Taiwan and Vietnam were among the few exceptions (table 6.3). The increase in U.S. imports from Taiwan largely came from semiconductors, computers, and telecommunications equipment. The increase in U.S. imports from Vietnam was largely driven by electronics and parts, telecommunications equipment, furniture, and textiles and apparel. Imports from U.S. FTA partners accounted for 33.7 percent of total U.S. imports, decreasing from 35.0 percent in 2019.⁵²⁷

⁵²⁶ USITC DataWeb/Census, total exports, accessed February 25, 2021.

⁵²⁷ USITC DataWeb/Census, general imports, accessed February 25, 2021.

Table 6.2 U.S. merchandise exports, by leading trading partners, annual, 2019–20

In billions of dollars and percentages.

Trading partner	2019 (billion \$)	2020 (billion \$)	Absolute change 2019–20 (billion \$)	Percentage change, 2019–20
Canada	292.6	255.1	–37.5	–12.8
Mexico	256.6	212.7	–43.9	–17.1
NAFTA/USMCA trading partners	549.2	467.8	–81.4	–14.8
Other FTA trading partners	216.8	183.4	–33.5	–15.4
FTA partner total	766.0	651.2	–114.9	–15.0
EU	267.6	232.1	–35.6	–13.3
China	106.4	124.6	18.2	17.1
Japan	74.4	64.1	–10.3	–13.8
UK	69.1	59.0	–10.1	–14.6
Taiwan	31.3	30.5	–0.8	–2.6
India	34.3	27.4	–6.9	–20.1
Vietnam	10.9	10.0	–0.9	–8.0
Other non-FTA trading partners	283.1	232.5	–50.6	–17.9
Non-FTA trading partner total	877.1	780.2	–96.9	–11.0
U.S. total exports	1,643.2	1,431.4	–211.8	–12.9

Source: USITC DataWeb/Census, total exports, accessed February 25, 2021.

Table 6.3 U.S. merchandise imports, by leading trading partners, annual, 2019–20

In billions of dollars and percentages.

Trading partner	2019 (billion \$)	2020 (billion \$)	Absolute change 2019–20 (billion \$)	Percentage change, 2019–20
Canada	319.4	270.4	–49.0	–15.4
Mexico	358.0	325.4	–32.6	–9.1
NAFTA/USMCA trading partners	677.4	595.8	–81.6	–12.0
Other FTA trading partners	197.2	191.8	–5.4	–2.8
FTA partner total	874.6	787.6	–87.1	–10.0
EU	452.0	415.5	–36.5	–8.1
UK	63.2	50.2	–13.0	–20.6
China	451.7	435.4	–16.2	–3.6
Japan	143.6	119.5	–24.1	–16.8
Taiwan	54.3	60.4	6.2	11.4
India	57.7	51.2	–6.5	–11.3
Vietnam	66.6	79.6	13.0	19.5
Other non-FTA trading partners	333.9	337.1	3.2	1.0
Non-FTA trading partner total	1,622.9	1,549.0	–73.9	–4.6
U.S. total imports	2,497.5	2,336.6	–161.0	–6.4

Source: USITC DataWeb/Census, general imports, accessed February 25, 2021.

U.S. Merchandise Trade by Product Category

Electronic products overtook transportation equipment by a small margin to become the largest U.S. export sector in 2020. Electronic products and transportation equipment sectors together accounted for about 17 percent of U.S. exports. Other top exports included chemicals and related products (16.1 percent) and energy-related products (11.2 percent). All sectors experienced a decline in U.S. exports

from 2019 to 2020, except for agricultural products, which increased by 4.8 percent (table 6.4 and the [interactive dashboard](#)).⁵²⁸

Electronic products and transportation equipment continued to be the top two sectors for U.S. imports, accounting for 20.7 percent and 16.4 percent of 2020 U.S. imports, respectively. Seven sectors experienced a decline in U.S. imports, of which transportation equipment had the largest decrease in absolute value. Five sectors showed increases, including miscellaneous manufactures, and chemicals and related products (table 6.5 and [interactive dashboard of appendix A](#)).⁵²⁹

Ten of the 11 broad sectors that make up U.S. merchandise trade had a trade deficit in 2020. They are agricultural products, forest products, chemicals, textiles and apparel, footwear, minerals and metals, machinery, transportation equipment, electronic products, and miscellaneous manufactures.⁵³⁰ Energy-related products was the only sector with a trade surplus, of \$35.1 billion in 2020, an almost 30-fold increase over the \$1.2 billion surplus in 2019. In September 2019, the United States became a net petroleum exporter for the first time since monthly record began in 1973.⁵³¹ This trend continued in 2020. Although exports of energy-related products fell by \$45.4 billion from 2019 to 2020, imports of those products fell by \$79.2 billion over the same period.⁵³²

Table 6.4 U.S. merchandise exports, by USITC digest sector, 2019–20

In billions of dollars and percentages.

Sector	2019 (billion \$)	2020 (billion \$)	Absolute change 2019–20 (billion \$)	Percentage change 2019–20 (%)
Agricultural products	150.4	157.7	7.2	4.8
Forest products	36.8	33.5	–3.4	–9.2
Chemicals and related products	242.9	229.9	–13.0	–5.4
Energy-related products	205.9	160.5	–45.4	–22.0
Textiles and apparel	22.1	18.8	–3.3	–14.9
Footwear	1.6	1.1	–0.5	–30.7
Minerals and metals	137.8	128.4	–9.5	–6.9
Machinery	137.6	127.0	–10.6	–7.7
Transportation equipment	339.6	242.2	–97.4	–28.7
Electronic products	273.1	253.5	–19.6	–7.2
Miscellaneous manufactures	48.5	35.9	–12.6	–25.9
Special provisions	46.7	42.9	–3.8	–8.1
U.S. total exports	1,643.2	1,431.4	–211.8	–12.9

Source: USITC DataWeb/Census, total exports, accessed February 25, 2021.

Note: The category “Special Provisions” represents trade receiving particular duty or quota treatment under HTS chapters 98 and 99.

⁵²⁸ USITC DataWeb/Census, total exports, USITC digest sector, accessed February 25, 2021.

⁵²⁹ USITC DataWeb/Census, general imports, USITC digest sector, accessed February 25, 2021.

⁵³⁰ 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, *Trade Shifts 2018*, December 2019.

⁵³¹ EIA, “[Despite the U.S. Becoming a Net Petroleum Exporter](#),” February 6, 2020.

⁵³² USITC DataWeb/Census, total exports and general imports, USITC digest sector, accessed February 25, 2021.

Table 6.5 U.S. merchandise imports, by USITC digest sector, 2019–20

In billions of dollars and percentage

Sector	2019 (billion \$)	2020 (billion \$)	Absolute change 2019–20 (billion \$)	Percentage change 2019–20
Agricultural products	159.8	163.4	3.7	2.3
Forest products	44.4	44.6	0.2	0.4
Chemicals and related products	320.2	328.7	8.6	2.7
Energy-related products	204.7	125.5	–79.2	–38.7
Textiles and apparel	127.7	127.5	–0.1	–0.1
Footwear	27.1	20.7	–6.4	–23.7
Minerals and metals	198.3	204.0	5.7	2.9
Machinery	212.7	205.0	–7.6	–3.6
Transportation equipment	472.1	382.8	–89.3	–18.9
Electronic products	485.0	484.1	–0.9	–0.2
Miscellaneous manufactures	133.0	148.5	15.4	11.6
Special provisions	112.6	101.7	–10.9	–9.7
U.S. total imports	2,497.5	2,336.6	–161.0	–6.4

Source: USITC DataWeb/Census, general imports, accessed February 25, 2021.

Note: The category “Special Provisions” represents trade receiving particular duty or quota treatment under HTS chapters 98 and 99.

U.S. Services Trade

Overview

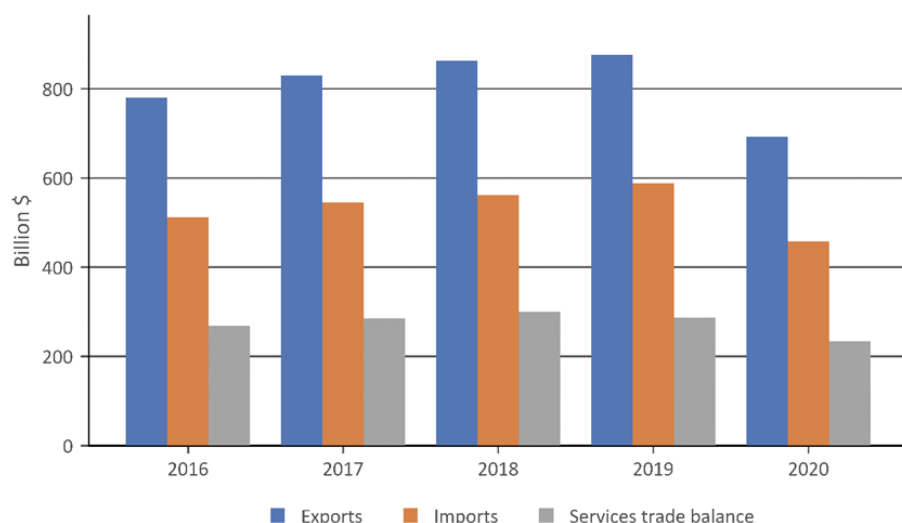
U.S. two-way cross-border total services trade⁵³³ fell by 21.4 percent to \$1.2 trillion in 2020. U.S. total services exports fell by 21.0 percent to \$692.1 billion, while U.S. total services imports fell by 22.1 percent to \$458.3 billion in 2020. Overall, the U.S. trade surplus in services diminished by 18.6 percent to \$233.9 billion in 2020 (figure 6.6). U.S. trade in each of the major services categories experienced decreases in 2020, except for financial services and insurance services.⁵³⁴

⁵³³ Data in this section pertain to cross-border transactions in services identified under the General Agreement on Trade in Services (GATS) as modes 1 (cross border trade), 2 (consumption abroad), and 4 (the presence of natural persons). Data on GATS mode 3 (commercial presence) are not discussed. For more information on GATS modes of services supply, see WTO, “[GATS Training Module](#),” accessed March 24, 2021.

⁵³⁴ USDOC, BEA, “[International Transactions](#),” March 23, 2021, Table 1.3 “U.S. International Transactions, Expanded Detail by Area and Country”. In this edition of *Year in Trade*, U.S. cross-border trade in services information includes data on U.S. exports and imports of government goods and services as well as private services, due to data suppression by U.S. Bureau of Economic Analysis (BEA). Previous editions included private services only. In addition, BEA revised its data collection and estimation methods for several U.S. services categories in 2020. As a result, historical data on U.S. services exports and imports presented in previous editions of *Year in Trade* may differ from data presented in this year’s report. For more information on BEA services data, see USDOC, BEA, “[U.S. International Trade in Goods and Services—January 2021](#),” March 5, 2021, 12.

Figure 6.6 U.S. total services trade, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

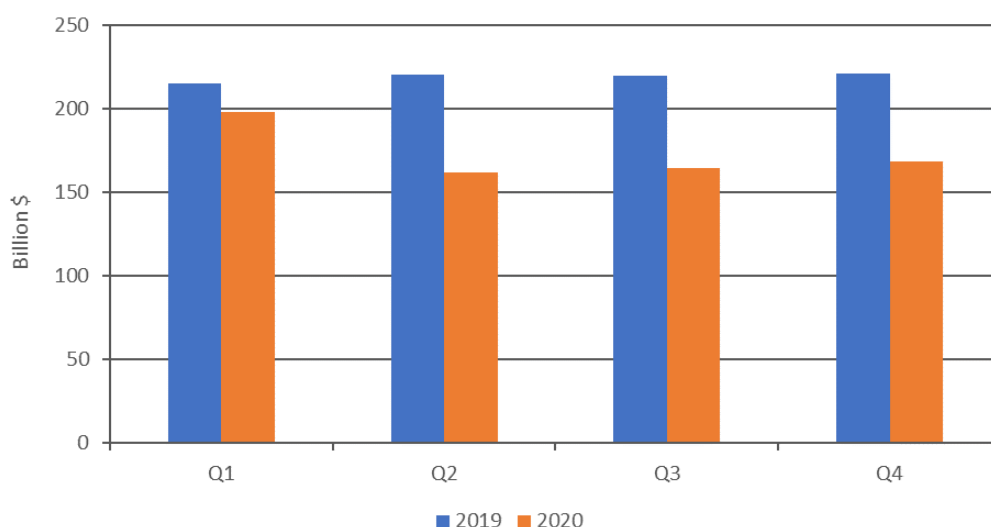
The quarterly trade data from the U.S. Bureau of Economic Analysis (BEA) indicate that total U.S. services exports and imports decreased significantly during the second through fourth quarters of 2020, compared to the same periods of 2019, mirroring the economic impact of the pandemic during 2020 (figures 6.7 and 6.8). For example, in the fourth quarter (Q4) of 2020, U.S. services exports were \$168 billion, compared to \$221 billion in the same quarter of 2019, representing a 24.0 percent year-over-year decline. Similarly, U.S. services imports were \$115 billion in Q4 2020, lower than \$148 billion recorded in Q4 2019, a drop of 22.4 percent.

Although the value of two-way services trade increased slightly in Q4 2020 compared to the previous two quarters, it remained lower than the first-quarter peak. Freight transportation services, insurance services, and charges for the use of intellectual property not included elsewhere (n.i.e.) were among the service sectors that demonstrated increases in U.S. exports and imports between the second and fourth quarters of 2020, driving the uptick in U.S. services trade in Q4 2020.⁵³⁵

⁵³⁵ USDOC, BEA, "[International Services](#)," March 23, 2021, Table 3.1 "U.S. International Trade in Services."

Figure 6.7 U.S. total services exports, quarterly, 2019–20

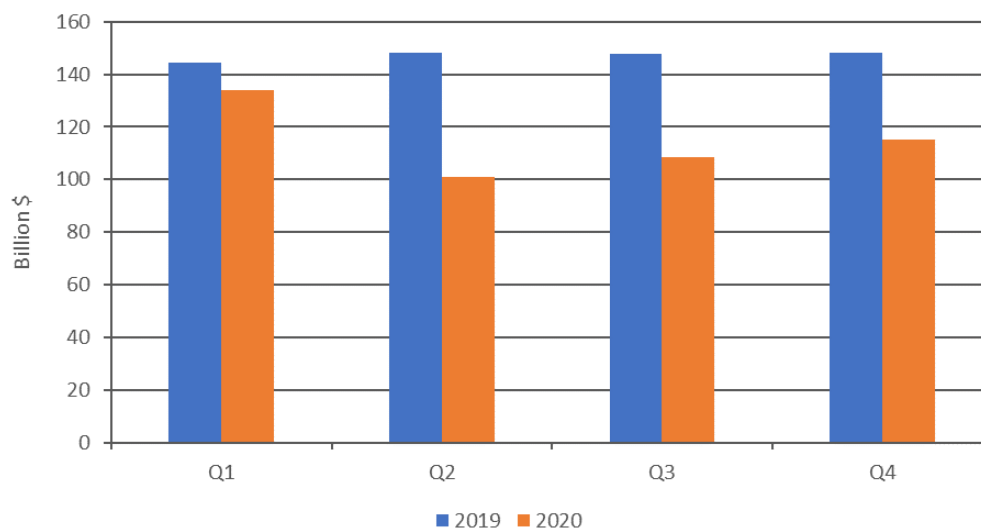
In billions of dollars. Underlying data for this figure can be found in appendix table [B.26](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Figure 6.8 U.S. total services imports, quarterly, 2019–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.27](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

U.S. Services Trade by Trading Partner

The EU as a single entity, was the United States' largest trading partner in services in 2020. Following its departure from the EU in January 2020, the UK became the second-largest trading partner in services. They were followed by Canada, Switzerland, and Japan (table 6.6).⁵³⁶

Table 6.6 U.S. total services trade with top five trading partners, 2020

In billions of dollars. EU data exclude the UK.

Major trading partner	Total trade (billion \$)	U.S. exports (billion \$)	U.S. imports (billion \$)	Trade balance (billion \$)
EU	282.2	173.3	108.9	64.4
UK	109.1	59.1	50.0	9.1
Canada	80.3	51.2	29.1	22.1
Switzerland	69.1	45.0	24.2	20.8
Japan	68.6	38.0	30.6	7.4

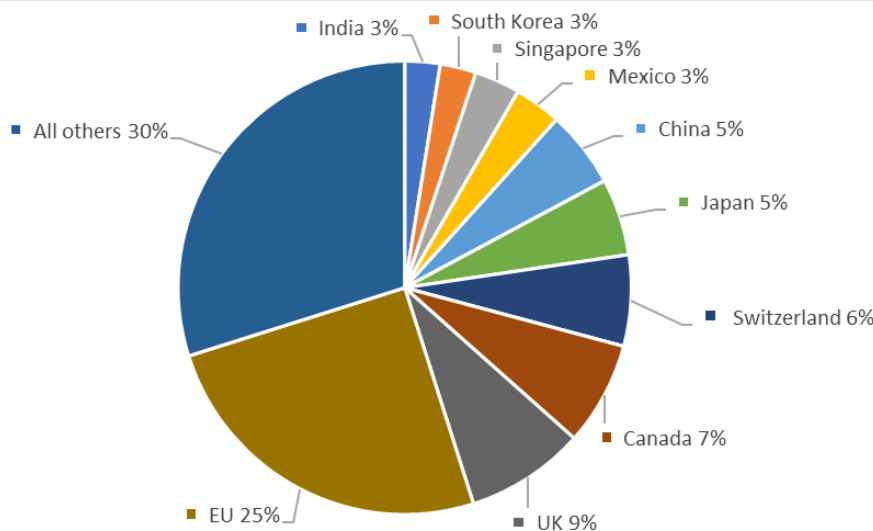
Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

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

In 2020, the top markets for U.S. services exports were the EU, the UK, Canada, Switzerland, Japan, and China (figure 6.9). The leading sources of U. S. services imports were the EU, the UK, Bermuda, Japan, Canada, and India (figure 6.10).⁵³⁷

Figure 6.9 Leading markets for U.S. total services exports, by share, 2020

In percentages. EU data exclude the UK; underlying data for this figure can be found in appendix table [B.28](#).



