International Trade and Finance: Overview and Issues for the 115th Congress

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Summary

The U.S. Constitution grants authority to Congress to regulate commerce with foreign nations. Congress exercises this authority in numerous ways, including through oversight of trade policy and consideration of legislation to implement trade agreements and authorize trade programs. Policy issues cover areas such as U.S. trade negotiations; U.S. trade and economic relations with specific regions and countries; international institutions focused on trade; tariff and nontariff barriers; worker dislocation due to trade liberalization; enforcement of trade laws; import and export policies; international investment; economic sanctions; and other trade-related functions of the federal government. Congress also has authority over U.S. financial commitments to international financial institutions and oversight responsibilities for trade- and finance-related agencies of the U.S. government.

Major Actions in the 114th Congress

The 114th Congress passed legislation that

- renewed Trade Promotion Authority (TPA) through July 1, 2021 (subject to passage of an extension disapproval resolution in 2018), allowing implementing legislation for trade agreements to be considered under expedited legislative procedures, provided that certain statutory requirements are met;
- reauthorized Trade Adjustment Assistance (TAA), the Export-Import Bank (Ex-Im Bank), and several U.S. trade preference programs on a multi-year basis;
- reauthorized the U.S. Customs and Border Protection (CBP); and
- authorized U.S. participation in quota and governance reforms at the International Monetary Fund (IMF).

Additionally, Congress continued its oversight of the Administration's ongoing trade agreements and negotiations, and maintained economic sanctions against Iran, Cuba, Russia, and other countries, among other actions. Members also introduced a range of legislation on international trade and finance issues.

Issues in the 115th Congress

During the 2016 presidential campaign, U.S. trade policy and trade agreements received significant attention, particularly regarding the impact of trade agreements on the U.S. economy and workers. Among the more potentially prominent international trade and finance issues the 115th Congress is considering, or may consider

- the effects of trade on the U.S. economy, jobs, and manufacturing, as well as policies that support U.S. workers and industries adversely affected by trade agreements;
- proposals to renegotiate the North American Free Trade Agreement (NAFTA) and potentially other U.S. free trade agreements (FTAs) and launch new bilateral free trade negotiations, such as with the United Kingdom and Japan;
- the future of U.S. trade policy in Asia, given President Trump's withdrawal of the United States from the Trans-Pacific Partnership (TPP);
- U.S.-China trade relations, including investment issues, intellectual property rights (IPR) protection, forced technology transfer, currency issues, and market access liberalization;

- the status of trade negotiations launched under the Obama Administration, including for the proposed Transatlantic Trade and Investment Partnership (T-TIP) FTA with the European Union (EU) and the Trade in Services Agreement (TiSA);
- oversight of World Trade Organization (WTO) agreements and negotiations, including the completed Trade Facilitation Agreement (TFA) and expansion of the Information Technology Agreement (ITA), as well as potential agreements on environmental goods;
- responses to currency manipulation and the enforcement of U.S. trade laws;
- international finance and investment issues, including U.S. funding for and oversight of international financial institutions (IFIs), the creation of development and infrastructure banks by emerging economies, and U.S. negotiations on new bilateral investment treaties (BITs), notably with China and India; and
- oversight of international trade and finance policies to support development and/or foreign policy goals, including sanctions on Iran, North Korea, Russia, and other countries.

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Overview[1]

During its 114th session, Congress faced numerous international trade and finance policy issues. These issues included approval of legislation granting time-limited U.S. Trade Promotion Authority (TPA) to the President. TPA provides expedited congressional procedures for considering legislation to implement U.S. trade agreements that advance U.S. trade negotiating objectives and meet specific notification and consultative requirements. Congress also approved legislation to reauthorize the Export-Import Bank (Ex-Im Bank), the Trade Adjustment Assistance (TAA) program, U.S. trade preference programs for Africa and other developing countries, and the commercial operations of U.S. Customs and Border Protection (CBP), as well as legislation to enhance trade enforcement by Customs and approve governance reforms at the International Monetary Fund (IMF). Additionally, Congress continued oversight of ongoing U.S. trade agreements and negotiations, U.S. trading relationships with major economies, and U.S. economic sanctions against Iran, Cuba, North Korea, Russia, and other countries.

The future direction of U.S. trade policy and international economic issues continue to be active areas of interest in the 115th session of Congress. Notably, U.S. trade policy and trade agreements received significant attention during the 2016 presidential election campaign. Since taking office, President Trump has withdrawn the United States as a signatory to the Trans-Pacific Partnership (TPP) free trade agreement among 12 Asia-Pacific nations; notified Congress of his intent to renegotiate NAFTA with Canada and Mexico; and is reviewing other current U.S. free trade agreements (FTA) for possible revision, including the U.S.-South Korea FTA (KORUS). The Trump Administration has also indicated a preference for bilateral trade negotiations, including with the United Kingdom (UK), and Japan and other participants in TPP. There appears to be little interest so far in continuing negations on an FTA with the European Union.

Trade enforcement issues and the broader impact of trade and the trade deficit on the U.S. economy are receiving increased attention. Recent actions by the Trump Administration include a review of the trade deficit and the renewed use of certain trade laws, such as Section 232, designed to investigate the national security impact of specific imports. Other pertinent issues include the future direction of U.S.-China trade relations and a new bilateral economic dialogue, ongoing trade negotiations at the World Trade Organization (WTO) and on services (taking place outside of the WTO), and other FTA discussions that do not include the United States.