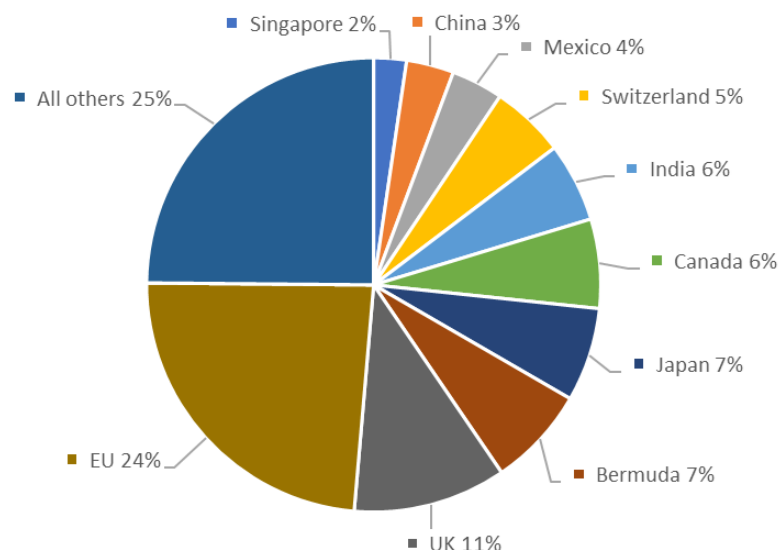
Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country," and Table 1.5 "U.S. International Trade in Goods and Services by Area and Country."

⁵³⁶ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

⁵³⁷ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Figure 6.10 Leading sources for U.S. total services imports, by share, 2020

In percentages. EU data exclude the UK; underlying data for this figure can be found in appendix table [B.29](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country," and Table 1.5 "U.S. International Trade in Goods and Services by Area and Country."

U.S. Services Trade by Product Category

In 2020, other business services⁵³⁸ represented the largest share, or 26.7 percent of U.S. total services exports. This category was followed by financial services (19.8 percent), and charges for the use of intellectual property n.i.e.⁵³⁹ (16.5 percent). Between 2019 and 2020, U.S. exports of insurance services and financial services posted modest increases, while U.S. exports of travel services and transport services⁵⁴⁰ experienced substantial year-on-year declines in value (table 6.7). The decline in U.S. exports of transport services was primarily driven by air passenger transport services.⁵⁴¹ The decline in U.S.

⁵³⁸ Other business services include professional and management consulting services, research and development services, and technical, trade-related, and other business services. USDOC, BEA, "[U.S. International Trade in Goods and Services—January 2021](#)," March 5, 2021, 11.

⁵³⁹ Charges for the use of intellectual property, n.i.e., pertain to "(1) charges for the use of proprietary rights, such as patents, trademarks, copyrights, and franchises, and (2) charges for licenses to reproduce and/or distribute intellectual property embodied in produced originals (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 Trade in Goods and Services—January 2021](#)," March 5, 2021, 11.

⁵⁴⁰ U.S. exports of travel services include payments to U.S. entities by non-U.S. residents for goods and services, such as meals and lodging, consumed while visiting the United States. U.S. imports of travel services include payments to foreign entities by U.S. residents for goods and services consumed while traveling abroad. Separately, U.S. exports of transport services include payments by foreign residents to U.S. carriers for the transport of goods (via all modes, including air, maritime, truck, rail, and pipeline), as well as payments by foreign residents to U.S. passenger carriers (e.g., airlines) for travel between the United States and foreign countries. USDOC, BEA, "[U.S. International Trade in Goods and Services—January 2021](#)," March 5, 2021, 11.

⁵⁴¹ IATA, "[The Impact of COVID-19 on Aviation](#)," January 28, 2021; USDOC, BEA, "[International Services](#)," July 2, 2021, Table 2.1 "U.S. Trade in Services, by Type of Service."

exports of travel services was primarily driven by decreases in education- and health-related travel services. Both of these declines were due to travel restrictions during the pandemic.⁵⁴²

In 2020, other business services accounted for the largest share of U.S. total services imports at 25.3 percent. This category was followed by transport services (15.6 percent) and insurance services (13.4 percent). Among the leading categories of U.S. services imports, only insurance services experienced an increase, of 19.4 percent, between 2019 and 2020. The increase in U.S. imports of insurance services during 2020 partly reflected general growth in the demand for life insurance⁵⁴³ and other insurance products during the pandemic.⁵⁴⁴ By contrast, U.S. imports of travel services experienced the largest drop—73.4 percent—in 2020, falling from \$135 billion in 2019 to \$36 billion (table 6.8).⁵⁴⁵

Table 6.7 U.S. total services exports, by major category, annual, 2019–20

In billions of dollars and percentages. Due to seasonal adjustment and rounding, it may not add up to total shown.

Sector	2019 (billion \$)	2020 (billion \$)	Absolute change 2019–20 (billion \$)	Percentage change 2019–20 (%)
Maintenance and repair services n.i.e.	27.9	13.6	-14.3	-51.2
Transport	91.1	56.8	-34.3	-37.6
Travel	193.3	71.8	-121.6	-62.9
Construction	3.2	2.3	-0.9	-28.8
Insurance services	16.2	16.7	0.4	2.6
Financial services	135.7	137.0	1.3	1.0
Charges for the use of intellectual property n.i.e	117.4	114.0	-3.4	-2.9
Telecommunications, computer and information services	55.7	54.8	-0.9	-1.6
Other business services	189.4	184.7	-4.7	-2.5
Personal, cultural, and recreational services	23.4	17.6	-5.8	-24.6
Government Goods and services n.i.e	22.6	22.8	0.3	1.3
U.S. total services exports	875.8	692.1	-183.7	-21.0

Source: USDOC, BEA, "[U.S. International Trade in Goods and Services—January 2021](#)," March 5, 2021, Exhibit 3 "U.S. Exports of Services by Major Category," 16.

⁵⁴² USITC, [Recent Trends in U.S. Services Trade: 2021 Annual Report](#), April 2021.

⁵⁴³ Festa, "[Life Insurance Industry Trends to Watch](#)," January 27, 2021.

⁵⁴⁴ S&P Global, "[How COVID-19 has Changed the Insurance Industry](#)," accessed March 26, 2021.

⁵⁴⁵ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Table 6.8 U.S. total services imports, by major category, annual, 2019–20

In billions of dollars and percentage. Due to seasonal adjustment and rounding, it may not add up to total shown.

Sector	2019 (billion \$)	2020 (billion \$)	Absolute change	Percentage
			2019–20 (billion \$)	change 2019–20 (%)
Maintenance and repair services n.i.e.	7.8	6.0	–1.8	–23.0
Transport	107.5	71.6	–35.9	–33.4
Travel	134.6	35.8	–98.8	–73.4
Construction	1.3	1.1	–0.2	–17.9
Insurance services	51.5	61.6	10.0	19.4
Financial services	40.4	38.8	–1.6	–3.8
Charges for the use of intellectual property n.i.e	42.7	40.7	–2.1	–4.8
Telecommunications, computer and information services	43.7	38.2	–5.5	–12.7
Other business services	113.6	115.8	2.2	1.9
Personal, cultural, and recreational services	21.1	24.2	3.1	14.5
Government Goods and services n.i.e	24.1	24.6	0.5	2.0
U.S. total imports	588.4	458.3	–130.1	–22.1

Source: USDOC, BEA, “[U.S. International Trade in Goods and Services—January 2021](#),” March 5, 2021, Exhibit 4 “U.S. Imports of Services by Major Category,” 17.

Developments with Selected Major Trading Partners

European Union

U.S.-EU Trade Overview

In 2020, the EU as a single entity (excluding the UK), remained the largest partner in U.S. merchandise trade. U.S. merchandise exports to the EU fell by 13.3 percent to \$232 billion in 2020, while U.S. merchandise imports from the EU fell by 8.1 percent to \$416 billion in 2020, resulting in a bilateral U.S. merchandise trade deficit of \$184 billion (figure 6.11). The top U.S. exports to the EU included aircraft and aircraft engines and parts (\$22 billion), crude petroleum (\$13 billion), and medicaments (\$7 billion). The top U.S. imports from the EU included medicaments (\$40 billion), immunological products (\$25 billion), and passenger motor vehicles with cylinder capacity between 1,500 and 3,000 cubic centimeters (cc) (\$21 billion).⁵⁴⁶

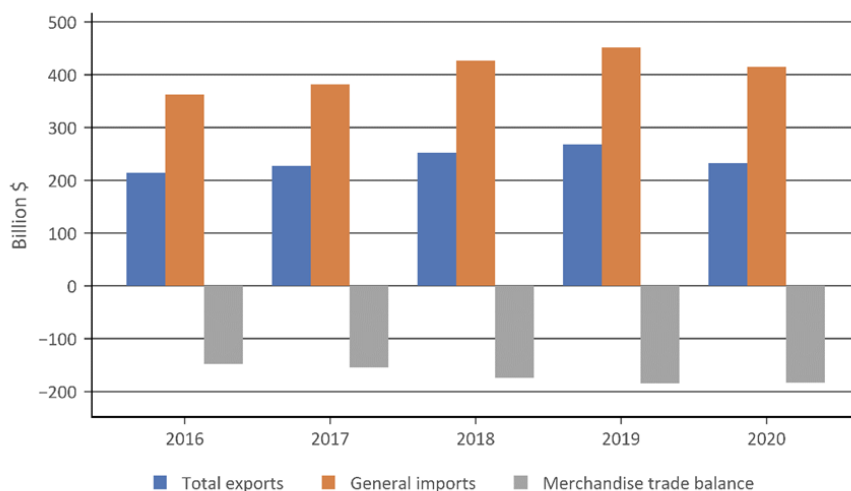
In 2020, the EU was also the largest partner in U.S. total services trade. U.S. services exports to the EU fell by 13.6 percent to \$173 billion in 2020, while U.S. services imports from the EU fell by 25.4 percent to \$109 billion in 2020, resulting in a bilateral U.S. services trade surplus of \$64 billion (figure 6.12). The top U.S. services exports to the EU were other business services (\$68 billion), charges for intellectual property use (\$40 billion), and financial services (\$25 billion). The top services imports from the EU were

⁵⁴⁶ USITC DataWeb/Census, total exports and general imports, accessed February 25, 2021.

other business services (\$32 billion), transportation services (\$20 billion), and charges for intellectual property use (\$16 billion).⁵⁴⁷

Figure 6.11 U.S. merchandise trade with the EU, annual, 2016–20

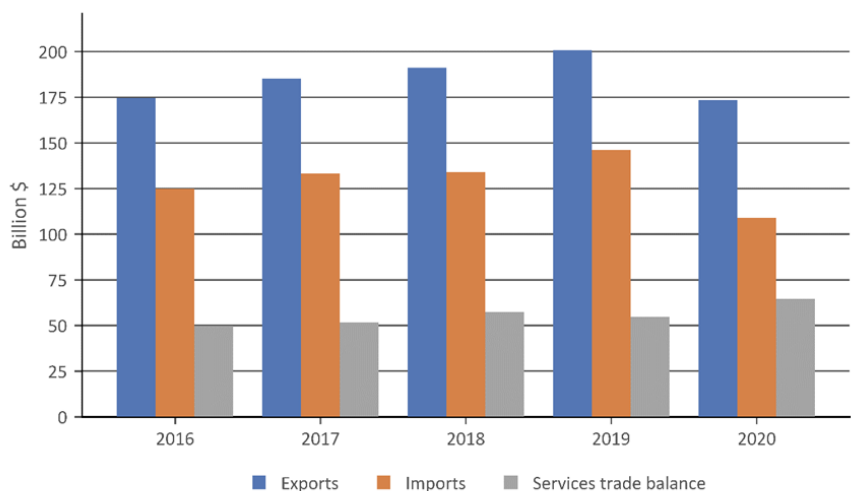
In billions of dollars. EU data exclude the UK; underlying data for this figure can be found in appendix table [B.20](#).



Source: USITC DataWeb/Census, accessed February 25, 2021.

Figure 6.12 U.S. total services trade with the EU, annual, 2016–20

In billions of dollars. EU data exclude the UK; underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

⁵⁴⁷ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Major Trade Developments in 2020

This section summarizes the major trade events in the U.S.-EU trade relations in 2020. While the transition of the UK out of the EU (“Brexit”)⁵⁴⁸ loomed large over all EU trade activities in 2020, the U.S.-EU trade relationship in 2020 was also characterized by areas of cooperation as well as disputes in other areas. For major U.S.-EU disputes over large civil aircraft and digital services taxes, see [chapter 2](#) and [chapter 3](#) of this report.

Among the major trade development in 2020 between the United States and the EU were:

- A new tariff-rate quota (TRQ) governing EU imports of U.S. high-quality beef went into effect on January 1, 2020. The TRQ was a result of successful negotiations between the two parties to resolve concerns in a 20-year-old trade dispute. On the same day, the United States concluded its proceeding under its section 301 investigation connected with this dispute, determining it would not reinstate action on the EU.⁵⁴⁹
- On January 14, 2020, trade ministers from the United States, the EU, and Japan met in Washington, DC, to discuss various issues surrounding third country industrial subsidies and forced technology transfer, and progress on joint actions pertaining to these issues at the World Trade Organization (WTO) and other multilateral forums. These discussions were a continuation of those that preceded the release of a May 2018 joint scoping paper and statements on state-influenced market-distorting behaviors.⁵⁵⁰ More information on this meeting is available in the Japan section later in this chapter.
- In response to the expanded product list subject to U.S. import tariffs under section 232 of the Trade Expansion Act of 1962,⁵⁵¹ the EU imposed an ad valorem tariff of 20 percent on cigarette lighters and 7 percent on certain furniture fittings imported from the United States, effective on May 8, 2020.⁵⁵² The value of U.S. exports of these products to the EU totaled \$23.3 million in

⁵⁴⁸ See the [UK section of this chapter](#) for more information on Brexit.

⁵⁴⁹ 84 Fed. Reg. 68286 (December 13, 2019); USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 42–44. For more information on the history of this section 301 investigation and related WTO dispute, see USITC, [Year in Trade 2019](#), August 2020, 65–67.

⁵⁵⁰ USTR, [“Joint Statement of the Trilateral Meeting,”](#) January 14, 2020; USTR, [“Joint Statement on Trilateral Meeting,”](#) May 31, 2018.

⁵⁵¹ Proclamation No. 9980, 85 Fed. Reg. 5281 (January 29, 2020). The expansion of the 10 percent tariffs on aluminum and 25 percent tariffs on steel imports to include imports of derivative products including nails and cables under section 232 of the Trade Expansion Act of 1962 was effective on February 8, 2020. The product scope was expanded in part because U.S. imports of derivative products had increased since the imposition of the original steel and aluminum tariffs and quotas under section 232 in 2018, thereby eroding the customer base for U.S. steel and aluminum producers. For more information, see [chapter 2](#) of this report.

⁵⁵² European Commission, [Commission Implementing Regulation 2020/502 of April 6, 2020](#), O.J. (L109) 10. The EU announced two stages of additional tariffs, with the first stage consisting of the tariffs on cigarette lighters and furniture fittings, and the second stage involving the imposition of a 4.4 percent ad valorem tariff on playing cards, set to go into effect in 2023. According to EU estimates, the amount of duties collected in the first stage reflect and do not exceed the value of duties to be collected on U.S. imports from the EU of aluminum bumper stampings on certain motor vehicles and tractors, which are subject to the new U.S. duties under the January 2020 proclamation. WTO, CTG, Committee on Safeguards, [Immediate Notification under Article 12.5](#), April 7, 2020.

2019.⁵⁵³ For more information on the related section 232 investigation, see [chapter 2](#) of this report.

- On October 26, 2020, the Joint Committee of the U.S.-EU Agreement on Prudential Measures Regarding Insurance and Reinsurance (the U.S.-EU Covered Agreement) held its third meeting, conducted over video conference with U.S. and EU government officials and insurance industry representatives in attendance. Meeting discussions included updates on the implementation of the U.S.-EU Covered Agreement, focusing on the removal of collateral and local presence requirements for reinsurers, and the provisions on group supervision and on exchange of information. The U.S.-EU Covered Agreement was signed by the United States and the EU in 2017.⁵⁵⁴

Other major trade developments included the elimination of EU tariffs on imports of U.S. lobsters and the invalidation of the U.S.-EU Privacy Shield as a mechanism for U.S. companies to comply with EU data privacy requirements, as discussed below.

EU Tariff Elimination Related to U.S. Lobster Exports

In 2017, U.S. exports of lobster to the EU were approximately \$110.6 million. In 2019, the value decreased to approximately \$56.9 million.⁵⁵⁵ A Presidential Memorandum, released on June 24, 2020, noted that U.S. exports of lobsters to the EU “appear to have been significantly and negatively affected” by the implementation of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU, which entered into force in September 2017.⁵⁵⁶ Under that agreement, EU duties on imports of Canadian lobster and lobster products were eliminated via tariff phaseouts beginning in 2017 and continuing through 2022.⁵⁵⁷ At the time of the memorandum, EU most-favored-nation (MFN) duties (which applied to imports of U.S. lobster and related products) ranged from 6.0 to 20.0 percent.⁵⁵⁸

After negotiations on this issue, the United States and the EU agreed to a package of tariff reductions as announced in a joint statement on August 21, 2020. The EU committed to eliminate, on an MFN basis, its duties on imports for most categories of U.S. lobster, retroactive to August 1, 2020.⁵⁵⁹ The United States agreed to reduce by 50 percent its tariff rates on approximately \$160 million of EU exports of certain products, including certain prepared meals, certain crystal glassware, surface preparations, propellant powders, cigarette lighters and lighter parts. These tariff reductions were on an MFN basis

⁵⁵³ USITC DataWeb/Census, total exports, HTS subheading 9613.80, 3926.30, accessed June 4, 2021.

⁵⁵⁴ USTR, “[United States and European Union Hold Third Joint Committee Meeting](#),” October 30, 2020. For more information about the agreement, see USITC, [Year in Trade 2017](#), August 2018, 152–53.

⁵⁵⁵ USITC DataWeb/Census, domestic exports, HTS subheading 0306.12, 0306.32, 0306.92, 1605.30 to the EU (including the UK), accessed April 21, 2021.

⁵⁵⁶ White House, “[Memorandum on Protecting the United States Lobster Industry](#),” June 24, 2020.

⁵⁵⁷ Government of Canada, Global Affairs Canada, [Text of the Comprehensive Economic and Trade Agreement—Annex 2-A: Tariff Elimination](#), (September 28, 2017).

⁵⁵⁸ Lobster and lobster products here are defined as EU Combined Nomenclature (CN8) 0306.12.10, 0306.12.90, 0306.32.10, 1605.30.90. European Commission, [Commission Implementing Regulation 2019/1776 of October 9, 2019](#), O.J. (L280) 1.