International trade and finance issues are important to Congress because they can affect the overall health of the U.S. economy and specific sectors, the success of U.S. businesses and workers, and Americans' standard of living. They also have implications for U.S. geopolitical interests. Conversely, geopolitical tensions, risks, and opportunities can have major impacts on international trade and finance. These issues are complex and at times controversial, and developments in the global economy often make policy deliberation more challenging.

Congress is in a unique position to address these issues, particularly given its constitutional authority for legislating and overseeing international trade and financial policy. This report provides a brief overview of some of the trade and finance issues that may be of interest or continuing attention of the 115th Congress. A list of CRS products covering these issues and containing relevant citations is provided in the **Appendix**.

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[1] Written by (name redacted), Section Research Manager (x7...), (name redacted), Specialist in International Trade and Finance (x7-....) , and Ian Fergusson, Specialist in International Trade and Finance (x7-....) .

The United States in the Global Economy

Since the end of World War II, the United States has served as the chief architect of an open and rules-based international economic order that has been characterized by trade expansion and growing economic integration. Some see this global economic order fragmenting and becoming less governable. The U.S. leadership role is being challenged both from abroad by rising economic powers such as China and from within the United States by groups that have grown skeptical of the benefits of the unique U.S. position in the global economy. For some, these changes to the international economic order may signal the end of America's dominance without a clear successor.

The global economy is continuing to recover in 2017 from the 2008-2009 financial crisis and deep economic recession. The International Monetary Fund (IMF) projects that global annual growth will increase to nearly 3.5% in 2017 from a projected global growth rate of 3.2% in 2016.[2] The Organization for Economic Cooperation and Development (OECD) forecasts a global growth forecast of 3.3%, based on the United States and other developed economies increasing government deficit spending to support infrastructure development, while avoiding restrictive trade measures.[3] The lack of new infrastructure spending by the United States has reduced the IMF forecast of U.S. growth from 2.3% in 2017 to 2.1%, while developed economies as a whole are projected to grow by 2.0%. Emerging market and developing economies are projected by the IMF to grow by 4.6%, up from 4.3% in 2016, while China's economy is projected to grow at 6.7%, the same rate of growth as 2016.

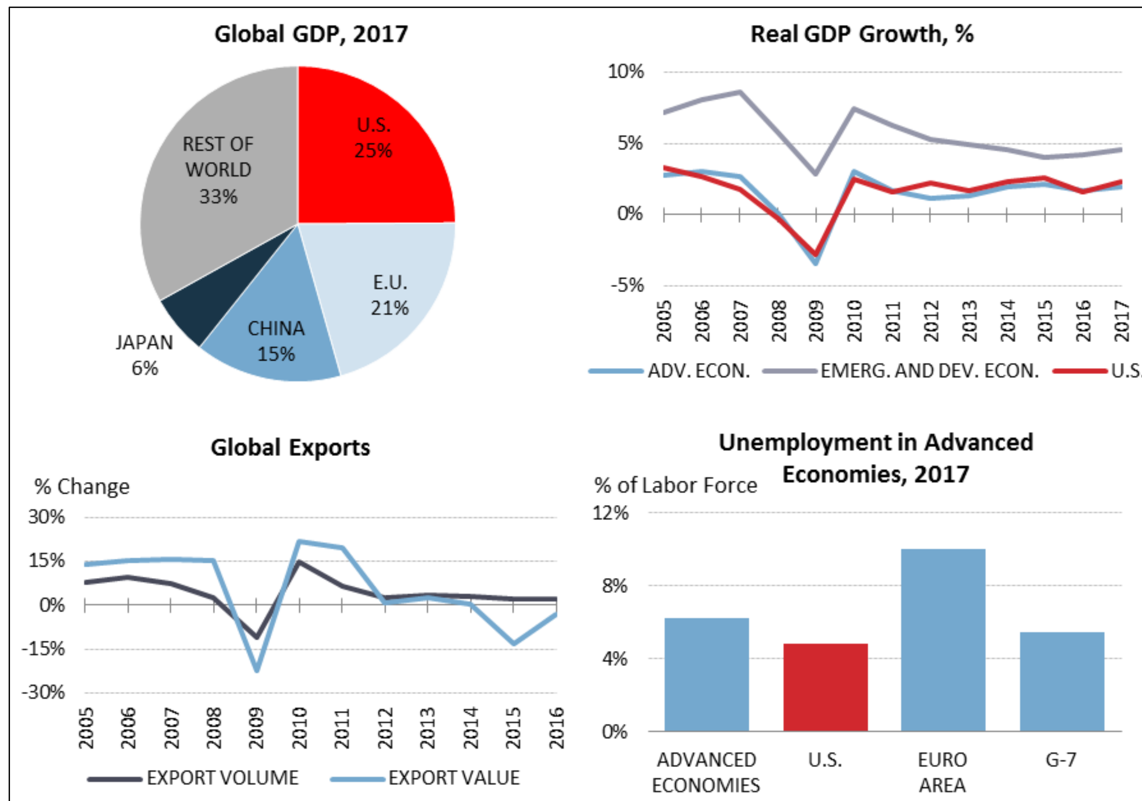
Additional factors raise uncertainties about the strength and pace of the projected recovery in the rate of economic growth. Savings and investment relative to GDP, which serve as building blocks for future growth, continue to lag behind pre-financial 2008 crisis levels in the advanced economies. Similarly, global trade continues to perform at lower levels and is significantly slower compared to historical levels. Lingering high rates of unemployment and non-performing loans are constraining economic growth in many Western European economies. Higher sustained rates of economic growth remain elusive in Japan, Canada, and parts of Europe, and especially in the UK where the implementation of Brexit (the vote in favor of exiting the European Union) is causing economic uncertainty over the future UK-EU economic and trade relationship, among other concerns.

Emerging markets (EMs) as a group are expected to face reduced levels of vulnerabilities to their economies due to a modest recovery in global trade and more stable exchange rates, inflation, commodity prices, and equity markets, which should aid in improving the rate of growth. Growth rates are projected to recover somewhat in Russia and Brazil, due to more stable oil and commodity prices, but increased uncertainty over political and policy direction could constrain the rate of growth in Brazil. Additionally, China has faced a slower rate of economic growth as it attempts to navigate toward a more sustainable growth model that is more focused on boosting innovation and private consumption. In Venezuela, a major economic and financial crisis has surfaced. These and other developments, such as grown tension and concern over North Korea's nuclear arms policies, contribute to uncertainties that potentially impact global financial markets and raise concerns over the pace of business investment that could dampen prospects for longer-term gains in productivity and sustained higher rates of economic growth.

[2] International Monetary Fund, *World Economic Outlook Update*, July 24, 2017.

[3] Organization for Economic Cooperation and Development, *OECD Economic Outlook*, November 2016.

Figure 1. Global Economy: Snapshot



Source: Created by CRS from International Monetary Fund, *World Economic Outlook*, April 2017 and World Trade Organization Trade Statistics, accessed August 2017.

Note: 2017 data is forecasted.

Over the long term, developed and developing economies are struggling to find the right policy mix to address low growth, low inflation, and low levels of productivity growth, referred to as structural stagnation by some. Developed and developing economies are experiencing declining or flat birth rates, which portend a smaller work force in the future and lower potential rates of economic growth. Aging work forces, a demographic unfolding everywhere but in Africa and the Middle East, may also act to restrain economic growth. Under similar challenging conditions, nations in the past have turned to broad, multinational trade liberalization agreements to stimulate economic growth through improvements in productivity by removing market-distorting barriers.

Even with a slower pace of economic recovery, the U.S. economy remains a relative bright spot in terms of the global economic outlook, which could help sustain its position as a main driver of global economic growth. The United States accounts for 24.5% of global gross domestic product (GDP) and 9.1% of global trade. Although still recovering from the worst recession in 8 decades, overall U.S. economic conditions have improved with the unemployment rate below 4.5% in mid-2017 from a high of 10% in 2009, and the IMF projects GDP growth will be 2.0% in 2017, up from 1.7% in 2016.[4] The stabilization in oil prices is affecting the U.S. economy. Relatively low energy prices are expected to raise consumers' real incomes, improve the competitive position of some industries, and stabilize employment and output in the energy sector.

[4] International Monetary Fund, *World Economic Outlook Update*, July 2017.

Despite improvements in the economy as a whole, average U.S. household incomes have not fully recovered from the 1999-2000 and 2008-2010 economic recessions. The United States, similar to other developed economies, has experienced widening disparity in incomes that is fueling domestically-focused political movements and a backlash against globalization. The Trump Administration announced shortly after taking office that it would focus its efforts on tax reform and infrastructure spending to restore economic growth, but an effort to revamp health care dominated the congressional calendar. At the same time, President Trump has criticized U.S. trade agreements as a main cause of U.S. economic challenges and has launched certain trade investigations and reviews that are viewed by some experts as potentially leading to growing trade restrictions in the United States. The Trump Administration has also made reduction of U.S. bilateral trade deficits a priority issue. Since their peak in 2006, however, current account imbalances, as a share of world GDP, have fallen significantly, particularly the deficit in the United States and the surpluses in China and Japan.

For many economists, concerns over a slowdown in global trade and the role the United States may play in supporting global growth as a major importer may overshadow potential concerns over global imbalances. The Euro and Japanese yen have experienced periods of volatility since the Brexit referendum vote during the summer of 2016. Some currencies remain at levels below the pre-Brexit level, including the Chinese renminbi, the Brazilian real, and the Russian ruble. In addition, the Mexican peso depreciated sharply in international foreign markets as the dollar strengthened in 2016. Volatile currency and equity markets combined with uncertainties over global growth prospects and rates of inflation that remain below the target levels of a number of central banks have complicated somewhat the efforts of the U.S. Federal Reserve to take additional steps to raise U.S. interest rates to stabilize financial markets. In addition, other major economies in Europe and Japan have attempted to pursue more expansionary monetary policies. Reduced levels of uncertainty in global financial markets have reduced upward pressure on the dollar, as investors have been less prone to seek safe haven currencies and dollar-denominated investments. Through the first half of 2017, for instance, the dollar depreciated about 5% against the currencies of its major trading partners.

The Role of Congress in International Trade and Finance

The U.S. Constitution assigns authority over foreign trade to Congress. Article I, Section 8, of the Constitution gives Congress the power to "regulate Commerce with foreign Nations" and to "lay and collect Taxes, Duties, Imposts, and Excises." For roughly the first 150 years of the United States, Congress exercised its power to regulate foreign trade by setting tariff rates on all imported products. Congressional trade debates in the 19th century often pitted Members from northern manufacturing regions, who benefitted from high tariffs, against those from largely southern raw material exporting regions, who gained from and advocated for low tariffs.