⁵⁵⁹ The effect of this elimination would restore the former parity between EU imports of U.S. and Canadian lobsters before the implementation of CETA by providing them with equivalent tariff treatment.

and retroactive to August 1, 2020.⁵⁶⁰ The tariff elimination and reduction commitments for both parties entered into force in December 2020.⁵⁶¹

EU Data Privacy

The EU's General Data Protection Regulation (GDPR) entered its third year of implementation in 2020. GDPR establishes strict privacy rights for individuals as regards the processing, collection, dissemination, erasure, and portability of their personal data.⁵⁶² Because GDPR purports to reach beyond the boundaries of the EU, companies that handle EU personal data subjects potentially may fall under the EU legal jurisdiction with respect to obeying GDPR rules, regardless of the companies' physical location.⁵⁶³ Companies that violate GDPR provisions may be fined up to 4 percent of their annual global revenue.⁵⁶⁴

In terms of enforcement, national supervisory authorities of member states began investigating GDPR complaints as soon as the legislation was enacted on May 25, 2018. From that time to yearend 2020, there have been 485 fines totaling about €244 million (\$278 million), of which 334 fines (€171 million or about \$195 million) were given in 2020.⁵⁶⁵ As of April 2021, two U.S. companies are in the top five recipients of largest individual fines to date: Google and Marriott International, Inc. In October 2020, one of these two companies, Marriott International, was fined over €20 million (about \$23 million) by the UK government, under Article 32 of GDPR for failing to process personal data in a manner that ensured appropriate security.⁵⁶⁶

In a ruling by the Court of Justice of the European Union (CJEU) on July 16, 2020, the EU-U.S. Privacy Shield—the framework under which the United States engaged to protect the data privacy of EU data subjects—was declared an invalid mechanism for compliance with EU data protection requirements, because the level of data protection in the U.S. was not “essentially equivalent” to that required under the GDPR.⁵⁶⁷ Implemented in 2016, the framework requires U.S. companies make legally enforceable

⁵⁶⁰ USTR, [“Joint Statement of the United States and the European Union on a Tariff Agreement,”](#) August 21, 2020.

⁵⁶¹ Proclamation No. 10128, 85 Fed. Reg. 85491 (December 29, 2020); [Regulation \(EU\) 2020/2131 of the European Parliament and of the Council of 16 December 2020 on the Elimination of Customs Duties on Certain Goods](#), 2020 O.J. (L430), December 18, 2020.

⁵⁶² CRS, [Data Flows, Online Privacy, and Trade Policy](#), March 26, 2020.

⁵⁶³ 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.

⁵⁶⁴ USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 216.

⁵⁶⁵ Conversion rate (1 euro = 1.14036 U.S. dollar) is average of daily representative exchange rates from January 1–December 31, 2020.

⁵⁶⁶ ICO, [Penalty Notice: Section 155, Data Protection Act 2018](#), October 30, 2020; CMS, [“GDPR Enforcement Tracker,”](#) accessed April 1, 2021. The other U.S. company, Google, had the largest single fine to date of €50 million (about \$56 million) by France in 2019. CNIL, [“The CNIL’s Restricted Committee Imposes a Financial Penalty of 50 Million Euros against GOOGLE LLC,”](#) January 21, 2019.

⁵⁶⁷ Case C-311/18, [Data Protection Commissioner v. Facebook Ireland Ltd and Maximillian Schrems](#), (July 16, 2020). Under Article 45 of the GDPR, transfers of personal data to a third country are permitted if the European Commission determines that the third country can ensure an adequate level of protection, and has adopted an implementing act to this end. Gesley, [“European Union: Court of Justice Invalidates U.S.-EU Privacy Shield,”](#) *U.S. Law Library of Congress* (blog), August 4, 2020.

pledges to protect data transferred from the EU in accordance with the Privacy Shield Principles.⁵⁶⁸ EU Commissioner for Justice Didier Reynders and U.S. Secretary of Commerce Wilbur Ross released a joint statement on August 10, 2020, announcing that the U.S. Department of Commerce (USDOC) and the European Commission would initiate discussions to evaluate the potential for an enhanced EU-U.S. Privacy Shield framework that would comply with the CJEU judgement.⁵⁶⁹ As the decision does not relieve participants in the EU-U.S. Privacy Shield of their obligations under the framework, the USDOC continued to administer the Privacy Shield program, including processing firm submissions for self-certification and re-certification, following the CJEU ruling.⁵⁷⁰ There were over 5,300 Privacy Shield participants at the time of the CJEU ruling.⁵⁷¹

China

U.S.-China Trade Overview

In 2020, China was the second largest U.S. merchandise trading partner after the EU. U.S. merchandise exports to China grew by 17.1 percent to \$125 billion in 2020, while U.S. merchandise imports from China fell by 3.6 percent to \$435 billion in 2020, resulting in a bilateral U.S. merchandise trade deficit of \$311 billion (figure 6.13). The top U.S. exports to China included soybeans (\$14 billion), processors and controllers (\$8 billion) and crude petroleum (\$7 billion). The top U.S. imports from China were portable computers and tablets (\$47 billion), cellphones (\$38 billion), and made-up textile articles (\$16 billion).⁵⁷²

In 2020, China was the sixth-largest partner in U.S. total services trade. U.S. services exports to China fell by 32.9 percent to \$38 billion in 2020, while U.S. services imports from China fell by 23.0 percent to \$16 billion in 2020, resulting in a bilateral U.S. services trade surplus of \$22 billion (figure 6.14). The top three U.S. services exports to China were travel services (\$15 billion), charges for intellectual property use (\$8 billion), and financial services (\$5 billion). The leading services imports from China were other business services (\$7 billion), transport services (\$5 billion), and financial services (\$1 billion).⁵⁷³

⁵⁶⁸ Privacy Shield Framework, "[Privacy Shield Overview](#)," accessed March 17, 2021. The Privacy Shield was implemented following the invalidation of the Safe Harbor Privacy Principles by the CJEU in 2015. The CJEU found that the U.S. protection provided under the Safe Harbor framework to transfers of EU data to the United States was not adequate as the U.S. level of protection was not "essentially equivalent" to that guaranteed by the EU in its Charter of Fundamental Rights. Gesley, "[European Union: Court of Justice Invalidates U.S.-EU Privacy Shield](#)," *U.S. Law Library of Congress* (blog), August 4, 2020; EC, "[Communication from the Commission to the European Parliament and the Council on the Transfer of Personal Data from the EU to the United States of America under Directive 95/46/EC following the Judgment by the Court of Justice in Case C-362/14 \(Schrems\)](#)," November 6, 2015, 2–3.

⁵⁶⁹ USDOC, "[Joint Press Statement from U.S. Secretary of Commerce Wilbur Ross and European Commissioner for Justice Didier Reynders](#)," August 10, 2020.

⁵⁷⁰ Privacy Shield Framework, "[Privacy Shield Overview](#)," accessed March 17, 2021.

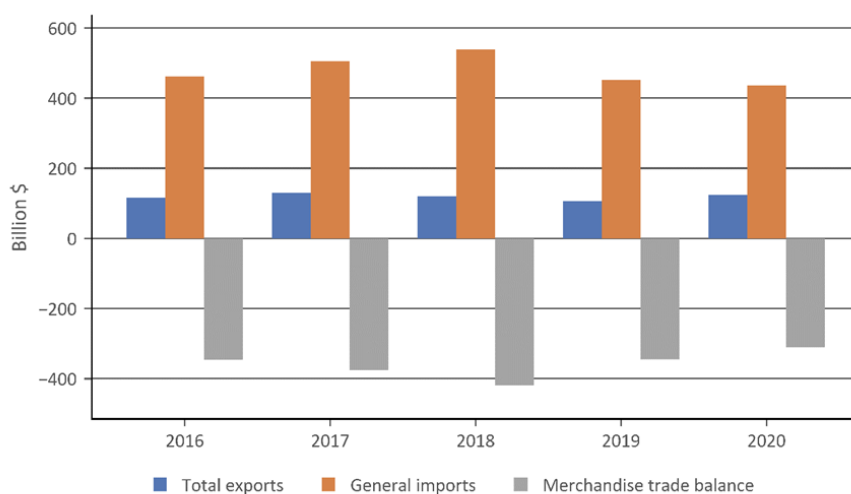
⁵⁷¹ USDOC, "[U.S. Secretary of Commerce Wilbur Ross Statement on Schrems](#)," July 16, 2020.

⁵⁷² USITC DataWeb/Census, total exports and general imports, accessed February 25, 2021.

⁵⁷³ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Figure 6.13 U.S. merchandise trade with China, annual, 2016–20

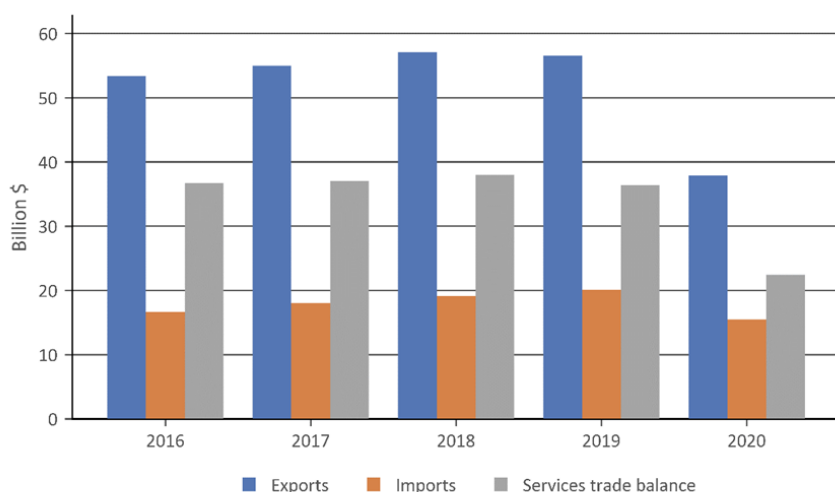
In billions of dollars. Underlying data for this figure can be found in appendix table [B.20](#).



Source: USITC DataWeb/Census, accessed February 25, 2021.

Figure 6.14 U.S. total services trade with China, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Major Trade Developments in 2020

This section summarizes the major trade events in the U.S.-China trade relations in 2020. During the year, a major focus was the signing and implementation of an economic and trade agreement, known as the "Phase One Agreement." The Agreement required structural reforms and other changes to China's

economic and trade regime in the areas of intellectual property, technology transfer, agriculture, financial services, and currency and foreign exchange.

Other major trade developments in 2020 between the United States and China included:

- On August 18, 2017, USTR initiated an investigation of China’s laws, policies, practices, or actions that might be unreasonable or discriminatory and harming U.S. intellectual property rights (IPRs), innovation, or technology development. For the 2020 development under this investigation, see section 301 investigation in chapter 2 of this report.
- In light of the Phase One Agreement negotiation, on January 13, 2020, the U.S. Treasury Department dropped its designation of China as a currency manipulator.⁵⁷⁴

Further details on the U.S.-China “Phase One” trade deal are provided below. For 2020 trade developments with Hong Kong—a Special Administrative Region of China, see [box 6.1](#).

U.S.-China “Phase One” Agreement

On January 15, 2020, the United States and China signed an economic and trade agreement, known as the “Phase One Agreement.” This Phase One Agreement requires structural reforms and other changes to China’s economic and trade regime in the areas of (1) intellectual property, (2) technology transfer, (3) agriculture, (4) financial services, and (5) currency and foreign exchange. It also includes commitments from China to import various U.S. goods and services over “the next two years”⁵⁷⁵ 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.⁵⁷⁶ The commitments from China are divided into two tranches: \$76.7 billion worth of products in 2020 and \$123.3 billion worth of products in 2021.⁵⁷⁷ For calendar year 2020, China committed to import at least \$32.9 billion more from the United States of manufacturing goods, \$12.5 billion more of agricultural goods, \$18.5 billion more of energy products, and \$12.8 billion more of services relative to its import level of 2017.⁵⁷⁸ This section provides a summary of the key provisions in each of the aforementioned five areas as well as the dispute resolution system introduced in the Phase One Agreement.

Intellectual Property (IP)

Chapter 1 of the Phase One Agreement addresses IP. Article 1.35 requires that China “promulgate an Action Plan to strengthen intellectual property protection aimed at promoting its high-quality growth” within 30 working days after the date of entry into force of the agreement. The agreement directs the Action Plan to include measures that China plans to take to implement its obligations under the IP

⁵⁷⁴ 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”. Treasury, “[Treasury Releases Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States](#),” January 13, 2020; Treasury, “[Treasury Designates China as a Currency Manipulator](#),” August 5, 2019.

⁵⁷⁵ “The next two years” refers to 2020 and 2021.

⁵⁷⁶ [U.S.-China Economic and Trade Agreement](#), Chapter 6, Annex 6.1.

⁵⁷⁷ [U.S.-China Economic and Trade Agreement](#), Article 6.2.

⁵⁷⁸ [U.S.-China Economic and Trade Agreement](#),” Article 6.2.

Chapter and the date by which each measure will go into effect.⁵⁷⁹ The areas addressed in the IP Chapter include trade secrets, pharmaceutical-related intellectual property, geographical indications (GI), trademarks, and enforcement against pirated and counterfeit goods.⁵⁸⁰ Key provisions in the IP Chapter requires China to:

- expand the definition of “trade secret misappropriation” to include acts such as electronic intrusions and “breach of duty not to disclose information that is secret or intended to be kept secret”;⁵⁸¹
- ensure that criminal procedures and penalties are available to address willful trade secret misappropriation;⁵⁸²
- establish an effective mechanism for early resolution of pharmaceutical patent disputes and provide procedures such as preliminary injunctions for the timely resolution of disputes concerning patent infringements;⁵⁸³
- extend the term of a patent to compensate for unreasonable delays that occur in granting the patent or during pharmaceutical product marketing approvals;⁵⁸⁴
- combat online infringement by providing enforcement procedures that permit effective and expeditious action against infringement that occurs in the online environment, including an effective notice and takedown system;⁵⁸⁵
- ensure that any measures taken in connection with an international agreement do not undermine market access for U.S. exports to China of goods and services using trademarks and generic terms;⁵⁸⁶
- take and/or increase enforcement actions against counterfeit medicines and biologics as well as counterfeit products with health and safety risk; and⁵⁸⁷

⁵⁷⁹ [U.S.-China Economic and Trade Agreement](#), Article 1.35. On April 20, 2020, China National Intellectual Property Administration released a document in Chinese called [2020–21 Implementation of the “Opinions on Strengthening IPR protection” Promotion Plan \(Promotion Plan\)](#). A [bilingual version of the plan](#), translated by the U.S. Patent and Trademark Office, is also available online. Although China did not openly indicate that the promotion plan was released in response to the Phase One Agreement, some IP experts think that this Promotion Plan appears to directly reflect the commitments made by China in the Phase One Agreement, as many action items in the Promotion Plan focus on strengthening China’s IP resources. China IPR, [“Is it in There—CNIPA’s “Phase 1” IP Action Plan?”](#) April 22, 2020.

⁵⁸⁰ USTR, [“U.S.-China Economic and Trade Agreement, Fact Sheet,”](#) January 15, 2020. In the Annual Special 301 Report released in April 2021, USTR states that the United States has been closely monitoring China’s latest progress (including in 2020) in implementing its commitments under the Phase One Agreement related to IP protection. USTR notes that in 2020 China published several draft IP-related legal and regulatory measures and finalized over a dozen measures, and it amended the Patent Law, Copyright Law, and Criminal Law. USTR also notes that reform would require effective implementation, and China still fell short of the full range of fundamental changes needed to improve the IP landscape in China. USTR, [2021 Special 301 Report](#), April 30, 2021, 40.

⁵⁸¹ [U.S.-China Economic and Trade Agreement](#), Article 1.4.

⁵⁸² [U.S.-China Economic and Trade Agreement](#), Article 1.8.

⁵⁸³ [U.S.-China Economic and Trade Agreement](#), Article 1.11.

⁵⁸⁴ [U.S.-China Economic and Trade Agreement](#), Article 1.12.

⁵⁸⁵ [U.S.-China Economic and Trade Agreement](#), Article 1.13.

⁵⁸⁶ [U.S.-China Economic and Trade Agreement](#), Article 1.15.

⁵⁸⁷ [U.S.-China Economic and Trade Agreement](#), Article 1.18–1.19.

- require the administrative authorities to transfer a case for criminal enforcement if there is “reasonable suspicion” that a criminal violation of an intellectual property right has occurred.⁵⁸⁸

Technology Transfer

In Chapter 2 of the Agreement, China agreed to stop requiring or pressuring U.S. companies to transfer their technology to Chinese companies as a condition for obtaining market access, administrative approvals, or receiving advantages from the government. China further committed to refrain from directing or supporting outbound foreign direct investment activities which aim at acquiring foreign technology pursuant to China’s industrial plans.⁵⁸⁹

Agriculture

The agriculture chapter (Chapter 3) mainly addresses nontariff barriers to U.S. agriculture and seafood exports to China.⁵⁹⁰ The chapter mainly covers the following areas and products:

- **Sanitary and phytosanitary (SPS) measures:** the two Parties agreed to ensure that SPS measures are science-based, non-discriminatory, and account for regional differences, and that neither Party should apply such measures in a manner which would constitute a “disguised restriction on international trade.”⁵⁹¹
- **Streamlining regulatory procedures:** The agreement stipulates that the General Administration of Customs of China (“GACC”) will publish the updated list of approved U.S. facilities eligible to export to China within 20 working days upon receiving information from relevant U.S. entities, for products including meat, poultry and processed meat, rice, seafood, feed additive, distillers dried grains, distillers dried grains with soluble products and pet food, and allow importation of such products.⁵⁹²
- **Agricultural biotechnology products:** China agreed to implement a transparent regulatory process for safety evaluation and authorization of agricultural biotechnology products, and is committed to reducing the review and approval period of such products to “no more than 24 months.”⁵⁹³
- **Meat, poultry and processed meat, and beef products:** China committed to recognize U.S. Department of Agriculture’s Food Safety and Inspection Service (FSIS)’s oversight of U.S. meat, poultry and processed meat and poultry meat facilities for purposes of allowing imports of such products from the United States.⁵⁹⁴ China has also pledged to accept imports of meat, poultry and processed meat and beef products inspected by the FSIS in an FSIS-approved facility.⁵⁹⁵

⁵⁸⁸ [U.S.-China Economic and Trade Agreement](#), Article 1.26.

⁵⁸⁹ USTR, “[U.S.-China Economic and Trade Agreement, Fact Sheet](#),” January 15, 2020; [U.S.-China Economic and Trade Agreement](#), Chapter 2.

⁵⁹⁰ USTR, “[U.S.-China Economic and Trade Agreement, Fact Sheet](#),” January 15, 2020; [U.S.-China Economic and Trade Agreement](#), Chapter 3.

⁵⁹¹ [U.S.-China Economic and Trade Agreement](#), Article 3.1.

⁵⁹² [U.S.-China Economic and Trade Agreement](#), Chapter 3, Annex 3–13.

⁵⁹³ [U.S.-China Economic and Trade Agreement](#), Chapter 3, Annex 16.

⁵⁹⁴ [U.S.-China Economic and Trade Agreement](#), Chapter 3, Annex 7.

⁵⁹⁵ Products listed in appendix I (Beef, Pork, and Poultry Products Considered Not Eligible for Import into China) are excluded. [U.S.-China Economic and Trade Agreement](#), Chapter 3, Annex 4–7.