A major shift in U.S. trade policy occurred after Congress passed the highly protective "Smoot-Hawley" Tariff Act of 1930, which significantly raised U.S. tariff levels and led U.S. trading partners to respond in kind. As a result, world trade declined rapidly, exacerbating the impact of the Great Depression. Since the passage of the Tariff Act of 1930, Congress has delegated certain trade authority to the executive branch. First, Congress enacted the Reciprocal Trade Agreements Act of 1934, which authorized the President to enter into reciprocal agreements to reduce tariffs within congressionally pre-approved levels, and to implement the new tariffs by proclamation without additional legislation. Congress renewed this authority periodically until the 1960s. Subsequently, Congress enacted the Trade Act of 1974, aimed at opening markets and establishing nondiscriminatory international trade norms for nontariff barriers as well. Because changes in nontariff barriers in reciprocal bilateral, regional, and multilateral trade agreements

may involve amending U.S. law, the agreements require congressional approval and implementing legislation. Congress has renewed or amended the 1974 Act five times, which includes granting "fast-track" trade negotiating authority. Since 2002, "fast track" has been known as trade promotion authority (TPA). Third, Congress has granted the President various authorities to address unfair trade practices and impose tariffs in certain circumstances for trade, national security and foreign policy purposes.

Congress also exercises trade policy authority through the enactment of laws authorizing trade programs and governing trade policy generally, as well as oversight of the implementation of trade policies, programs, and agreements. These include such areas as U.S. trade agreement negotiations, tariffs and nontariff barriers, trade remedy laws, import and export policies, economic sanctions, and the trade policy functions of the federal government.

Additionally, Congress has an important role in international investment and finance policy. It has authority over bilateral investment treaties (BITs) through Senate ratification, and the level of U.S. financial commitments to the multilateral development banks (MDBs), including the World Bank, and to the International Monetary Fund (IMF). It also authorizes the activities of such agencies as the Export-Import Bank (Ex-Im Bank) and the Overseas Private Investment Corporation (OPIC). Congress has oversight responsibilities over these institutions, as well as the Federal Reserve and the Department of the Treasury, whose activities affect international capital flows. Congress also closely monitors developments in international financial markets that could affect the U.S. economy.

Policy Issues for Congress

Trade Promotion Authority (TPA)[5]

Legislation to renew Trade Promotion Authority (TPA)—the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (P.L. 114-26)—was signed by President Obama on June 29, 2015, after months of debate and passage by both houses of Congress. TPA allows implementing bills for specific trade agreements to be considered under expedited legislative procedures—limited debate, no amendments, and an up or down vote—provided the President observes certain statutory obligations in negotiating trade agreements. These obligations include adhering to congressionally-defined U.S. trade policy negotiating objectives, as well as congressional notification and consultation requirements before, during, and after the completion of the negotiation process.

The primary purpose of TPA is to preserve the constitutional role of Congress with respect to consideration of implementing legislation for trade agreements that require changes in domestic law, which includes tariffs, while also bolstering the negotiating credibility of the executive branch by ensuring that trade agreements will not be changed once concluded. Since the authority was first enacted in the Trade Act of 1974, Congress has renewed or amended TPA five times (1979, 1984, 1988, 2002, and 2015). The latest grant of authority expires on July 1, 2021, provided that the President requests its extension by April 1, 2018, and neither chamber introduces and passes an extension disapproval resolution by July 1, 2018. If legislation is

[5] Written by (name redacted), Specialist in International Trade and Finance (x7 -....). See CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by (name redacted) ; CRS Report R43491, *Trade Promotion Authority (TPA): Frequently Asked Questions*, by (name redacted) and (name redacted) ; and CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by (name redacted) .

introduced in Congress in the future to implement the results of negotiations to renegotiate or modernize the North American Free Trade Agreement, it may be eligible to receive expedited consideration under TPA if concluded prior to the expiration of TPA.

The World Trade Organization (WTO)[6]

The WTO is an international organization that administers the trade rules and agreements negotiated by 164 participating members to eliminate barriers and create non-discriminatory rules and principles to govern trade. It also serves as a forum for dispute settlement resolution and trade liberalization negotiations. The United States was a major force behind the establishment of the WTO on January 1, 1995, and the new rules and trade liberalization agreements that occurred as a result of the Uruguay Round of multilateral trade negotiations (1986-1994). The WTO succeeded the General Agreement on Tariffs and Trade (GATT), which was established in 1947.

The most recent round of multilateral trade negotiations, the WTO Doha Round, began in November 2001, but concluded with no clear path forward after the 10th Ministerial Conference in December 2015.Trade ministers and their senior representatives in Nairobi did reach consensus on a limited set of deliverables related to the agriculture priorities of least developed countries, but the lack of a clear mandate for the Doha Round reflects continued wide division among WTO members.

The WTO's future as an effective multilateral trade negotiating organization for broad based multilateral trade liberalization remains in question. The deadlock in negotiations is largely due to differences between leading emerging-market economies, such as India, China and Brazil, developing economies, and advanced countries. Most developing countries want to continue to link the broad spectrum of agricultural and non-agricultural issues under the Doha Round and have been reluctant to lower their tariffs on industrial goods. They maintain that unless all issues are addressed in a single package, issues important to developing countries will be ignored. Conversely, the developed economies have pushed for change in the negotiating dynamics, arguing that the WTO needs to address new issues, such as digital trade and investment, especially given the growth of major emerging markets, such as China and India. WTO members are working on potential deliverables in the lead up to the 11th ministerial conference in Buenos Aires, Argentina in December 2017.

The WTO appears to moving in a direction of negotiating sectoral and issue-focused agreements on a plurilateral basis (subsets of WTO members rather than among all WTO members). The Nairobi Declaration underscored the importance of a multilateral rules-based trading system with regional and plurilateral agreements as a complement to, not a substitute for, the multilateral forum. Work to build on the current WTO agreements outside the scope of the Doha Round continues, including through sectoral or plurilateral agreements that involve only a subset of WTO members, for example, on services (see **text box**).

[6] Written by (name redacted), Specialist in International Trade and Finance (x7 -....), and Rachel Fefer, Analyst in International Trade and Finance (x7-....). See CRS In Focus IF10002, *The World Trade Organization*, by (name r edacted) and (name redacted) ; and CRS Report R43592, *Agriculture in the WTO Bali Ministerial Agreement*, by (name redacted)

Sectoral and Plurilateral Agreements and Negotiations

- **WTO Trade Facilitation Agreement (TFA).** The TFA, which aims to streamline the flow of goods across borders, was finalized in Bali in 2013 and was the first formal new multilateral agreement reached under the WTO. The agreement contains provisions to expedite and achieve greater transparency in the movement, release, and clearance of goods, including goods in transit. The agreement entered into force on February 22, 2017, when two-thirds of WTO members, including the United States, ratified the multilateral agreement. U.S. implementation of the TFA does not require changes from current processes, including planned efforts to update U.S. systems, and the United States is actively involved as a donor member to provide capacity building to developing and least-developed members.
- **WTO Information Technology Agreement (ITA).** The ITA, originally concluded in 1996 by a subset of WTO members, provides tariff-free treatment for covered IT products. While a plurilateral agreement, it is applied on a most-favored-nation (MFN) basis so that all WTO members benefit from the tariff cuts. The United States and other parties finalized an updated version of the ITA in December 2015, further cutting tariffs on IT products over a seven-year period on 201 additional goods over the 1996 original ITA. In June 2016, President Obama issued a proclamation to implement the ITA tariff cuts. China began its cuts in mid-September 2016 and said it will reduce its tariffs over five to seven years.
- **WTO Government Procurement Agreement (GPA).** The GPA is a plurilateral agreement that provides market access for various non-defense government projects to its signatories. Each member submits lists of government entities and goods and services (with thresholds and limitations) that are open to bidding by firms of the other GPA members. Non-GPA signatories do not enjoy any rights under the GPA. Negotiations to expand the GPA were concluded in March 2012, and a revised GPA entered into force on April 6, 2014. The United States is among the 45 WTO members (including 28 EU member countries) that are part of the GPA. Several countries, including China, are in negotiations to accede to the GPA. Armenia, Montenegro, and New Zealand joined the GPA in 2015.
- **WTO Environmental Goods Agreement (EGA).** In July 2014, the United States and 13 other countries launched plurilateral negotiations within the WTO to liberalize trade in environmental goods and services, which are viewed as promoting sustainable development—through tariff elimination. While only 17 members (including the EU, which represents 28 member countries) are negotiating, it would be an open plurilateral agreement like the ITA, so that all benefits achieved through negotiation would be extended on a MFN basis to all members of the WTO. Thus, achieving a “critical mass” of participation by the producers of such goods—suggested to be 90%—is considered necessary to avoid the problem of free-riders. However, after 18 rounds of negotiations, the agreement was not concluded at the December 2016 General Council meeting and its future remains uncertain. Most parties blamed China for the failure as it rejected the list of products to be included and requested several lengthy tariff phase-out periods, which other countries refused to accept.
- **WTO Fisheries Subsidy Agreement.** Members continue to negotiate an agreement to eliminate fisheries subsidies in support of the United Nations’ Sustainable Development Goals (SDGs). Members are currently reviewing seven separate proposals that focus on subsidies in respect of illegal, unreported and unregulated fishing (IUU) and overfished stocks that contribute to overcapacity, as well as various approaches to special and differential treatment for developing and least developed countries, with the aim of reaching a consensus agreement at the December 2017 Ministerial Meeting.
- **Trade in Services Agreement (TiSA).** TiSA is a potential agreement outside of the WTO structure but building on WTO agreements. The group is composed of 23 developed and advanced developing members, including the United States and the EU (more below).

U.S. Bilateral and Regional Trade Agreements

In addition to the WTO, the United States has worked to reduce and eliminate barriers to trade and create non-discriminatory rules and principles to govern trade through plurilateral and bilateral agreements. It has concluded 14 free trade agreements (FTAs) with 20 countries since 1985, when the first U.S. bilateral FTA was concluded with Israel.

The Trump Administration has signaled a shift on U.S. bilateral and regional trade agreements. President Trump withdrew the United States from the Trans-Pacific Partnership (TPP), a FTA negotiated during the Obama Administration between the United States and 11 other countries in the Asia-Pacific region. The Trump Administration is also planning a renegotiation of the North