- **Tariff-rate quotas (TRQs):** The two Parties agreed to make available on [a public website](#)⁵⁹⁶ existing laws, regulations, and announcements on its administration of wheat, rice and corn (WRC) TRQs. China also committed to provide the relevant WRC TRQ allocation and reallocation information requested, which is consistent with its WTO obligations.⁵⁹⁷

Financial Services

The Financial Services chapter (Chapter 4) addresses several longstanding trade and investment barriers to U.S. companies covering a wide range of financial services, including banking, insurance, securities, and credit rating services.⁵⁹⁸ The chapter states that by April 1, 2020, China would remove foreign equity caps in the following sectors: (1) life, pension, and health insurance, and (2) securities, fund management, and futures.⁵⁹⁹ Moreover, China committed to allowing U.S. credit rating agencies to acquire a majority ownership stake in their existing joint ventures with Chinese companies.⁶⁰⁰ China also committed to continue allowing U.S. credit rating agencies to rate all types of domestic bonds sold to domestic and international investors.⁶⁰¹ Finally, China agreed to review and approve any pending license applications by U.S. credit rating agencies with respect to providing credit rating services.⁶⁰² In terms of electronic payment services, China agreed that it would make a determination within 90 working days on license applications from U.S. electronic payment services companies such as Mastercard, Visa, or American Express.⁶⁰³

Currency and Foreign Exchange

Chapter 5 of the Agreement covers macroeconomic policies and exchange rate matters. The United States and China agreed to pursue policies “that strengthen underlying economic fundamentals, foster growth and transparency, and avoid unsustainable external imbalances,”⁶⁰⁴ and to “refrain from competitive devaluations and not target exchange rates for competitive purposes, including through large-scale, persistent, one-sided intervention in exchange markets.”⁶⁰⁵ The two countries agreed on the measures to improve transparency, and affirmed that both should continue to publicly disclose data on monthly

⁵⁹⁶ On September 14, 2020, China’s National Development and Reform Commission (NDRC) announced the detailed rules on [its website](#) for the 2021 application and allocation of import TRQs for both grain (including wheat, rice, and corn) and cotton.

⁵⁹⁷ [U.S.-China Economic and Trade Agreement](#), Chapter 3, Annex 14.

⁵⁹⁸ USTR, “[U.S.-China Economic and Trade Agreement](#), Fact Sheet,” January 15, 2020.

⁵⁹⁹ [U.S.-China Economic and Trade Agreement](#), Article 4.5–4.7.

⁶⁰⁰ [U.S.-China Economic and Trade Agreement](#), Article 4.3. This clause is fully reciprocal between the United States and China.

⁶⁰¹ [U.S.-China Economic and Trade Agreement](#), Article 4.3. This commitment is a renewal of a promise China made back in April 2017 as part of the U.S.-China 100-day action plan, to allow U.S. access to China’s domestic credit ratings market. U.S.-China Economic and Security Review Commission, [The U.S.-China “Phase One” Deal: A Backgrounder](#), February 4, 2020, 5.

⁶⁰² [U.S.-China Economic and Trade Agreement](#), Article 4.3.

⁶⁰³ [U.S.-China Economic and Trade Agreement](#), Article 4.4. According to a 2017 report from the U.S.-China Economic and Security Review Commission, China used burdensome regulations and administrative delays as means to prevent U.S. electronic payment services companies from participating in the Chinese market. U.S.-China Economic and Security Review Commission, [2017 Report to Congress](#), November 2017, 55.

⁶⁰⁴ [U.S.-China Economic and Trade Agreement](#), Article 5.1.

⁶⁰⁵ [U.S.-China Economic and Trade Agreement](#), Article 5.2.

foreign exchange reserves and forward positions, as well as quarterly balance of payments, and quarterly goods and services trade data within the prescribed timeframes in the agreement.⁶⁰⁶ Finally, the two Parties agreed that issues related to exchange rate policy or transparency would be referred to the Bilateral Evaluation and Dispute Resolution Arrangement established in Chapter 7 of the Agreement. If they fail to arrive at a mutually satisfactory resolution, either Party may request that the IMF undertake rigorous surveillance of the macroeconomic and exchange rate policies of the requested Party or initiate formal consultations.⁶⁰⁷

Dispute Resolution System

Chapter 7 of the Agreement introduces a dispute resolution system. Articles 7.2 and 7.4 state that a Bilateral Evaluation and Dispute Resolution Office will be established to assess specific issues relating to the implementation of the Agreement and try to resolve disputes through consultations. If consensus cannot be reached, the Complaining Party could adopt “a remedial measure in a proportionate way that it considers appropriate.”⁶⁰⁸

Implementation of the Phase-One Agreement

After the Agreement went into force in February 2020, there were bilateral discussions between the United States and China on the implementation of the Agreement. In May 2020, senior government officials from the United States and China participated in a conference call discussing economic and trade issues. The parties discussed the process of implementing the Phase One Agreement, and both sides agreed that “good progress is being made on creating the governmental infrastructures necessary to make the agreement a success.”⁶⁰⁹ In August 2020, the two sides talked again, and addressed steps that China has taken which were called for by the Agreement to ensure greater protection for Intellectual Property Rights (IPRs), stop forced technology transfer, and eliminate barriers to U.S. companies in the areas of financial services and agriculture. The two parties also discussed the substantial increases in purchases of U.S. products by China and additional actions needed to implement the agreement.⁶¹⁰

⁶⁰⁶ [U.S.-China Economic and Trade Agreement](#), Article 5.3.

⁶⁰⁷ [U.S.-China Economic and Trade Agreement](#), Article 5.4.

⁶⁰⁸ [U.S.-China Economic and Trade Agreement](#), Article 7.2 and 7.4.

⁶⁰⁹ USTR, “[USTR and Treasury Statement on Call with China](#),” May 7, 2020.

⁶¹⁰ USTR, “[Statement on Call Between the United States and China](#),” August 24, 2020.

Box 6.1 Trade Developments with Hong Kong in 2020

Although Hong Kong is a Special Administrative Region of China, it is an independent customs territory and economic entity separate from China, and can separately enter into international agreements in commercial, economic, and certain legal matters, under the Basic Law.^a

In July 2020, China imposed a national security law on Hong Kong. After that, President Trump signed an Executive Order on Hong Kong Normalization, unilaterally ending Hong Kong's special trading relationship with the United States. In the same month, the U.S. Department of State announced, in accordance with Executive Order 13936, that the United States-Hong Kong International Shipping Agreement (Shipping Agreement) was suspended. According to KPMG, as a result of the termination or suspension of the Shipping Agreement, Hong Kong residents and Hong Kong corporations will be subject to certain taxes from which they were previously exempt.^b Moreover, U.S. Customs and Border Protection issued a notice in August 2020, requiring that goods produced in Hong Kong and exported to the United States should be marked to indicate that their origin is "China" after September 25, 2020. Goods that fail to comply with this rule will face a punitive duty of 10 percent ad valorem at U.S. ports.^c Some Hong Kong firms expressed concerns that the labeling rule would likely have a negative impact on their branding, particularly for companies in the technology, luxury goods, or cultural products categories.^d On October 20, 2020, Hong Kong filed a WTO dispute regarding U.S. measures concerning the origin marking requirement. For more information on this dispute, see [chapter 3](#) of this report.

^a USDOS, "[U.S. Relations with Hong Kong](#)," August 28, 2020.

^b KPMG, "[United States-Hong Kong International Shipping Agreement Suspended or Terminated](#)," August 20, 2020.

^c 85 Fed. Reg. 48551 (August 1, 2020).

^d China Briefing, "[Hong Kong's US-Bound Exports Relabeled](#)," August 25, 2020.

Mexico

U.S.-Mexico Trade Overview

In 2020, Mexico was the third-largest partner in U.S. merchandise trade, after falling one place from 2019. U.S. merchandise exports to Mexico fell by 17.1 percent to \$213 billion in 2020, while U.S. merchandise imports from Mexico fell by 9.1 percent to \$325 billion in 2020, resulting in U.S. merchandise trade deficit of \$112 billion (figure 6.15). U.S. top exports to Mexico included light oils (\$10 billion), electronic integrated circuit processers and controllers (\$8 billion), and petroleum oils other than crude (\$8 billion). U.S. top imports from Mexico were automatic data processing machines (\$24 billion), passenger motor vehicles with spark-ignition internal combustion engines between 1,500 cc and 3,000 cc (\$19 billion), and motor vehicles for transporting goods not over 5 metric tons (\$14 billion).⁶¹¹

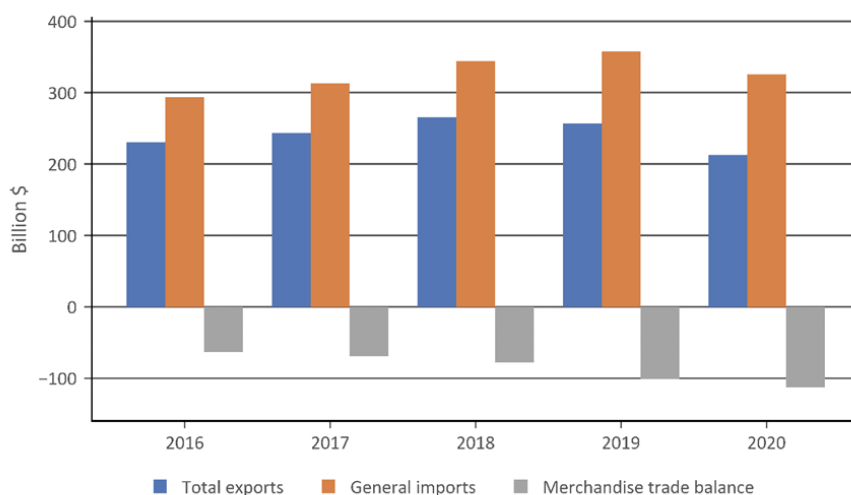
In 2020, Mexico was the ninth-largest partner in U.S. cross-border services trade. U.S. services exports to Mexico fell by 29.6 percent to \$23 billion in 2020, while U.S. services imports from Mexico fell by 43.3 percent to \$17 billion in 2020, resulting in U.S. services trade surplus of \$6 billion (figure 6.16). The top three U.S. services exports to Mexico were travel (\$9.2 billion), other business services (\$3.1 billion), and

⁶¹¹ USITC DataWeb/Census, total exports and general imports, accessed February 25, 2021.

financial services (\$2.9 billion). The leading services imports from Mexico were travel (\$8.6 billion), transport (\$2.9 billion), and other business services (\$2.8 billion).⁶¹²

Figure 6.15 U.S. merchandise trade with Mexico, annual, 2016–20

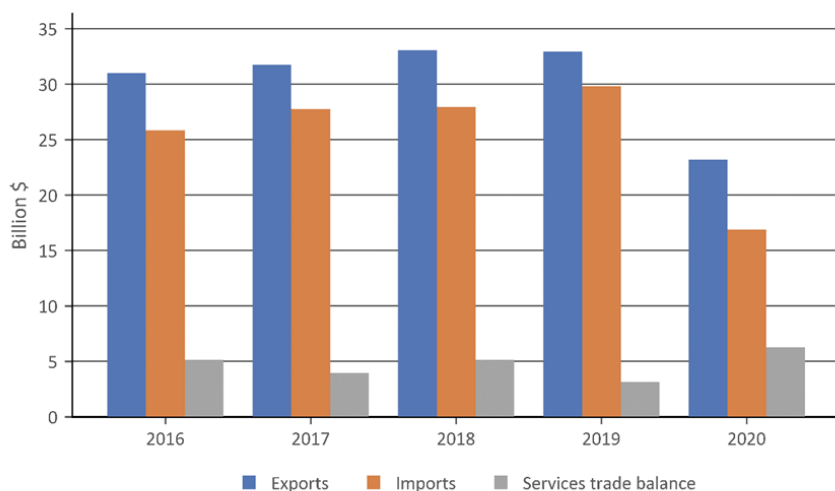
In billions of dollars. Underlying data for this figure can be found in appendix table [B.20](#).



Source: USITC DataWeb/Census, accessed February 25, 2021.

Figure 6.16 U.S. total services trade with Mexico, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

⁶¹² USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Major Trade Developments in 2020

This section summarizes major trade events in the U.S.-Mexico trade relations in 2020. Although the major focus was the implementation of the USMCA, the United States also reached an agreement with Mexico regarding the potential reimposition of section 232 tariffs on the transshipment of electrical steel from outside the North America region, and Mexico agreed to establish a strict export monitoring regime for the electrical steel products. In addition, there was an ongoing effort by the U.S. to address ongoing trade balances with Mexico for seasonal and perishable fruits and vegetables. For more information on the implementation of the USMCA, see [chapter 5](#).

Section 232 Steel and Aluminum Tariffs

Based on the mechanism established in their Joint Statement of May 17, 2019, to address recent surges in certain steel imports (standard pipe, mechanical tubing, and semi-finished products) from Mexico, Mexico and the United States concluded consultations on August 31, 2020. As a result of these negotiations, Mexico agreed to establish a strict export monitoring regime for these products through June 1, 2021. The United States agreed to maintain the Section 232 duty exemption and to consult with Mexico in December of 2020 on the state of such trade.⁶¹³

Additionally, Mexico and the United States concluded consultations on November 5, 2020, on the transshipment of grain-oriented electrical steel (GOES) from outside the North American region into the United States from Mexico.⁶¹⁴ Based on these consultations, Mexico will establish a strict monitoring regime for exports of these products. From the fourth quarter of 2020 onward, Mexico would closely monitor shipments of these products to the United States. With these measures in place, imports from Mexico will not be subject to any action to adjust imports of electrical transformers and related parts that may be adopted by the United States under Section 232. The United States and Mexico agreed to consult at regular intervals on the implementation of these agreed measures and on the state of bilateral trade and market conditions relating to these products.⁶¹⁵ For more information on section 232 investigations, see [chapter 2](#) of this report.

Agriculture

In 2020, agriculture remained a top issue in the U.S.-Mexico trade relations. The United States is a net importer of fruits and vegetables, with Mexico accounting for nearly one-half of the value of those imports. In 2019, the United States had a trade deficit of \$14.1 billion in fresh and processed fruits and vegetables (excluding bananas and nuts) with Mexico.⁶¹⁶ During the USMCA negotiations in 2017, the United States sought to address this ongoing trade imbalances with Mexico, including by proposing to establish a separate domestic industry provision for seasonable and perishable fruits and vegetables, and making it easier for U.S. producers to initiate trade remedy cases. The U.S. proposal was not

⁶¹³ USTR, [“President Trump Continues to Protect America’s Steel-Dependent National Security,”](#) August 31, 2020.

⁶¹⁴ USTR, [“USTR Statement on Successful Conclusion of Steel Negotiations with Mexico,”](#) November 5, 2020.

⁶¹⁵ USTR, [“USTR Statement on Successful Conclusion of Steel Negotiations with Mexico,”](#) November 5, 2020.

⁶¹⁶ IHS Markit, [Global Trade Atlas database](#), total exports and general imports, HS chapters 07, 08, and 20, excluding nut products (HTS heading 0801—802) and bananas (HTS heading 0803), accessed August 24, 2021.

adopted.⁶¹⁷ As a result, the ratified USMCA does not include changes to U.S. trade remedy laws to address seasonal produce trade.⁶¹⁸

Efforts to enact seasonal produce protections through changes to U.S. trade laws have continued in the aftermath of the USMCA ratification.⁶¹⁹ On August 13 and 20, 2020, USTR, the U.S. Department of Agriculture (USDA), and the USDOC held two virtual hearings on seasonable and perishable produce.⁶²⁰ In September 2020, these three federal agencies released a plan to address the challenges posed by increased foreign imports to American producers of seasonal and perishable fruits and vegetables, including organizing senior-level government-to-government discussions with Mexico to address U.S. industry concerns regarding U.S. imports of Mexican strawberries, bell peppers, and other seasonal and perishable products.⁶²¹ Additionally, USTR requested the USITC to initiate a global safeguard investigation into blueberry imports, and to monitor imports of strawberries and bell peppers.⁶²² For more information on these safeguard investigations, see [chapter 2](#) of this report.

Another development in 2020 which affected U.S. agricultural exports to Mexico is the change in Mexico's organic certification requirement. Mexico published the "Measure Establishing Merchandise whose Importation is Subject to Regulation by the Ministry of Agriculture and Rural Development (SADER), as well as the Issuance of Certificate of Origin for the Export of Coffee" dated December 26, 2020. This implementation date of the measure was December 28, 2020. Under this measure, organic agricultural imports entering Mexico must be certified by SADER to meet Mexico's organic standards under the Organic Products Law (LPO) starting 180 days from the implementation date of December 28, 2020 (effective June 26, 2021). On December 21, 2020, Mexico notified the measure to the WTO. Trading partners and stakeholders may comment on the measure through February 18, 2021.⁶²³ Mexico delayed the entry into force of these new organic requirements, allowing market access as the United States and Mexico continued to negotiate equivalent organic standards between the two countries.⁶²⁴

Canada

U.S.-Canada Trade Overview

In 2020, Canada was the fourth-largest partner in U.S. merchandise trade. U.S. merchandise exports to Canada fell by 12.8 percent to \$255 billion in 2020, while U.S. merchandise imports from Canada fell by 15.4 percent to \$270 billion in 2020, resulting U.S. trade deficit of \$15 billion (figure 6.17). U.S. top

⁶¹⁷ CRS, [The United States-Mexico-Canada Agreement \(USMCA\)](#), July 27, 2020, 16.

⁶¹⁸ CRS, [Seasonal Fruit and Vegetable Competition in U.S.-Mexico Trade](#), December 11, 2020, 1; Inside U.S. Trade, ["Mexico to Initiate Dispute Settlement Case If U.S. Imposes Seasonal Produce Restrictions,"](#) July 23, 2020.

⁶¹⁹ CRS, [Major Agricultural Trade Issues in the 117th Congress](#), January 8, 2021, 34–37.

⁶²⁰ USTR, ["The Full Transcript of the Virtual Hearing Held on August 13, 2020,"](#) August 13, 2020; USTR, ["The Full Transcript of the Virtual Hearing Held on August 20, 2020,"](#) August 20, 2020.

⁶²¹ USDA, ["Federal Agencies Outline Plan to Help Farmers,"](#) September 1, 2020.

⁶²² 85 Fed. Reg. 64162 (October 9, 2020); and USDA, ["Federal Agencies Outline Plan to Help Farmers,"](#) September 1, 2020.

⁶²³ USDA, FAS, ["Organic Exports to Mexico Must be Certified to Mexican Organic Standards by June 2021,"](#) December 28, 2020.