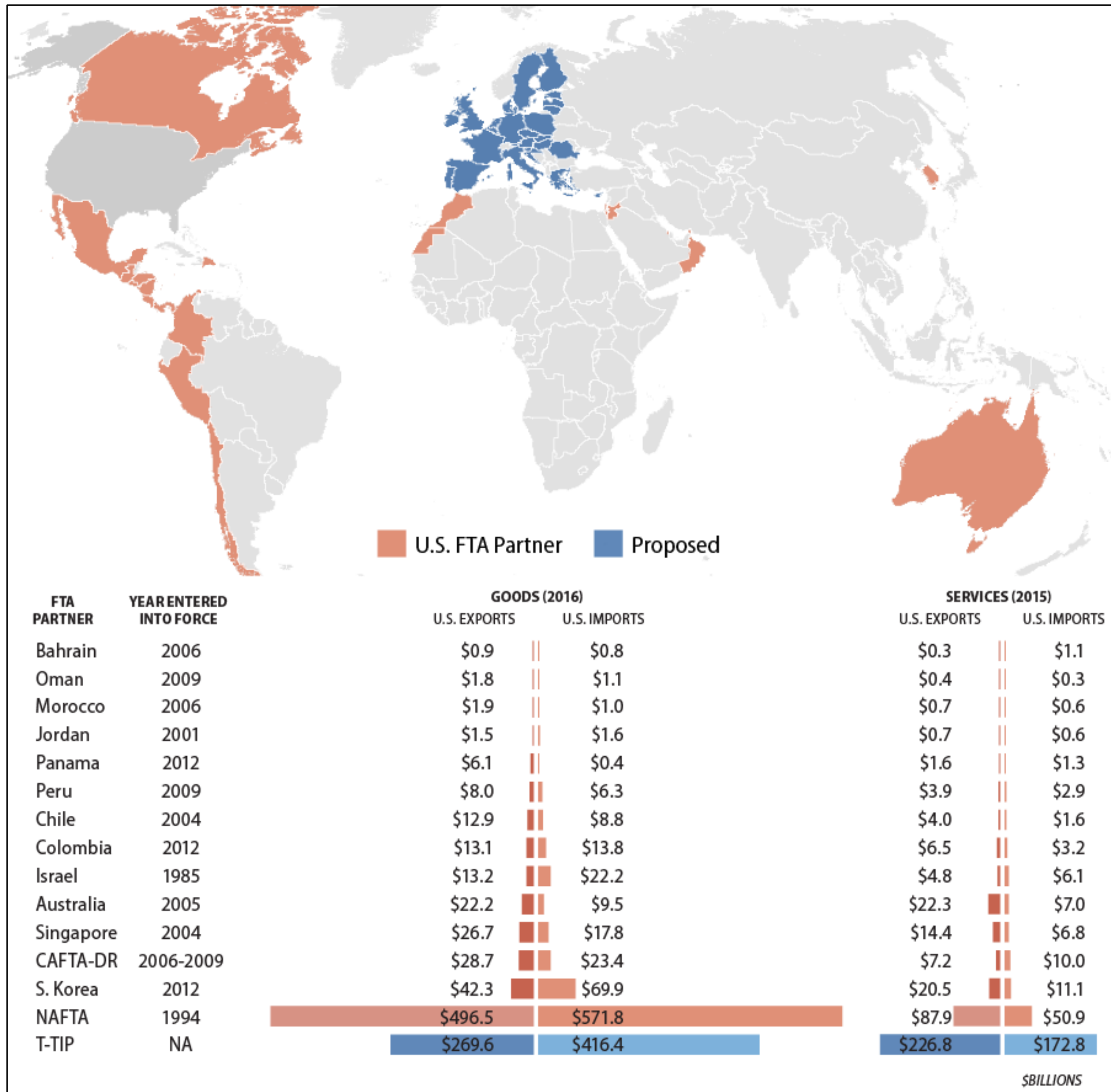
American Free Trade Agreement (NAFTA), a FTA between the United States, Canada, and Mexico. Other trade negotiations launched during the Obama Administration, including for a FTA between the United States and the European Union (EU) on a potential Transatlantic Trade and Investment Partnership (T-TIP), and among 23 WTO members on a potential Trade in Services Agreement (TiSA), have been dormant to date under the Trump Administration. President Trump has expressed interest in negotiating bilateral trade agreements, including a FTA with the United Kingdom, Japan, and other TPP partners.

U.S. Trade Agreement Basics

U.S. trade agreements generally are negotiated

- on the basis of ***U.S. trade negotiating objectives*** established by Congress;
- by the ***U.S. Trade Representative (USTR)***, who is the lead U.S. trade negotiator and responsible for developing and coordinating U.S. trade policy;
- with interagency processes and advisory systems to provide support and take into account stakeholder input;
- to seek ***market access*** in goods, services, and agriculture by reducing and eliminating ***tariff and non-tariff barriers*** and to establish ***trade-related rules and disciplines***;
- on a ***reciprocal basis***, with the United States granting concessions in exchange for concessions from trading partner(s);
- with the goal of concluding agreements that are ***"comprehensive and high standard,"*** covering substantially all trade and setting high standard rules for trade that generally exceed current WTO levels of commitment; and
- in one of four forms: ***multilateral*** (with all WTO members), ***plurilateral*** (with a subset of WTO members), ***regional*** (such as NAFTA and TPP), or ***bilateral*** (with one country, such as KORUS).

Figure 2. Existing and Proposed U.S. Free Trade Agreements



FTA PARTNER	YEAR ENTERED INTO FORCE	GOODS (2016) U.S. EXPORTS	GOODS (2016) U.S. IMPORTS	SERVICES (2015) U.S. EXPORTS	SERVICES (2015) U.S. IMPORTS
Bahrain	2006	$0.9	$0.8	$0.3	$1.1
Oman	2009	$1.8	$1.1	$0.4	$0.3
Morocco	2006	$1.9	$1.0	$0.7	$0.6
Jordan	2001	$1.5	$1.6	$0.7	$0.6
Panama	2012	$6.1	$0.4	$1.6	$1.3
Peru	2009	$8.0	$6.3	$3.9	$2.9
Chile	2004	$12.9	$8.8	$4.0	$1.6
Colombia	2012	$13.1	$13.8	$6.5	$3.2
Israel	1985	$13.2	$22.2	$4.8	$6.1
Australia	2005	$22.2	$9.5	$22.3	$7.0
Singapore	2004	$26.7	$17.8	$14.4	$6.8
CAFTA-DR	2006-2009	$28.7	$23.4	$7.2	$10.0
S. Korea	2012	$42.3	$69.9	$20.5	$11.1
NAFTA	1994	$496.5	$571.8	$87.9	$50.9
T-TIP	NA	$269.6	$416.4	$226.8	$172.8

$BILLIONS

Source: Created by CRS using U.S. International Trade Commission and the Bureau of Economic Analysis data.

North American Free Trade Agreement (NAFTA)[7] Renegotiation

NAFTA, a comprehensive FTA among the United States, Canada, and Mexico, entered into force on January 1, 1994. NAFTA initiated a new generation of trade agreements, influencing subsequent negotiations in areas such as market access, rules of origin, intellectual property rights (IPR), foreign investment, dispute resolution, worker rights, and environmental protection.

On May 18, 2017, the Trump Administration sent a 90-day notification to Congress of its intent to begin talks with Canada and Mexico to modernize NAFTA, as required by the 2015 Trade Promotion Authority.[8] On July 17, 2017, United States Trade Representative Robert Lighthizer released a summary of the Administration's negotiating objectives.[9] Under TPA requirements, negotiations can begin no earlier than August 16, 2017.

NAFTA is more than 20 years old and renegotiation may provide opportunities to address issues not currently covered in NAFTA and to modernize other parts of the agreement. Potential topics of renegotiation could include rules of origin, agriculture, services trade, digital trade, intellectual property rights (IPR) protection, government procurement, and stronger and more enforceable labor and environmental provisions.

The Trump Administration's desire to renegotiate NAFTA, along with the rising number of bilateral and regional trade agreements globally and the growing presence of China in Latin America have numerous implications for U.S. trade policy with its NAFTA partners. Many trade policy experts and economists give credit to NAFTA and other FTAs for expanding trade and economic linkages among countries, creating more efficient production processes, increasing the availability of lower-priced consumer goods, and improving living standards and working conditions. Other proponents contend that FTAs have political dimensions that create positive ties among member countries and improve democratic governance. However, some policymakers, labor groups and consumer advocacy groups argue that NAFTA has had a negative effect on the U.S. economy. They strongly oppose NAFTA and other FTAs. They maintain that trade agreements result in outsourcing, lower wages, and job dislocation.

NAFTA Facts

- ***Milestones.*** Negotiations began in February 1991. The agreement was signed by President George H. W. Bush on December 17, 1992. NAFTA side agreements were signed in August 1993. The NAFTA Implementation Act was approved by Congress on November 20, 1993, signed into law by President William J. Clinton on December 8, 1993, and entered into force January 1, 1999.
- ***Prior Liberalization.*** NAFTA enhanced prior liberalization efforts. The U.S.-Canada FTA had been in effect since 1989, and Mexico was in the process of substantive unilateral trade and investment liberalization measures.
- ***NAFTA Text.*** NAFTA contains provisions on tariff and non-tariff barrier elimination, customs procedures, energy, agriculture, technical barriers to trade, government procurement, foreign investments, services trade, temporary entry for business persons, intellectual property rights protection, and dispute resolution procedures.
- ***Labor and Environmental Side Agreements.*** NAFTA parties approved additional binding side agreements on labor and the environment, including the establishment of the North American Development Bank.

[7] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report R42965, *The North American Free Trade Agreement (NAFTA)*, by (name redacted) and (name redacted) ; and CRS In Focus IF10047, *North American Free Trade Agreement (NAFTA)*, by (name redacted) .

[8] See CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by (name redacted) .

[9] Office of the United States Trade Representative, *USTR Releases NAFTA Negotiating Objectives*, Press Release, July 17, 2017.

Both proponents and critics of NAFTA agree that the three countries could consider the strengths and shortcomings of the agreement as they look to the future of NAFTA and a potential modernization. Policy issues could include strengthening NAFTA provisions in areas such as worker rights, the environment, intellectual property rights, services trade, and digital trade; considering the ramifications if Canada and Mexico move forward with a potential FTA with other TPP partners; evaluating the possibility of trade retaliation by Canada or Mexico if the United States considers changing or withdrawing from NAFTA; considering the establishment of a border infrastructure plan, including more investment in infrastructure to make border crossings more efficient; promoting research and development to enhance the global competitiveness of North American industries; enhancing understanding of regional supply chain networks; and/or creating more efforts to lessen income differentials within the region.

Trans-Pacific Partnership (TPP)[10]

On January 24, 2017, President Trump withdrew the United States from the Trans-Pacific Partnership (TPP). The TPP had been a proposed free trade agreement (FTA) among 12 countries in the Asia-Pacific region, including the United States. The Obama Administration cast TPP as a comprehensive and high standard agreement with economic and strategic significance for the United States. Some U.S. stakeholders argue the TPP withdrawal coupled with ongoing FTA negotiations that do not involve the United States may negatively affect U.S. export competitiveness and leadership in establishing new trade disciplines. Had it been ratified by the United States, TPP would have been the largest U.S. FTA by trade flows to date, as it included three of the five largest U.S. trade partners—Canada, Mexico, and Japan. The Trump Administration has expressed interest in negotiating bilateral FTAs with Japan and other TPP parties.

TPP Fast Facts

- ***Negotiations concluded:*** 10/5/2015.
- ***Agreement text released:*** 11/5/2015.
- ***Date signed:*** 2/4/2016.
- ***U.S. Withdrawal:*** 1/24/17.
- ***Status:*** 11 remaining countries may continue with accord.
- ***11 countries participating:*** Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam.
- ***Value of total 2015 U.S. goods and services trade with TPP countries:*** $1.8 trillion.