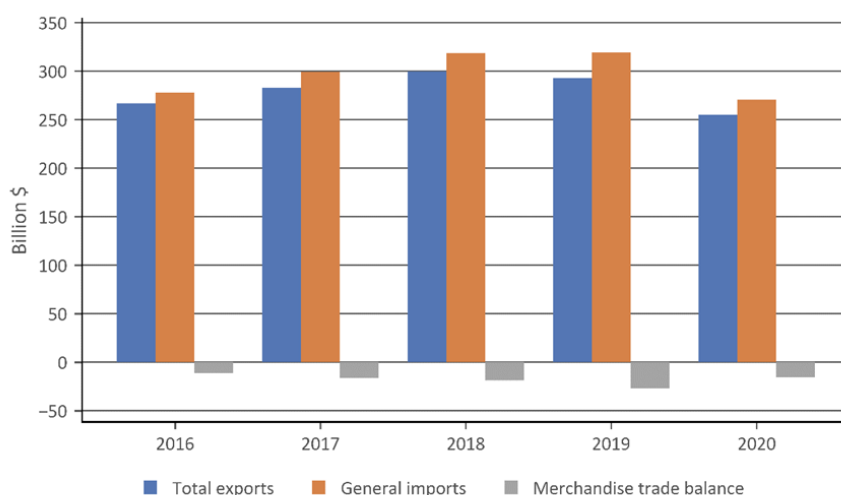
⁶²⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 111; USDA, FAS, [Deadline for Organic Imports into Mexico to Meet Organic Standards Remains June 2021](#), April 1, 2021.

exports to Canada included motor vehicles for transporting goods not over 5 metric tons (\$7 billion), crude petroleum (\$7 billion), and civilian aircraft, engines, and parts (\$6 billion). The top U.S. imports from Canada were crude petroleum (\$43 billion), passenger motor vehicles with spark-ignition internal combustion engines between 1,500 cc and 3,000 cc (\$11 billion), and passenger motor vehicles with spark-ignition internal combustion engines over 3,000 cc (\$10 billion).⁶²⁵

In 2020, Canada was the third largest partner in U.S. cross-border services trade. U.S. services exports to Canada fell by 24.4 percent to \$51 billion in 2020, while U.S. services imports from Canada fell by 24.5 percent to \$29 billion in 2020, resulting in U.S. services trade surplus of \$22 billion (figure 6.18). The top three U.S. services exports to Canada were other business services (\$15 billion), financial services (\$9 billion), and charges for IP use (\$7 billion). The leading services imports from Canada were other business services (\$8 billion), telecommunications, computer, and information services (\$5 billion), and transport services (\$5 billion).⁶²⁶

Figure 6.17 U.S. merchandise trade with Canada, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.20](#).



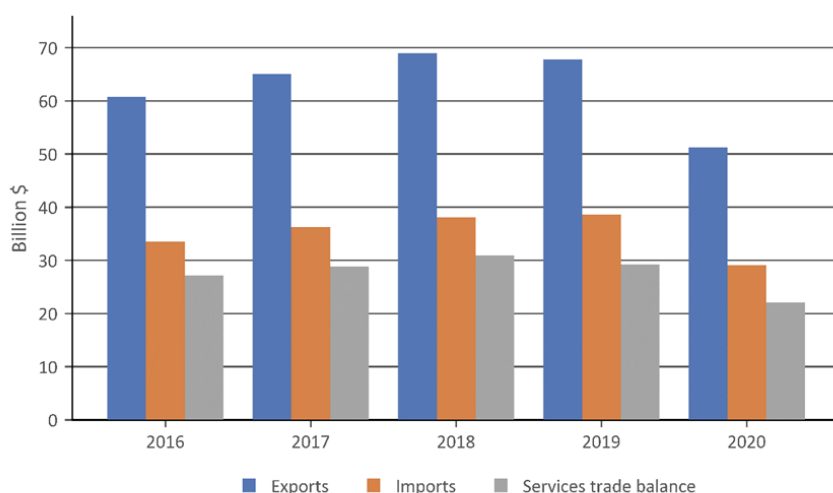
Source: USITC DataWeb/Census, accessed February 25, 2021.

⁶²⁵ USITC DataWeb/Census, total exports and general imports, accessed February 25, 2021.

⁶²⁶ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Figure 6.18 U.S. total services trade with Canada, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, [“International Transactions,”](#) March 23, 2021, Table 1.3 “U.S. International Transactions, Expanded Detail by Area and Country.”

Major Trade Developments in 2020

In 2020, the major focus of the U.S.-Canada trade relations was the implementation of the USMCA.⁶²⁷ For a discussion of the implementation of the USMCA, see [chapter 5](#). This section summarizes other major trade events between these two countries in 2020.

Section 232 Steel and Aluminum Tariffs

On August 6, 2020, the United States re-imposed section 232 tariffs of 10 percent on certain primary aluminum imports from Canada.⁶²⁸ Along with Mexico, Canada was exempted from the tariffs imposed under section 232 based on a May 17, 2019 agreement under which Canada would also eliminate any retaliatory tariffs in place. Under the agreement, both parties also agreed to terminate all related, pending WTO litigation between them, and to establish a process for monitoring steel and aluminum trade between the two countries, which would trigger consultations and potential tariff increases if imports of steel and aluminum products increased significantly from historical levels.⁶²⁹ Subsequently, USTR found that U.S. imports from Canada of non-alloyed, unwrought aluminum have surged above historical levels for a prolonged period, despite a contraction in U.S. demand, leading ultimately to the U.S. re-imposition of tariffs on Canadian imports of these products in August 2020.⁶³⁰

⁶²⁷ For more information about major developments under the USMCA, see [chapter 5](#) of this report.

⁶²⁸ USTR, [“Statement on Presidential Proclamation,”](#) August 6, 2020; Department of Finance Canada, [“Notice of Intent to Impose Countermeasures Action Against the United States in Response to Tariffs on Canadian Aluminum Products,”](#) August 18, 2020.

⁶²⁹ USTR, [“United States Announces Deal with Canada and Mexico to Lift Retaliatory Tariffs,”](#) May 17, 2019.

⁶³⁰ USTR, [“Statement on Presidential Proclamation,”](#) August 6, 2020.

Anticipating lower future imports, however, the United States resumed duty-free treatment of certain primary aluminum imports from Canada on September 1, 2020, with mechanisms in place to re-impose a retroactive 10 percent tariff, should shipments exceed 105 percent of the expected volume for any month during the last four-months of 2020.⁶³¹ USTR also announced plans to review the state of aluminum trade at year end 2021.⁶³² For more information on section 232 investigation, see [chapter 2](#) of this report.

WTO Disputes: Softwood Lumber and Supercalendered Paper

In August 2020, a WTO panel found that the USDOC's determinations related to benchmarks for Canadian softwood lumber stumpage, log export permitting processes, and non-stumpage programs were inconsistent with the Agreement on Subsidies and Countervailing Measures (SCM Agreement).⁶³³ The United States appealed the WTO panel's findings.⁶³⁴ For more information on this WTO dispute, see [chapter 3](#) of this report.

Additionally, following the issuance of a WTO Appellate Body report in February and March 2020, Canada claimed that U.S. countervailing duties on supercalendered paper were inconsistent with U.S. obligations under the SCM Agreement, and sought to impose sanctions against the United States.⁶³⁵ For more information on this WTO dispute, see [chapter 3](#) of this report.

Agriculture

In 2019, the United States and several other countries raised issue with Canada's supply management system for dairy, poultry, and egg products in Canada's trade policy review at the WTO.⁶³⁶ On December 9, 2020, the United States requested consultations with Canada under the USMCA regarding Canada's allocation of dairy tariff-rate quotas (TRQs), which became the first enforcement action under the new agreement. On December 21, 2020, Canada and the United States held consultations virtually.⁶³⁷ For more information on the USMCA development in 2020, see [chapter 5](#) of this report.

Solar Photovoltaic Products

In January 2018, the President issued a proclamation that imposed increased duties and a tariff-rate quota on imports of certain solar photovoltaic products effective February 7, 2018, following receipt of an affirmative USITC determination regarding imports of such products under section 202 of the Trade

⁶³¹ USTR, "[USTR Statement on Canadian Aluminum](#)," September 15, 2020.

⁶³² USTR, "[USTR Statement on Canadian Aluminum](#)," September 15, 2020.

⁶³³ As of March 4, 2021, the USDOC initiated the third administrative review of the countervailing and antidumping orders on softwood lumber from Canada. 86 Fed. Reg. 12599 (March 4, 2021).

⁶³⁴ Decision by the Arbitrator, [United States—Countervailing Measures on Softwood Lumber from Canada](#), WTO Doc. WT/DS533/5 (adopted August 24, 2020); USTR, "[United States Rejects WTO Dispute Report Shielding Canada's Harmful Lumber Subsidies](#)," August 24, 2020. For more information on the WTO disputes, see [chapter 3](#) of this report.

⁶³⁵ Monicken, "[U.S. Stands Alone at WTO in Critique of Paper Dispute Ruling](#)," June 29, 2020; WTO, "[DS505: United States](#)," accessed April 20, 2021.

⁶³⁶ USITC, [Year in Trade 2019](#), August 2020, 193.

⁶³⁷ USTR, "[United States Takes Action for American Dairy Farmers by Filing First-Ever USMCA Enforcement Action](#)," December 9, 2020; USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021.

Act of 1974 (the U.S. global safeguard law).⁶³⁸ On December 22, 2020, Canada requested the USMCA consultations arguing the actions violate the USMCA's provisions on U.S. trade remedies applied to Canadian imports. The relevant provisions state that safeguard measures cannot apply to imports from Canada if those imports did not account for both a substantial share of total imports and contribute to serious injury of U.S. industry.⁶³⁹ This is the second action brought under the agreement's dispute settlement provisions. Mexico requested to join the consultations as a third party.⁶⁴⁰ For more information on the USMCA development in 2020, see [chapter 5](#) of this report.

Japan

U.S.-Japan Trade Overview

In 2020, Japan was the fifth-largest trading partner in U.S. merchandise trade. U.S. merchandise exports to Japan fell by 13.8 percent from 2019 to \$64 billion in 2020, while U.S. merchandise imports from Japan fell by 16.8 percent from 2019 to \$120 billion in 2020, resulting in a bilateral U.S. merchandise trade deficit of \$56 billion (figure 6.19). The top U.S. exports to Japan included aircraft and aircraft engines and parts (\$4 billion), liquified propane (\$3 billion), and corn (\$2 billion). The top U.S. imports from Japan were passenger motor vehicles with cylinder capacity between 1,500 and 3,000 cc (\$20 billion), passenger motor vehicles with cylinder capacity greater than 3,000 cc (\$8 billion), and hybrid passenger motor vehicles (\$3.4 billion).⁶⁴¹

In 2020, Japan was the fifth-largest trading partner in U.S. cross-border services trade, declining from the fourth position in 2019. U.S. services exports to Japan fell by 24.1 percent to \$38 billion in 2020, while U.S. services imports from Japan fell by 14.5 percent to \$31 billion in 2020, resulting in U.S. services trade surplus of \$7 billion (figure 6.16). The top three U.S. services exports to Japan were other business services (\$9 billion), charges for intellectual property use (\$6 billion), and transport services (\$5 billion). The leading services imports from Japan were charges for intellectual property use (\$9 billion), transport services (\$7 billion), and other business services (\$4 billion).⁶⁴²

⁶³⁸ Proclamation No. 9693, 83 Fed. Reg. 3541 (January 25, 2018); USITC, [Crystalline Silicon Photovoltaic Cells \(Volume 1\)](#), November 2017; USITC, [Crystalline Silicon Photovoltaic Cells \(Volume 2\)](#), November 2017.

⁶³⁹ Mary Ng, "[United States Solar Products Safeguard Consultations Request](#)," January 6, 2021.

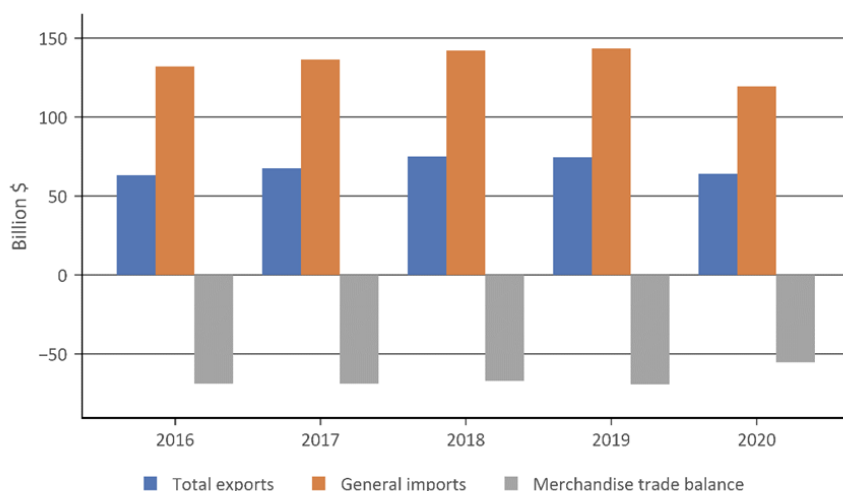
⁶⁴⁰ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 51.

⁶⁴¹ USITC DataWeb/Census, total exports and general imports, accessed February 25, 2021.

⁶⁴² USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Figure 6.19 U.S. merchandise trade with Japan, annual, 2016–20

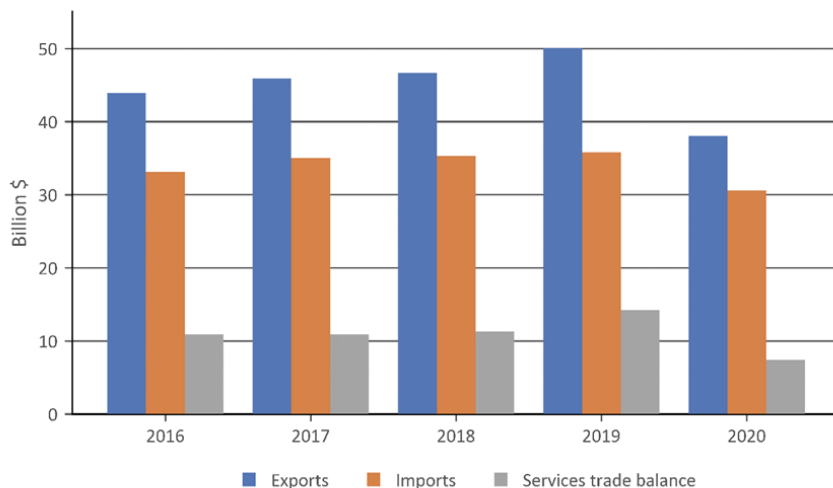
In billions of dollars. Underlying data for this figure can be found in appendix table [B.20](#).



Source: USITC DataWeb/Census, accessed February 25, 2021.

Figure 6.20 U.S. total services trade with Japan, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Major Trade Developments in 2020

This section summarizes the major trade events in the U.S.-Japan trade relations in 2020. The two countries continued to engage on trade-related matters throughout the year, and made progress on agricultural issues regarding trade in organic livestock, and Japanese legislation passed in 2020 removed restrictions that had limited access of U.S. potato exports to the Japanese market. At the ministerial

level, trade officials from the United States, Japan, and the EU also discussed various concerns surrounding third-country industrial subsidies and forced technology transfers in a trilateral meeting in 2020, the fifth such meeting on the topic since 2018.

Among the major trade development in 2020 between the United States and Japan are:

- The U.S.-Japan Trade Agreement (USJTA)⁶⁴³ and U.S.-Japan Digital Trade Agreement (USJDTA)⁶⁴⁴ entered into force on January 1, 2020.⁶⁴⁵ No new rounds of free trade agreement (FTA) negotiations between the United States and Japan were reported in 2020. More information on the agricultural provisions of the USJTA is included in the agriculture section below.
- Under the USJDTA, both parties agreed not to require source code transfer subject to certain exceptions; not to require the location of computing facilities in the territory, with the exception of financial service suppliers under certain conditions; and not to restrict data flows, subject to certain exceptions. The United States and Japan also committed in the USJDTA to adopt or maintain digital consumer protection laws to combat digital fraud; maintain a legal framework to protect personal information of users of digital trade; and adopt or maintain measures that give consumers the ability to prevent the receipt of unsolicited commercial electronic messages.⁶⁴⁶
- The United States, along with Japan and the EU, also worked to advance issues related to nonmarket economic policies negatively affecting fair trade at a meeting on January 14, 2020, covered in greater detail below. Ahead of this trilateral meeting, Japanese Minister of Economy, Trade, and Industry Hiroshi Kajiyama also met separately with Ambassador Lighthizer and other U.S. government officials on January 13, 2020, with discussions focused on strengthening cooperation on trade, economic, and energy issues between the two countries.⁶⁴⁷

Other major trade developments, including agricultural issues, and Japan's nonmarket economic policy, are discussed in depth below.

Agriculture

Implemented by Presidential Proclamation No. 9974 on December 26, 2019, with entry into force on January 1, 2020, the provisions of the USJTA expand market access for U.S. agricultural products in Japan.⁶⁴⁸ Through tariff eliminations and reductions, as well as modifications to country-specific quotas and safeguard mechanisms, the agreement aims to provide tariff treatment to covered goods that matches the tariffs that Japan provides preferentially to parties to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Once the agreement is fully implemented, over 90

⁶⁴³ [U.S.-Japan Trade Agreement \(USJTA\)](#).

⁶⁴⁴ [U.S.-Japan Digital Trade Agreement \(USJDTA\)](#).

⁶⁴⁵ For more information on the contents of these agreements see USITC, [Year in Trade 2019](#), August 2020, 149–51.

⁶⁴⁶ [USJDTA](#).

⁶⁴⁷ Government of Japan, METI, "[METI Minister Kajiyama Visits the United States](#)," January 15, 2020.

⁶⁴⁸ 84 Fed. Reg. 72187 (December 30, 2019).

percent of U.S. food and agricultural exports to Japan are expected to experience tariff reduction or elimination.⁶⁴⁹

Under the USJTA, both parties committed to tariff reductions on food and agricultural products: Japan reduced tariffs on \$7.2 billion of imports from the United States, and the United States committed to reduce tariffs on \$40 million of imports from Japanese of these products.⁶⁵⁰ Japan also allocated country-specific quotas to imports of certain agricultural products from the United States at a preferential tariff rate, reduced its mark-up rate for imports of wheat and barley from the United States, and laid out provisions for the gradual phaseout of agricultural safeguards on beef, pork, whey, oranges, and race horses.⁶⁵¹ The United States, in turn, also modified Japanese access to the U.S. beef market under a new tariff-rate quota allocation, and agreed to reduce or end tariffs on imports of about 200 other nonagricultural products from Japan.⁶⁵²

After the major agricultural provisions of the USJTA entered into effect, Japan and the United States continued to engage on additional agricultural trade issues in 2020. On February 14, Japan's Ministry of Agriculture, Forestry, and Fisheries revised regulations to remove restrictions on seasonal trade and the duration of storage of imports of chipping potatoes (also known as raw potato tubers) from the United States. In 2019, the United States exported \$17.8 million of chipping potatoes to Japan.⁶⁵³ U.S. chipping potatoes now have year-round access to the Japanese market, compared to the six-month importing window they were permitted before regulatory revision.⁶⁵⁴

Later in the year, the United States and Japan expanded their existing organic equivalency agreement to include livestock. Effective July 16, 2020, organic certification of livestock can be provided under the Japanese Agricultural Standards or the USDA organic regulations, as the agreement revisions allow that both standards be recognized in both markets. The organic equivalency agreement, signed in 2014, initially allowed only plant-based products to be certified according to either country's organic standards.⁶⁵⁵

Industrial Policies

On January 14, 2020, Ambassador Lighthizer met with Japanese Minister of Economy, Trade, and Industry Hiroshi Kajiyama, and EU Trade Commissioner Phil Hogan in Washington, DC, to discuss ways to strengthen existing WTO rules on industrial subsidies.⁶⁵⁶ This meeting was the fifth ministerial-level

⁶⁴⁹ USTR, "[FACT SHEET on Agriculture-Related Provisions of the U.S.-Japan Trade Agreement](#)," September 2019. For more information on the contents of this agreement, see USITC, [Year in Trade 2019](#), August 2020, 149–50.

⁶⁵⁰ Trade totals approximated from 2018 trade flows. According to USTR, of the \$14.1 billion of Japanese food and agricultural products imported from the United States in 2018, \$5.2 billion (36.9 percent) were already duty free. USTR, "[FACT SHEET on Agriculture-Related Provisions of the U.S.-Japan Trade Agreement](#)," September 2019. By contrast, of the \$799.8 million of U.S. imports of food and agricultural products from Japan in 2018, \$417.4 million (52.2 percent) were already duty free. USITC DataWeb/Census, imports for consumption, HS chapters 01–04, 07–13, 15–21, accessed April 30, 2021.

⁶⁵¹ USJTA, [Annex 1](#).

⁶⁵² USJTA, [Side Letter on Beef](#) and [Annex 2](#).

⁶⁵³ USDA, FAS, [US Chipping Potatoes Gain Year-Round Access to Japan](#), March 3, 2020.

⁶⁵⁴ USTR, [2021 Trade Policy Agenda and 2020 Annual Report](#), March 2021, 113.

⁶⁵⁵ USDA, AMS, "[U.S., Japan Expand Organic Trade Opportunities, Livestock Added to Trade Arrangement](#)," July 14, 2020.

⁶⁵⁶ USTR, "[Joint Statement of the Trilateral Meeting of the Trade Ministers](#)," January 14, 2020.

meeting following the release of a joint scoping paper in May 2018 (the 2018 Scoping Paper). 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.⁶⁵⁷

At the 2020 meeting, participants discussed the list of prohibited subsidies in Article 3.1 of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement).⁶⁵⁸ The trade ministers suggested new types of unconditionally prohibited subsidies to add to the list—unlimited guarantees, subsidies to ailing or insolvent enterprises with no credible restructuring plan, subsidies to enterprises unable to obtain long-term financing or investment from commercial sources in industries in overcapacity, and certain direct forgiveness of debt—in order to address distortions in certain markets. The ministers also identified instances of harmful subsidization that may have negative trade or capacity effects.⁶⁵⁹ The ministers agreed to continue work to scope the provisions on trade-distorting and harmful subsidies and to identify additional categories that would fall under each. Rounding out the discussion of subsidies, ministers also commented on the current rules of the SCM Agreement, focusing on the modifications needed to ensure the appropriate notification of subsidies by WTO members, and asserting that the operation and effects of capacity-distorting and market-distorting subsidies are reflected in the agreement’s definitions and measurement procedures.⁶⁶⁰

Meeting discussions also broached the topic of forced technology transfers. The ministers affirmed that the practice is inconsistent with an international trading system based on market principles and undermines growth and development. Forced technology transfers deprive countries whose firms are forced to transfer technology of the opportunity to benefit from the fair, voluntary, and market-based flow of technology and innovation. The ministers agreed to engage other WTO members on this issue, working to gain member commitments to prevent forced technology transfer through export controls, investment review for national security purposes, other enforcement tools, and the development of new rules.⁶⁶¹

Finally, the ministers reviewed the progress on other issues discussed in previous meetings and in the 2018 scoping paper. They agreed to continue cooperating on the issues of WTO reform to ensure member compliance with obligations and commitments, market-oriented trading system practices, international rule-making at the WTO on e-commerce trade, and the operation of international forums such as Global Forum on Steel Excess Capacity and the Governments/Authorities’ Meeting on Semiconductors.⁶⁶²

⁶⁵⁷ USTR, [“Joint Statement on Trilateral Meeting of the Trade Ministers,”](#) May 31, 2018. For more information on the 2018 joint scoping paper, see USITC, [Year in Trade 2019](#), August 2020, 171–72.

⁶⁵⁸ [WTO Agreement on Subsidies and Countervailing Measures \(SCM Agreement\)](#).

⁶⁵⁹ These include excessively large subsidies; subsidies that prop up uncompetitive firms and prevent their exit from the market; subsidies creating massive manufacturing capacity, without private commercial participation; and, subsidies that lower input prices domestically in comparison to prices of the same goods when destined for export.

⁶⁶⁰ USTR, [“Joint Statement of the Trilateral Meeting of the Trade Ministers,”](#) January 14, 2020.

⁶⁶¹ USTR, [“Joint Statement of the Trilateral Meeting of the Trade Ministers,”](#) January 14, 2020.

⁶⁶² USTR, [“Joint Statement of the Trilateral Meeting of the Trade Ministers,”](#) January 14, 2020.

United Kingdom

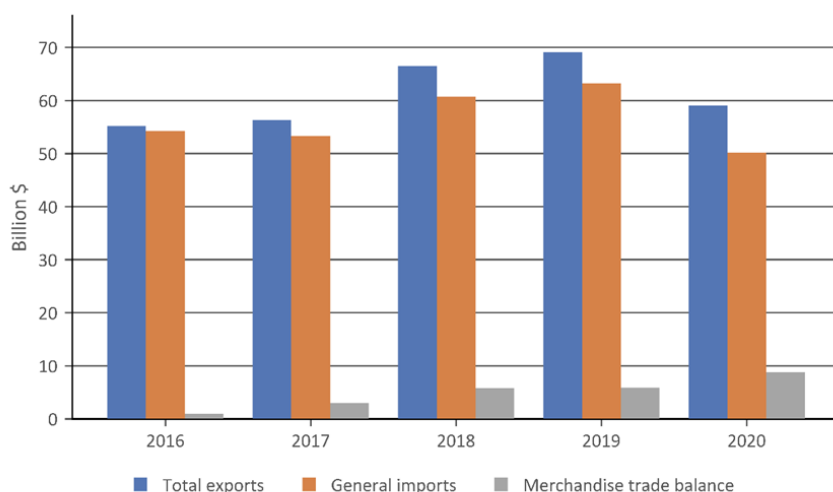
U.S.-UK Trade Overview

In 2020, the UK was the seventh-largest partner in U.S. merchandise trade. U.S. merchandise exports to the UK fell by 14.6 percent from 2019 to \$59 billion in 2020, while U.S. merchandise imports from the UK fell by 20.6 percent from 2019 to about \$50 billion in 2020, resulting in a bilateral U.S. merchandise trade surplus of \$9 billion (figure 6.21). The top U.S. exports to the UK included gold (\$11 billion), aircraft and aircraft engines and parts (\$6 billion), and crude petroleum (\$4 billion). The top U.S. imports from the UK were medicaments (\$3 billion), passenger motor vehicles with cylinder capacity over 3,000 cc (\$2.3 billion), and aircraft and helicopter parts (\$1.7 billion).⁶⁶³

In 2020, the UK was the second-largest partner after the EU in U.S. cross-border services trade. U.S. services exports to the UK fell by 24.6 percent to \$59 billion in 2020, while U.S. services imports from the UK fell by 19.8 percent to \$50 billion in 2020, resulting in a bilateral U.S. services trade surplus of \$9 billion (figure 6.22). The top U.S. services exports to the UK were financial services (\$19 billion), other business services (\$15 billion), and charges for intellectual property use (\$5 billion). The leading services imports from the UK were other business services (\$16 billion), financial services (\$11 billion), and insurance services (\$6 billion).⁶⁶⁴

Figure 6.21 U.S. merchandise trade with the UK, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.20](#).



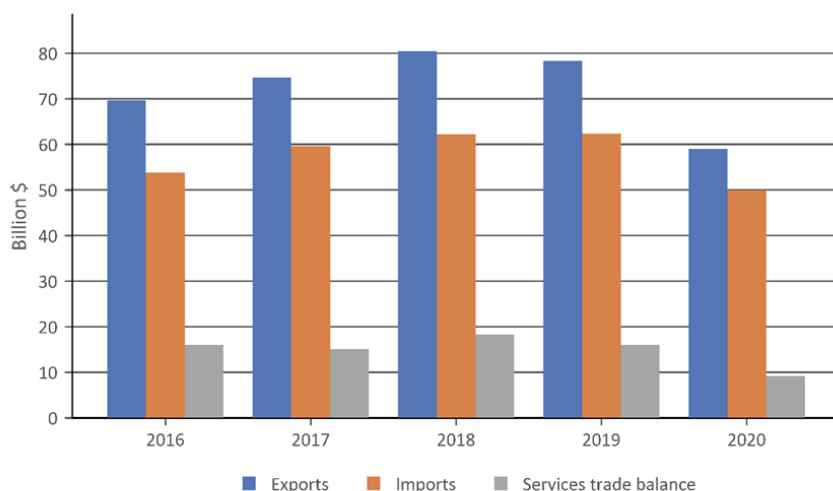
Source: USITC DataWeb/Census, accessed February 25, 2021.

⁶⁶³ USITC DataWeb/Census, total exports and general imports, accessed February 25, 2021.

⁶⁶⁴ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Figure 6.22 U.S. total services trade with the UK, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Major Trade Developments in 2020

This section summarizes the major trade events in the U.S.-UK trade relations in 2020, marked by five rounds of FTA negotiations held virtually May to October.⁶⁶⁵ Representatives of the U.S. and UK governments also met in other bilateral settings in 2020 to discuss the regulations and technology impacting financial services trade. With the onset of Brexit in 2020, the UK transitioned from being subject to the EU's Common Commercial Policy to establishing a new trade policy regime as an individual country (see [box 6.2](#) for more information), which changed the UK's relations with all of its trading partners. Several agreements reached between the United States and the UK in 2020 covered several products and services covered under existing U.S.-EU agreements. The UK and the United States also worked to clarify their positions and paths toward resolutions of ongoing U.S.-EU and U.S.-UK trade disputes in which the UK remains a party.

⁶⁶⁵ For more information on the content of these meetings and their progress towards a comprehensive agreement, see [chapter 5](#) of this report.

Box 6.2 Brexit-Related Trade Policy Developments in 2020

The UK's exit ("Brexit") from the European Union (EU) went into effect on January 31, 2020. From that date until December 31, 2020, the UK entered a transition period during which it was still covered by EU-third-country trade agreements.^a Before and during its transition period in 2020, the UK confirmed several arrangements with its trading partners, with provisional or fully ratified agreements with 63 countries taking effect on January 1, 2021.^b Despite this progress, outstanding questions on the terms of Brexit remained at the end of 2020, including the reapportionment of EU and UK tariff-rate quotas and how third countries may see their market access change as a result.^c

The UK's post-Brexit most-favored-nation tariff regime, the UK Global Tariff, was set out in UK legislation on December 16, 2020.^d According to the UK government, the average tariff rate under the new regime will be approximately 5.7 percent, compared to 7.2 percent under the EU Common Customs Tariff. The UK Global Tariff almost doubles the number of products that are duty free compared to the EU Common Customs Tariff. Overall, the UK Global Tariff has duties on approximately 5,000 tariff lines.^e

In addition to the announcement of its new tariff regime, the UK also adopted regulatory standards in keeping with those it maintained as a member of the EU. These standards include the UK General Data Protection Regulation (GDPR)^f and the UK Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH).^g While at their implementation both these standards will align with the EU versions in terms of principles and aims, they may diverge in the future. Any changes to the EU REACH or adequacy decisions made under the EU GDPR will not be automatically incorporated into the UK versions and vice versa. Following the end of the Brexit transition period, the UK was set to accede as an individual member to the WTO plurilateral agreements of which the EU is a party. Since then, the UK has been engaged in negotiations and consultations with other WTO members on its concessions and commitments in goods and services trade.^h

^a After the transition period ends, EU trade agreements no longer apply to the UK and any third-country trade agreements signed by the UK before the end of the transition period take effect. Government of the UK, DIT, "[UK Trade Agreements with Non-EU Countries](#)," accessed June 7, 2021.

^b Government of the UK, DIT "[UK Trade Agreements with Non-EU Countries](#)," accessed June 7, 2021.

^c WTO, "[Brexit, EU's Carbon Border Adjustment Mechanism Take Centre Stage at Market Access Committee](#)," November 16, 2020.

^d Government of the UK, DIT, "[Legislation for the UK's Independent Tariff Policy](#)," December 16, 2020.

^e USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 530; Government of the UK, DIT, [Public Consultation: MFN Tariff Policy—The UK Global Tariff](#), May 19, 2020.

^f The UK will maintain the EU GDPR rules for up to 6 months after the Brexit transition period expires to allow the European Commission time to decide on the adequacy of UK data protections in international transfers. Information Commissioners Office, "[International Transfers after the UK Exit from the EU Implementation Period](#)," accessed April 7, 2021. With regard to assurances of UK data privacy by U.S. companies, participants in the EU-U.S. Privacy Shield may take steps to update their commitments to include the UK. Privacy Shield Framework, "[Privacy Shield and the UK FAQs](#)," accessed April 6, 2021.

^g USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 532.

^h WTO, GC, [End of the UK-EU Transition Period—Communication from the United Kingdom](#), January 4, 2021.

Financial Services Trade

In 2020, the United States and UK convened several virtual meetings to discuss issues regarding financial services trade. On October 20, the UK-U.S. Financial Regulatory Working Group convened a meeting, with U.S. and UK government officials and participants from independent regulatory agencies in attendance. Meeting discussions included updates on each jurisdiction's respective cross-border rules

regarding securities markets regulations. The Working Group was first formed in 2018 to further financial stability; investor protection; fair, orderly, and efficient markets; and capital formation in both jurisdictions.⁶⁶⁶

Earlier in 2020, officials from the U.S. Departments of Commerce and Treasury and the UK Department for International Trade and Her Majesty's Treasury met, along with representatives from independent regulatory agencies from both countries as part of the U.S.-UK Financial Innovation Partnership (FIP). Participants in the FIP's August 5, 2020, meeting discussed topics including digital payments, operational resilience, cross-border testing of innovative financial services, and regulatory technology. They also addressed issues concerning bilateral market access and connections between financial technology firms and financial institutions.⁶⁶⁷ The United States exported \$19.3 billion in financial services to the UK in 2020, a 2.3 percent increase over its exports in this sector in 2019. As a source and destination market, the UK is the largest U.S. trading partner in the financial services sector, representing 17.5 percent of all U.S. two-way trade in financial services in 2020.⁶⁶⁸

Regulatory Harmonization to U.S.-EU Trade Standards and Policies

Apart from official U.S.-UK FTA negotiations, the UK and the United States negotiated the following agreements during the 2020 Brexit transition period. These agreements would preserve the terms of several agreements the EU had reached with the United States for future U.S.-UK trade.⁶⁶⁹

- **U.S.-UK Organic Equivalence Arrangement:**⁶⁷⁰ Created to maintain the standards recognition under the U.S.-EU Organic Equivalence Arrangement, the U.S.-UK arrangement allows for organic products that have been either raised within either country, or products for which the final processing or packaging occurs within either country, including products processed or packaged in the United States or UK that contain ingredients from third countries that have been certified to the USDA or UK organic standards. Crops, wild crops, livestock, and processed products are all included under the arrangement, apart from agricultural products derived from animals treated with antibiotics, and fish and shellfish.⁶⁷¹
- **U.S.-UK Mutual Recognition Agreements (covering wine, spirits, marine equipment, telecommunications equipment, electro-magnetic compatibility, and pharmaceutical goods):** Mutual recognition agreements contain the conditions under which each country will accept conformity assessment results from the other—i.e., products that fall under these agreements can be tested in the exporting country for regulatory compliance in the importing country without requiring additional testing in the importing country. These four agreements cover

⁶⁶⁶ Government of the UK, HM Treasury "[Joint Statement on UK-U.S. Financial Regulatory Working Group Meeting](#)," October 22, 2020.

⁶⁶⁷ Treasury, "[Joint Statement on the U.S.-UK Financial Innovation Partnership Meeting](#)," August 6, 2020; Treasury, "[United States and United Kingdom Establish the Financial Innovation Partnership](#)," May 29, 2019.

⁶⁶⁸ This ranking is based on countries with available data. USDOC, BEA, "[U.S. International Trade in Goods and Services—January 2021](#)," March 5, 2021, Exhibit 3 "U.S. Exports of Services by Major Category," 16.

⁶⁶⁹ These agreements went into effect on January 1, 2021.

⁶⁷⁰ USTR and USDA, AMS, "[Letter to UK Ambassador Nigel Kim Darroch](#)," April 11, 2019; Government of the UK, DEFRA, "[Exchange of Letters—Organic Equivalence Letter from UK to the United States](#)," April 11, 2019.

⁶⁷¹ USDA, AMS, "[International Trade Policies: United Kingdom](#)," accessed April 6, 2021.

products that are currently covered in existing agreements between the United States and the EU.⁶⁷²

- **U.S.-UK Covered Agreement:** Formally titled as the Bilateral Agreement between the United States of America and the United Kingdom on Prudential Measures Regarding Insurance and Reinsurance, the U.S.-UK Covered Agreement was signed on December 18, 2018, and entered into force on December 31, 2020. This agreement on insurance and reinsurance measures is based upon the provisions of the U.S.-EU Covered Agreement⁶⁷³ to ensure the continued benefits of that agreement are afforded U.S. companies operating in the UK or assuming business from UK ceding insurers.⁶⁷⁴ The U.S.-UK Covered Agreement went into effect on September 22, 2022, except as otherwise specified.⁶⁷⁵
- **U.S.-UK Open Skies Agreement:**⁶⁷⁶ Open Skies agreements between the United States and foreign governments eliminate government intervention in the commercial decisions of air carriers about routes, capacity, and pricing.⁶⁷⁷ Unlike the U.S.-EU Open Skies Agreement, the U.S.-UK agreement contains a provision allowing U.S. and UK all-cargo carriers to fly directly between each country's respective airports and third-country airports without restrictions. In effect, this provision minimizes post-Brexit disruptions for U.S. carriers operating such all-cargo flights between the UK and EU. The agreement also expands coverage to the UK Overseas Territories and Crown Dependencies.⁶⁷⁸

Post-Brexit Position of UK in U.S.-EU and U.S.-UK Trade Disputes

In December 2020, the UK International Trade Secretary announced that the EU tariffs in response to the U.S. section 232 trade actions on steel and aluminum imports would continue to be imposed by the UK on the United States following the expiration of the Brexit transition period. With regard to the

⁶⁷² USTR, "[Agreement between the UK, Northern Ireland, and U.S. on Trade in Wine](#)," January 31, 2019; USTR, "[Agreement between the UK, Northern Ireland and U.S. on the Mutual Recognition of Spirits/Spirit Drinks](#)," January 31, 2019; USTR, "[Agreement of Mutual Recognition between U.S., the UK, and Northern Ireland](#)," February 14, 2019; USTR, "[Agreement between the UK, Northern Ireland, and U.S. on the Mutual Recognition of Certificates of Conformity for Marine Equipment](#)," February 14, 2019.

⁶⁷³ [U.S.-EU Covered Agreement](#). For a summary of the U.S.-EU Covered Agreement, see USITC, [Year in Trade 2017](#), August 2018, 152–53.

⁶⁷⁴ [U.S.-UK Covered Agreement](#); Government of the UK and Government of the US, [U.S. and UK Letters of Entry into Force of the U.S.-UK Covered Agreement](#) (December 21, 2020).

⁶⁷⁵ Article 10 (Application of the Agreement) paragraph 1 states, "Except as otherwise specified, this Agreement shall apply on the date of the entry into force, or 60 months from 22 September 2017, whichever is later." [U.S.-UK Covered Agreement](#), Article 10.

⁶⁷⁶ USDOT, "[U.S. and UK Open Skies Agreement Enters into Force](#)," March 26, 2021; USDOS, [Air Transport Agreement between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland](#), (November 2020).

⁶⁷⁷ The United States has such agreements struck with over 125 partners. USDOS, "[Civil Air Transport Agreements](#)," accessed April 7, 2021.

⁶⁷⁸ There are 15 British overseas territories: Akrotiri; Anguilla; Bermuda; British Antarctic Territory; British Indian Ocean Territory; British Virgin Islands; Cayman Islands; Dhekelia; Falkland Islands; Gibraltar; Montserrat; Pitcairn, Henderson, Ducie and Oeno Islands; St. Helena, Ascension and Tristan da Cunha; South Georgia and South Sandwich Islands; Turks and Caicos Islands; and three crown dependencies: the Isle of Man; the Bailiwick of Guernsey; and the Bailiwick of Jersey. Government of the UK, Ministry of Justice, "[Crown Dependencies: Jersey, Guernsey and the Isle of Man](#)," accessed April 6, 2021; Government of the UK, Foreign, Commonwealth and Development Office, "[United Kingdom Overseas Territory Names](#)," March 31, 2021.

tariffs imposed on the United States related to the Boeing dispute, British Secretary of State for International Trade, Elizabeth Truss, announced that the UK would suspend these tariffs after the Brexit transition period ended in an effort to work toward a negotiated settlement with the United States on the issue. The announcement also stated that the UK maintains the authority to impose tariffs on the United States in the event that no satisfactory progress to a settlement on the Boeing dispute is made.

⁶⁷⁹ The United States disagreed with this contention, stating the UK did not bring its case at the WTO as an individual country, and was thus not authorized by the DSB to impose countermeasures. Regarding the Airbus dispute, the United States maintains authority to impose countermeasures on the UK, as it sued the country individually over its subsidies.⁶⁸⁰

Regarding digital services taxes (DST), the UK put its DST into effect on April 1, 2020, though the government reiterated throughout the year that the tax would be removed once a global multilateral solution is put in place.⁶⁸¹ The U.S. Trade Representative initiated section 301 investigation into the UK's DST on June 5, 2020, coinciding with its investigation into the DSTs of nine other jurisdictions.⁶⁸² For more information on USTR's section 301 investigation on DSTs, see [chapter 2](#) of this report.

India

U.S.-India Trade Overview

In 2020, India was the United States' 11th-largest trading partner in merchandise trade, falling from the eighth place in 2019. U.S. merchandise exports to India fell by 20.1 percent to \$27 billion in 2020, while U.S. merchandise imports from India fell by 11.3 percent to \$51 billion in 2020, resulting in a bilateral U.S. merchandise trade deficit of \$24 billion (figure 6.23). U.S. top exports to India included crude petroleum (\$4 billion), nonindustrial diamonds (\$3 billion), and civilian aircraft, engines and parts (over \$1 billion). The top U.S. imports from India were medicaments (\$7 billion), nonindustrial diamonds (\$6 billion), and frozen shrimps and prawns (\$2 billion).⁶⁸³

⁶⁷⁹ Government of the UK, DIT, "[UK Announces New Approach on US Tariffs](#)," December 8, 2020.

⁶⁸⁰ USTR, "[USTR Responds to UK Statement on WTO Large Civil Aircraft Dispute](#)," December 9, 2020. To provide time to negotiate a settlement to the Airbus and Boeing disputes, the United States and the UK suspended tariffs associated with the ongoing large civilian aircraft dispute for four months. The UK ceased applying retaliatory tariffs in the Boeing dispute from January 1, 2021, and the United States suspended retaliatory tariffs in the Airbus dispute from March 4, 2021. USTR, "[Joint US-UK Statement on Suspension of Large Civilian Aircraft Tariffs](#)," March 4, 2021. On June 17, 2021, the United States and the UK announced to reach an agreement that the two countries will address disputes over large civil aircrafts on a cooperative framework. Similar to the deal reached between the United States and the EU on June 15, 2021, the United States and the UK will not impose tariffs related to these disputes for five years. In addition, the two countries will work together to counter China's non-market practices in this sector. USTR, "[Understanding on A Cooperative Framework for Large Civil Aircraft](#)," June 17, 2021.

⁶⁸¹ Government of the UK, Finance Act 2020, § 39–72, (n.d.). The 2 percent tax on revenues above £25 million (about \$28.5 million) from internet search engines, social media, and online marketplaces is applied to companies generating at least £500 million (about \$570 million) in global revenues from covered digital services and £25 million in in-country revenues from covered digital services. For more information on the OECD/G20 work on developing a global multilateral solution to digital taxation, see [chapter 4](#) of this report.

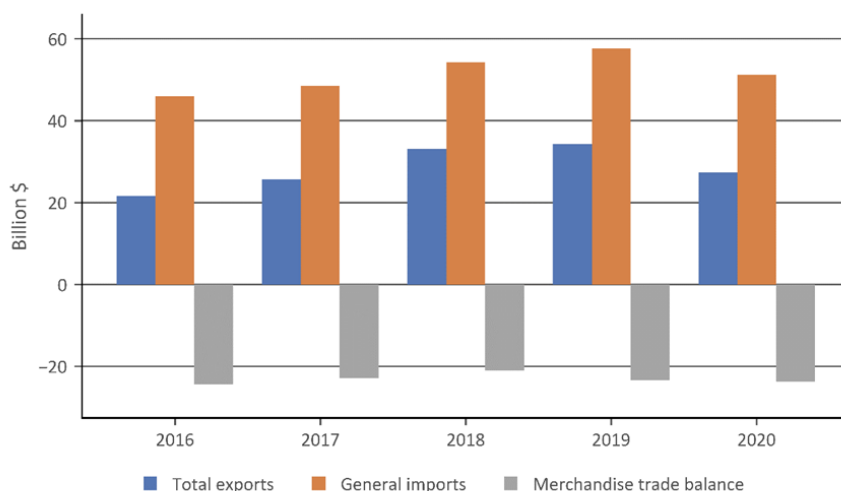
⁶⁸² 85 Fed. Reg. 34709 (June 5, 2020).

⁶⁸³ USITC DataWeb/Census, total exports and general imports, accessed February 25, 2021.

In 2020, India was the United States' seventh-largest partner in cross-border services trade. U.S. services exports to India fell by 28.4 percent to \$17 billion in 2020, while U.S. services imports from India fell by 13.1 percent to \$26 billion in 2020, resulting in a bilateral U.S. services trade deficit of \$9 billion (figure 6.24). The top U.S. services exports to India were business and personal travel (\$8 billion), charges for IP use (\$2 billion), and telecommunications (\$2 billion). The leading U.S. services imports from India were telecommunications (\$12 billion), other business services (\$11 billion), and charges for IP use (\$1 billion).⁶⁸⁴

Figure 6.23 U.S. merchandise trade with India, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.20](#).

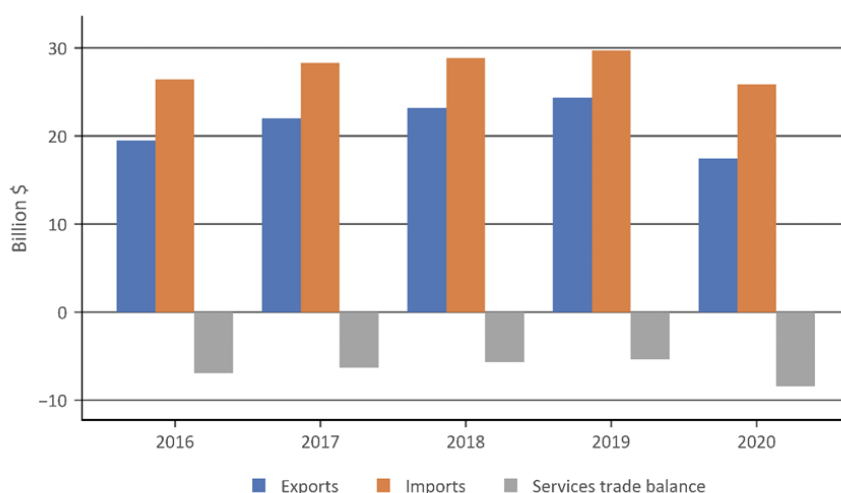


Source: USITC DataWeb/Census, accessed February 25, 2021.

⁶⁸⁴ USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country."

Figure 6.24 U.S. total services trade with India, annual, 2016–20

In billions of dollars. Underlying data for this figure can be found in appendix table [B.25](#).



Source: USDOC, BEA, [“International Transactions,”](#) March 23, 2021, Table 1.3 “U.S. International Transactions, Expanded Detail by Area and Country.”

Major Trade Developments in 2020

In 2020, there were several significant events in U.S.-India trade relations. Among the important developments were the bilateral talks on a potential trade agreement, India’s digital services tax, and issues concerning intellectual property. These topics are discussed in detail below.

U.S.-India Trade Talks

During 2020, the Trump Administration continued trade talks with the Modi administration, but did not reach a bilateral trade agreement.⁶⁸⁵ In a video-taped session at the Confederation of Indian Industry Partnership Summit on December 16, 2020, Ambassador Robert Lighthizer noted that both countries agreed that a “large, free trade-like agreement between the United States and India” was needed.⁶⁸⁶ Ambassador Lighthizer also noted that India’s high tariffs, political issues with agriculture, and strong bureaucracy are three major barriers hindering the completion of a bilateral trade deal.⁶⁸⁷

Digital Services Tax

In 2016, India began to implement a 6 percent withholding tax on advertising platforms not established in India. The digital services tax (DST), termed an “equalization levy” by the Indian government, was established with the purported objective of “leveling the playing field” between resident and

⁶⁸⁵ CRS, [U.S.-India Trade Relations](#), December 23, 2020.

⁶⁸⁶ Confederation of Indian Industry, [Fireside Chat with Robert Lighthizer](#), December 16, 2020. (minutes 47:47–48:07)

⁶⁸⁷ Confederation of Indian Industry, [Fireside Chat with Robert Lighthizer](#), December 16, 2020. (minutes 48:26–50:36)

nonresident service suppliers. According to USTR, its bilateral nature strays from internationally accepted principles, which focus on multilateral digital taxation to safeguard against double taxation.⁶⁸⁸

India's 2020–21 budget expands the tax by adding a 2 percent tax on the revenue from foreign firms not established in India that engage in a wide assortment of electronic commerce. In June 2020, the U.S. Trade Representative initiated a section 301 investigation of the expanded Indian DST under the 2020–21 Indian budget. The expanded tax was first made public on March 23, 2020, became law on March 27, 2020, and went into effect on April 1, 2020. These actions occurred without clarifying fundamental aspects of the DST's scope of services covered or companies impacted, according to USTR.⁶⁸⁹ In January 2021, USTR published findings of its section 301 investigation into the Indian DST. The investigation found that the India's DST discriminates against U.S. digital services companies.⁶⁹⁰ More information about section 301 investigation into the Indian DST can be found in [chapter 2](#) of this report.

Intellectual Property

Based on its level of intellectual property (IP) protection and enforcement, India remained on the Priority Watch List of countries in the USTR's *2020 Special 301 report*.⁶⁹¹ According to the USTR report, one area of concern is copyright enforcement. License granting under the Indian Copyright Act has been expansive, and exceptions to copyright protection have been broad.⁶⁹² In the absence of a functional copyright board, rights holders faced uncertainty over collection and distribution of IP royalties. A fully operational copyright board was established in June 2020 when the Intellectual Property Appellate Board and the Copyright Board merged, and USTR has indicated its intent to continue to monitor whether the Board's establishment will resolve the procedural barriers and enforcement issues faced by rights holders.⁶⁹³

⁶⁸⁸ USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021.

⁶⁸⁹ 86 Fed. Reg. 2478 (January 1, 2021); USTR, [Report on India's Digital Services Tax](#), January 6, 2021.

⁶⁹⁰ USTR, [Section 301 Investigation: Report on India's Digital Services Tax](#), January 6, 2021.

⁶⁹¹ USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 261.

⁶⁹² USTR, [2021 Special 301 Report](#), April 30, 2021, 51–52.

⁶⁹³ USTR, [2021 National Trade Estimate Report on Foreign Trade Barriers](#), March 2021, 261. A temporary ordinance announced in 2021 effectively functions as a ban on the Intellectual Property Appellate Board, and proposed legislation from early 2021 abolishes the board. USTR, [2021 Special 301 Report](#), April 30, 2021, 51–52.

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Appendix A

Data Tables

Please visit https://www.usitc.gov/publications/332/yit_appendixa2020.html for the interactive dashboard containing all appendix A tables.

Appendix B

Tables for Figures

Table B.1 U.S. goods and services trade balance, annual, 2006–20

In millions of dollars. Total exports – general imports = balance on goods; total services exports – total services imports = balance on services; corresponds to figure [ES.1](#).

Year	Balance on goods	Balance on services
2006	–837,289	73,756
2007	–821,196	110,199
2008	–832,492	120,142
2009	–509,694	114,923
2010	–648,671	145,584
2011	–740,999	186,477
2012	–741,119	215,213
2013	–700,539	253,710
2014	–749,917	265,773
2015	–761,868	270,607
2016	–749,801	268,632
2017	–799,343	285,552
2018	–880,301	300,364
2019	–864,331	287,466
2020	–915,570	233,870

Source: USITC DataWeb/Census, accessed April 14, 2021; USDOC, BEA, “[International Transactions](#),” March 23, 2021, Table 1.2 “U.S. International Transactions, Expanded Detail.”

Table B.2 U.S. merchandise trade with major bilateral trading partners, 2020

In millions of dollars. EU data exclude the UK; corresponds to figure [ES.2](#).

Trade flow	EU	China	Mexico	Canada	Japan	UK	India
Merchandise exports	232,070	124,649	212,672	255,149	64,098	59,010	27,395
Merchandise imports	415,498	435,449	325,394	270,382	119,512	50,206	51,190

Source: USITC DataWeb/Census, general imports and total exports, accessed February 25, 2021.

Table B.3 U.S. trade in services with major bilateral trading partners, 2020

In millions of dollars. EU data exclude the UK; corresponds to figure [ES.3](#).

Trade flow	EU	China	Mexico	Canada	Japan	UK	India
Total services exports	173,326	37,921	23,176	51,219	38,005	59,079	17,420
Total services imports	108,899	15,500	16,896	29,115	30,615	49,971	25,841

Source: USDOC, BEA, “[International Services](#),” March 23, 2021, Table 3.1 “International Trade in Services.”

Table B.4 Stringency Index of COVID-19 response, by major economies, January–December 2020

EU data exclude the UK; corresponds to figure 1.1.

This is a composite measure based on nine government response indicators, including school and workplace closures, cancel public events, close public transportation, staying at home requirement, restriction on internal movement, and international travel controls. Variation in governments' responses are measured and rescaled to a value from 0 to 100 (100 = strictest). The index does not indicate appropriateness or effectiveness of a country's response. Data are provided at daily frequency beginning January 21, 2020, but are presented here on the first day of each month to accommodate size constraints. Data for the EU as a single entity were constructed by taking the daily average COVID-19 stringency index for all EU member states based on the available data.

Date	Canada	China	EU	India	Japan	Mexico	UK	USA
January 21	0.0	8.3	0.0	0.0	2.8	0.0	5.6	0.0
February 1	2.8	77.3	4.4	10.2	8.3	0.0	8.3	0.0
March 1	2.8	81.0	13.3	10.2	34.3	2.8	11.1	8.3
April 1	74.5	73.6	80.6	100.0	40.7	82.4	79.6	72.7
May 1	72.7	56.9	78.4	96.3	47.2	82.4	79.6	72.7
June 1	70.8	81.9	60.2	78.2	28.7	72.7	67.6	72.7
July 1	69.0	78.2	45.6	74.1	25.9	70.8	71.3	69.0
August 1	67.1	78.2	44.8	79.6	34.3	70.8	69.9	67.1
September 1	67.1	78.2	46.1	81.0	32.4	74.5	64.4	67.1
October 1	63.4	54.2	44.9	73.6	29.6	73.6	67.6	62.5
November 1	63.4	63.4	59.3	61.6	35.2	71.8	75.0	62.5
December 1	70.8	81.9	65.8	69.0	42.6	71.8	67.6	75.5

Source: Hale et al., "[Oxford COVID-19 Government Response Tracker \(OxCGRT\)](#)," March 8, 2021.

Table B.5 Real GDP growth rate, by the world and major economies, annual, 2018–20

In percentages. EU data exclude the UK; corresponds to figure 1.4.

Year	World	USA	EU	UK	Canada	China	India	Japan	Mexico
2018	3.6	3.0	2.3	1.3	2.4	6.7	6.5	0.6	2.2
2019	2.8	2.2	1.7	1.4	1.9	5.8	4.0	0.3	-0.1
2020	-3.3	-3.5	-6.1	-9.9	-5.4	2.3	-8.0	-4.8	-8.2

Source: IMF, "[World Economic Outlook Database](#)," GDP (constant price), accessed April 12, 2021.

Table B.6 Percentage change in global manufacturing output, by sector, annual, 2019–20

In percentages. ISIC = the International Standard Industrial Classification; n.e.c. = not elsewhere classified; corresponds to figure 1.5.

ISIC Code	Sector description	Percentage change in 2019–20
21	Pharmaceuticals, medicinal chemicals, etc.	4.0
27	Electrical equipment	2.7
10	Food products	0.2
20	Chemicals and chemical products	–0.4
23	Other non-metallic mineral products	–1.7
17	Paper and paper products	–3.0
11	Beverages	–3.6
22	Rubber and plastics products	–4.9
16	Wood products, excluding furniture	–5.2
30	Other transport equipment	–5.7
12	Tobacco products	–5.8
26	Computer, electronic and optical products	–5.9
25	Fabricated metal products, except machinery	–5.9
24	Basic metals	–6.5
32	Other manufacturing	–6.8
13	Textiles	–7.4
31	Furniture	–7.8
19	Coke and refined petroleum products	–8.7
28	Machinery and equipment n.e.c.	–9.5
33	Repair and installation of machinery/equipment	–10.7
18	Printing and reproduction of recorded media	–12.0
14	Wearing apparel	–14.1
29	Motor vehicles, trailers and semi-trailers	–15.0
15	Leather and related products	–19.0

Source: USITC calculations using data from UNIDO, “[Quarterly Index of Industrial Production \(IIP\) Database](#),” accessed April 23, 2021.

Table B.7 Percentage change in working hours, by the world and major economies, annual, 2019–20

In percentages. EU data exclude the UK; corresponds to figure 1.6.

Economy	Percentage change in 2019–20
Canada	–9.3
China	–4.1
EU	–8.3
India	–13.7
Japan	–5.4
Mexico	–12.5
UK	–12.8
USA	–9.2
World	–8.8

Source: ILO, “[Working Hours Lost Due to the COVID-19 Crisis. Annual](#),” April 26, 2021.

Table B.8 Foreign direct investment (FDI) inflows to selected major economies, annual, 2019–20

In billions of dollars. Several FDI flows and percentage changes were unreported in the source document, and unreported values were derived from available data; EU data exclude the UK; corresponds to figure 1.7.

Economy	2019	2020
United States	261	156
China	141	149
EU	380	103
India	51	64
Mexico	34	29
Canada	48	24
UK	45	20
Japan	15	10

Source: Data compiled from UNCTAD, [World Investment Report 2021](#), June 21, 2021, annex table 1.

Table B.9 Global merchandise trade, annual, 2018–20

In trillions of dollars. Corresponds to figure 1.9.

	2018	2019	2020
Global two-way trade	39.4	38.3	35.4

Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

Table B.10 Global merchandise trade, quarterly, 2006 Q1–2020 Q4

In trillions of dollars. Corresponds to figure 1.10.

Year	Q1	Q2	Q3	Q4
2006	5.6	6.1	6.2	6.5
2007	6.4	6.9	7.1	7.8
2008	7.9	8.8	8.7	7.0
2009	5.5	5.9	6.5	7.1
2010	7.0	7.5	7.7	8.4
2011	8.6	9.3	9.4	9.3
2012	9.1	9.2	9.1	9.4
2013	9.1	9.4	9.4	9.7
2014	9.3	9.6	9.6	9.3
2015	8.1	8.3	8.2	8.2
2016	7.4	8.1	8.1	8.4
2017	8.3	8.7	9.0	9.5
2018	9.5	9.8	9.8	9.9
2019	9.3	9.5	9.5	9.7
2020	8.7	7.5	9.0	9.9

Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Quarterly, accessed April 12, 2021.

Table B.11 Merchandise exports by the global top five exporters, annual, 2019–20

In billions of dollars; EU data exclude intra-EU trade and the UK; corresponds to figure 1.11.

Economy	2019	2020
China	2,500	2,591
EU	2,386	2,209
United States	1,643	1,432
Japan	706	641
Hong Kong	535	549

Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.

Table B.12 Merchandise imports by the global top five importers, annual, 2019–20In billions of dollars; EU data exclude intra-EU trade and the UK; corresponds to figure [1.12](#).

Economy	2019	2020
USA	2,567	2,408
China	2,078	2,056
EU	2,172	1,958
UK	696	635
Japan	721	635

Source: WTO, [International Trade Statistics](#), Merchandise Trade Value, Annual, accessed April 12, 2021.**Table B.13** Crude oil price, monthly, 2002–20In U.S. dollars; based on the average spot price of Brent, Dubai, and West Texas intermediate, equally weighted; corresponds to figure [1.13](#).

Year	January	April	July	October
2002	19.15	25.43	25.75	27.53
2003	30.75	25.56	28.59	29.01
2004	31.37	33.71	37.89	46.88
2005	42.97	50.64	56.37	58.19
2006	62.46	67.97	72.45	57.91
2007	53.52	65.06	73.60	81.97
2008	90.69	108.76	132.83	72.69
2009	43.86	50.28	64.67	74.08
2010	77.12	84.18	74.58	81.72
2011	92.69	116.24	107.92	99.85
2012	107.07	113.67	96.75	103.41
2013	105.10	98.85	105.26	105.43
2014	102.10	104.87	105.25	86.08
2015	47.11	57.54	54.34	46.96
2016	29.78	40.75	44.13	49.29
2017	53.59	52.16	47.66	54.92
2018	66.23	68.79	72.67	76.73
2019	56.58	58.58	61.48	57.27
2020	61.63	21.04	42.07	39.90

Source: IndexMundi, "[Crude Oil \(Petroleum\) Monthly Price](#)," accessed May 18, 2021.**Table B.14** The number of sales/registrations of new vehicles in countries represented in OICA, 2019–20OICA = the International Organization of Motor Vehicle Manufacturers; Corresponds to figure [1.14](#).

	2019	2020
January	6,374,305	5,731,762
February	5,562,849	4,322,879
March	7,998,475	4,911,671
April	6,021,155	3,749,747
May	6,324,725	4,683,332
June	6,744,570	5,866,013
July	6,148,229	6,088,226
August	6,190,980	5,759,638
September	6,593,130	6,954,540
October	6,463,877	6,789,108
November	6,739,974	6,692,247
December	6,994,485	7,394,747

Source: OICA, [Sales Statistics](#), all vehicles, monthly, accessed May 4, 2021.

Table B.15 Commercial services exports by the global top five exporters, annual, 2019–20In billions of dollars. EU data exclude intra-EU trade and the UK; corresponds to figure [1.15](#).

Economy	2019	2020
EU	1,147	978
United States	876	692
United Kingdom	404	334
China	284	281
India	215	205

Source: WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.**Table B.16** Commercial services imports by the global top five importers, annual, 2019–20In billions of dollars. EU data exclude intra-EU trade and the UK; corresponds to figure [1.16](#).

Economy	2019	2020
EU	1,038	901
United States	588	458
China	501	381
United Kingdom	271	197
Japan	206	191

Source: WTO, [International Trade Statistics](#), trade in commercial services, by main sector, preliminary annual estimates based on quarterly statistics, accessed April 12, 2021.**Table B.17** Year-over-year percentage change in air freight and passenger traffic, by region, 2019–20In percentages. Year-over-year percentage changes are calculated based on data for December 2019 and December 2020; corresponds to figure [1.17](#).

Economy	Passenger	Freight
Asia Pacific	–80.3	–26.2
North America	–75.4	–12.8
Africa	–69.8	–17.8
Latin America	–71.8	–37.0
Europe	–73.7	–18.4
Middle East	–72.9	–18.2

Source: IATA, [“January Air Cargo Demand Recovers to Pre-COVID Levels,”](#) March 2, 2021; IATA, [“2020 Worst Year in History for Air Travel Demand,”](#) February 3, 2021.**Table B.18** Share of products in active section 337 investigation proceedings, 2020In percentages. Corresponds to figure [2.1](#).

Category	Share of total
Computer and telecom	23.0
Consumer electronics	9.0
Pharmaceuticals and medical devices	13.9
Automotive/manufacturing/transportation	13.9
Small consumer products	7.4
Lighting	7.4
Other	25.4
Total	100.0

Source: USITC calculations.

Table B.19 Share of certified Trade Adjustment Assistance (TAA) petitions, by industry, FY 2020

In percentage. "Other" includes all industry sectors where less than 10 petitions were certified in FY 2020; corresponds to figure 2.2.

Industry	Share of total
Manufacturing	47.5
Professional, scientific, and technical services	12.1
Finance and insurance	11.2
Wholesale trade	7.8
Real estate	5.1
Administrative and support and waste management services	4.5
Information	3.4
Retail trade	2.9
Transportation and warehousing	1.7
Other	3.8
Total	100.0

Source: USDOL, ETA, email message to USITC staff, March 10, 2021.

Table B.20 U.S. merchandise trade with major trading partners and the world, annual, 2016–20

In billions of dollars. EU data exclude the UK; corresponds to figure 6.1, 6.11, 6.13, 6.15, 6.17, 6.19, 6.21, 6.23.

Trading partner	Trade flow	2016	2017	2018	2019	2020
EU	Total exports	214.5	227.0	252.0	267.7	232.1
EU	General imports	362.1	381.6	426.2	452.0	415.5
EU	Merchandise trade balance	-147.6	-154.6	-174.3	-184.3	-183.4
UK	Total exports	55.2	56.3	66.5	69.1	59.0
UK	General imports	54.3	53.3	60.7	63.2	50.2
UK	Merchandise trade balance	0.9	3.0	5.8	5.9	8.8
Mexico	Total exports	230.2	243.6	265.9	256.6	212.7
Mexico	General imports	293.5	312.7	344.3	358.0	325.4
Mexico	Merchandise trade balance	-63.3	-69.1	-78.3	-101.4	-112.7
Canada	Total exports	266.7	282.8	299.7	292.6	255.1
Canada	General imports	277.7	299.1	318.5	319.4	270.4
Canada	Merchandise trade balance	-11.0	-16.3	-18.8	-26.8	-15.2
China	Total exports	115.6	130.0	120.3	106.4	124.6
China	General imports	462.4	505.2	539.2	451.7	435.4
China	Merchandise trade balance	-346.8	-375.2	-419.0	-345.2	-310.8
Japan	Total exports	63.2	67.6	75.1	74.3	64.1
Japan	General imports	132.0	136.4	142.2	143.6	119.5
Japan	Merchandise trade balance	-68.8	-68.8	-67.1	-69.2	-55.4
India	Total exports	21.6	25.6	33.2	34.3	27.4
India	General imports	46.0	48.5	54.3	57.7	51.2
India	Merchandise trade balance	-24.4	-22.9	-21.1	-23.4	-23.8
World	Total exports	1,451.5	1,547.2	1,665.7	1,643.2	1,431.4
World	General imports	2,186.8	2,339.6	2,537.7	2,497.5	2,336.6
World	Merchandise trade balance	-735.3	-792.4	-872.0	-854.4	-905.2

Source: USITC DataWeb/Census, accessed February 25, 2021.

Table B.21 U.S. merchandise exports, quarterly, 2019–20In billions of dollars. Corresponds to figure [6.2](#).

Quarter	2019	2020
Q1	408	396
Q2	415	392
Q3	406	291
Q4	415	352

Source: USITC DataWeb/Census, total exports, accessed April 19, 2021.

Table B.22 U.S. merchandise imports, quarterly, 2019–20In billions of dollars. Corresponds to figure [6.3](#).

Quarter	2019	2020
Q1	598	569
Q2	637	509
Q3	641	611
Q4	621	648

Source: USITC DataWeb/Census, general imports, accessed April 19, 2021.

Table B.23 Leading markets for U.S. merchandise total exports, by share, 2020In percentages. EU data exclude the UK; corresponds to figure [6.4](#).

Trading partner	Share of total
Canada	17.8
EU	16.2
Mexico	14.9
China	8.7
Japan	4.5
UK	4.1
South Korea	3.6
Taiwan	2.1
India	1.9
Singapore	1.9
All others	24.3
Total	100.0

Source: USITC DataWeb/Census, total exports, accessed February 25, 2021.

Table B.24 Leading sources for U.S. merchandise general imports, by share, 2020In percentages. EU data exclude the UK; corresponds to figure [6.5](#).

Trading partner	Share of total
China	18.6
EU	17.8
Mexico	13.9
Canada	11.6
Japan	5.1
Vietnam	3.4
South Korea	3.3
Taiwan	2.6
UK	2.2
India	2.2
Singapore	1.3
All others	18.0
Total	100.0

Source: USITC DataWeb/Census, general imports, accessed February 25, 2021.

Table B.25 U.S. total services trade with major trading partners and the world, annual, 2016–20In billions of dollars. EU data exclude the UK; corresponds to figure [6.6](#), [6.12](#), [6.14](#), [6.16](#), [6.18](#), [6.20](#), [6.22](#), [6.24](#).

Trading partner	Trade flow	2016	2017	2018	2019	2020
EU	Exports	174.6	185.2	191.1	200.7	173.3
EU	Imports	124.9	133.3	133.8	146.0	108.9
EU	Services trade balance	49.7	51.9	57.2	54.7	64.4
UK	Exports	69.7	74.7	80.4	78.3	59.1
UK	Imports	53.8	59.6	62.2	62.3	50.0
UK	Services trade balance	15.9	15.0	18.2	16.0	9.1
Mexico	Exports	31.0	31.7	33.1	32.9	23.2
Mexico	Imports	25.9	27.8	27.9	29.8	16.9
Mexico	Services trade balance	5.2	4.0	5.1	3.1	6.3
Canada	Exports	60.7	65.1	68.9	67.7	51.2
Canada	Imports	33.6	36.2	38.0	38.6	29.1
Canada	Services trade balance	27.2	28.8	30.9	29.2	22.1
China	Exports	53.4	55.0	57.1	56.5	37.9
China	Imports	16.6	18.0	19.1	20.1	15.5
China	Services trade balance	36.7	37.0	37.9	36.4	22.4
Japan	Exports	44.0	45.9	46.7	50.1	38.0
Japan	Imports	33.1	35.0	35.4	35.8	30.6
Japan	Services trade balance	10.9	10.9	11.3	14.2	7.4
India	Exports	19.5	22.0	23.2	24.3	17.4
India	Imports	26.4	28.3	28.9	29.7	25.8
India	Services trade balance	-6.9	-6.3	-5.7	-5.4	-8.4
World	Exports	780.5	830.4	862.4	875.8	692.1
World	Imports	511.9	544.8	562.1	588.4	458.3
World	Services trade balance	268.6	285.6	300.4	287.5	233.9

Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded by Area and Country."**Table B.26** Quarterly change in U.S. services exports, 2019–20In billions of dollars. Corresponds to figure [6.7](#).

Quarter	2019	2020
Q1	215	198
Q2	220	162
Q3	219	164
Q4	221	168

Source: USDOC, BEA, "[International Services](#)," March 23, 2021, Table 3.1 "U.S. International Trade in Services."**Table B.27** Quarterly change in U.S. service imports, 2019–20In billions of dollars. Corresponds to figure [6.8](#).

Quarter	2019	2020
Q1	144	134
Q2	148	101
Q3	148	108
Q4	148	115

Source: USDOC, BEA, "[International Services](#)," March 23, 2021, Table 3.1 "U.S. International Trade in Services."

Table B.28 Leading markets for U.S. total services exports, by share, 2020In percentage. EU data exclude the UK; corresponds to figure [6.9](#).

Trading partner	Share of total
EU	25.0
UK	8.5
Canada	7.4
Switzerland	6.5
China	5.5
Japan	5.5
Singapore	3.3
Mexico	3.3
South Korea	2.6
India	2.5
All others	29.9

Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country", and Table 1.5 "U.S. International Trade in Goods and Services by Area and Country."**Table B.29** Leading sources for U.S. total services imports, by share, 2020In percentage. EU data exclude the UK; corresponds to figure [6.10](#).

Trading partner	Share of total
EU	23.8
UK	10.9
Bermuda	7.1
Japan	6.7
Canada	6.4
India	5.6
Switzerland	5.3
Mexico	3.7
China	3.4
Singapore	2.3
All others	24.9

Source: USDOC, BEA, "[International Transactions](#)," March 23, 2021, Table 1.3 "U.S. International Transactions, Expanded Detail by Area and Country", and Table 1.5 "U.S. International Trade in Goods and Services by Area and Country."

Appendix C

U.S. Trade Data for Special Import Preference Programs

Generally, U.S. importers pay the normal-trade-relations (NTR) rate of duty for imported goods, except in instances where Congress approved unilateral preference programs, or bilateral or multi-lateral free trade agreements (FTAs). Duty preference programs and FTAs are typically identified at the time of importation by U.S. importers using Special Program Indicator (SPI) symbols per General Note 3(c) of the Harmonized Tariff Schedule of the United States (HTS). For example, U.S. importers claiming duty preferences under the Caribbean Basin Economic Recovery Act (CBERA) would use the SPI code "E" or "E*" to designate a claim for CBERA duty preferences on entry summary documentation for U.S. Customs, which in turn then becomes part of official U.S. import statistics published by the U.S. Census Bureau.

When the Caribbean Basin Trade Partnership Act (CBTPA) was implemented, providing additional benefits to all Caribbean Basin Initiative (CBI) countries (including, but not limited to, Haiti), additional preferences specific to textiles and apparel were not identified via an SPI but rather through the use of Chapter 98 HTS subheadings, which require importers to specify exactly on which legal basis the textile or apparel goods qualify for the duty-free treatment under CBTPA. This approach was also used for additional Haiti-specific preferences within CBERA through the implementation of the Haiti HOPE, HOPE II, and HELP Acts. However, in the public U.S. Census Bureau data made available by the USITC via DataWeb, imports that received the Haiti-specific CBERA benefits (unlike the CBTPA preferences) are not separately reported as receiving special duty preferences. Rather, the data for HOPE/HOPE II/HELP textile and apparel goods are erroneously labeled as "No special import program claimed" since there is no SPI for the Haiti-specific CBERA preferences.

Although imports of textile and apparel goods benefitting from trade preferences under the Haiti HOPE, HOPE II, or HELP Acts are not flagged as part of CBERA/CBTPA under the special import program field in official U.S. import statistics, such goods may still be tracked by use of a rate provision code filter in combination with a special programs filter. Rate provisions codes are a separate field within official U.S. import statistics that track and bucket imports based on what duty rates, if any, were applied. The data in this report measure the Haiti specific tariff provisions granted under CBERA through the Haiti HOPE, HOPE II, and HELP Acts as the combination of (1) imports with country of origin Haiti, (2) imports coded as "no special import program claimed" within the special programs field (SPI code "00"), (3) imports coded as "free special duty programs" (rate provision code "18") within the rate provision code field, and (4) limiting the imports to the goods entered under the specific HTS chapters or HTS subheadings specified by the Chapter 98 provisions specific to Haiti HOPE/HOPE II/HELP Acts under CBERA (listed below).

- Textile luggage (all products under HTS subheadings 4202.12, 4202.22, 4202.32, 4202.92)
- Apparel (all products within HTS chapters 61 and 62)
- Certain home goods (select products reported in HTS chapters 56, 57, 58, 63, 64, and 94)

Data identified as described above for the "missing" Haiti-specific CBERA preferences must then be added to the other CBERA data identified using the special import programs filter to arrive at the total merchandise that benefitted from trade preferences under CBERA.