The remaining 11 parties may move forward to ratify the TPP without U.S. participation (TPP-11). This group has met on several occasions since the U.S. withdrawal, and reportedly will meet to decide whether to continue with the deal later this year. Japan is a leading proponent of keeping discussion of the TPP alive and minimizing potential changes to the agreement, which is in many ways similar to existing U.S. FTAs. This may be a strategy by Japan to keep open the possibility of future U.S. accession. The Japanese Diet approved the TPP in late 2016, and the New Zealand Parliament followed suit in May 2017. Other countries have expressed various levels of enthusiasm for continuing the agreement.

The economic significance of a TPP-11 agreement would be smaller without U.S. participation. However, it would provide those countries liberalized trade with Japan, the world's third largest economy. Japan has existing bilateral FTAs with several countries in the region, including Australia, and exports to Japan from these countries currently enjoy a price advantage in the

[10] Written by (name redacted), Specialist in International Trade and Finance (x7 -....), and (name redacted), Analyst in International Trade and Finance (x7-....). See ; CRS In Focus IF10000, *TPP: Overview and Current Status*, by (name redacted) and (name redacted) ; CRS Insight IN10443, *CRS Products on the Trans-Pacific Partnership (TPP)*, by (name redacted) and (name redacted) .

Japanese market relative to U.S. exports. If the TPP-11 is ratified, major agricultural exporters in particular, including Canada, Australia, and New Zealand will benefit from a further tariff advantage in the Japanese market over U.S. competitors. Japan also recently announced an agreement "in principle" with the European Union, which, if finalized and enacted, would similarly give advantage to EU products in the Japanese market and vice-versa.

The Regional Comprehensive Economic Partnership (RCEP), an Association of South-East Asian Nations (ASEAN)-led negotiation, may also take on increased significance in the wake of TPP. The RCEP encompasses ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam), as well as China, Japan, South Korea, Australia, India, and New Zealand, but not the United States. The remaining TPP countries may also seek to solidify their trading relationship with China, whether within RCEP or bilaterally, as China is already the largest trading partner for most TPP countries. Proponents of TPP often characterized it as a vehicle to establish U.S. favored trade disciplines in the Asia-Pacific region, maintaining U.S. economic and strategic leadership in the region. Many in Congress have expressed strong support for certain aspects of the TPP, such as its new commitments on digital trade and state-owned enterprises. Trump Administration officials, including Ambassador Lighthizer, have noted that aspects of TPP may influence U.S. negotiating positions in future FTA talks, including in the renegotiation of NAFTA.

Transatlantic Trade and Investment Partnership (T-TIP)[11]

The Transatlantic Trade and Investment Partnership (T-TIP) is a potential "comprehensive and high-standard" free trade agreement (FTA) between the United States and the European Union (EU). These economies are each other's largest overall trade and investment partner. T-TIP aims to liberalize U.S.-EU trade and investment and address tariff and non-tariff barriers on goods, services, and agriculture. It also aims to set globally relevant rules and disciplines to support economic growth and multilateral trade liberalization. T-TIP negotiations began in 2013. With the 15th and latest negotiating round in October 2016, the two sides had consolidated texts in many areas. Yet, they face unresolved complex and sensitive issues on numerous fronts, raising questions about whether sufficient political momentum exists to overcome differences. Presently, negotiations are on pause as both sides evaluate T-TIP's status.[12]

T-TIP Basics

- ***U.S.-EU High-Level Working Group report:*** Called for United States and EU to negotiate FTA, 2/11/13.
- ***Date negotiations started:*** 7/8/2013.
- ***Number of negotiating rounds:*** 15 rounds through October 2016 under the Obama Administration.
- ***Status:*** Negotiations currently dormant under the Trump Administration.
- ***U.S.-EU goods and services trade in 2016:*** $1.1 trillion (22% of U.S. global trade).
- ***U.S.-EU investment in 2016:*** $5.2 trillion (57% of U.S. world investment stock on historical-cost basis).

Note: Data for EU-28.

T-TIP's outlook is uncertain. On the U.S. side, support for T-TIP remains high among some Members of Congress. At the same time, making concessions in international trade negotiations

[11] Written by (name r edacted) (x7 -....) and (name redacted) (x7 -....), Specialists in International Trade and Finance. See CRS Report R43387, *Transatlantic Trade and Investment Partnership (T-TIP) Negotiations*, by (name r ed acted), (name redacted), and (name redacted) ; and CRS In Focus IF10120, *Transatlantic Trade and Investment Partnership (T-TIP)*, by (name redacted) and (name redacted) .

[12] Office of the U.S. Trade Representative, *2017 Trade Policy Agenda and 2016 Annual Report*, March 2017, p. 136.

remains controversial for others in Congress and with the American public. On one hand, T-TIP's prospects are questionable due to President Trump's preference for bilateral FTA negotiations to leverage U.S. economic strength and target U.S. priorities. The potential for growing U.S.-EU trade frictions in light of the Trump Administration's focus on "unfair" trading practices related to U.S. domestic import competition, such as the Section 232 investigations on steel and aluminum, and the possibility of EU countermeasures depending on the outcome of these and other potential investigations[13] could also diminish T-TIP's prospects. On the other hand, the Administration has expressed support for expanding transatlantic trade and possible openness to resuming T-TIP negotiations.[14] The Administration also appears to have shifted away from its prior advances to some EU member states to negotiate bilateral FTAs, which was unrealistic given tehir membership in the EU.[15]

Other uncertainties include the September 2017 national elections in Germany, where public opposition to T-TIP runs high due to concerns over treatment of genetically modified organisms (GMOs), investor-state dispute settlement (ISDS), and data privacy. Another variable is the pending United Kingdom exit from the EU ("Brexit," see next section). In addition, if the agreement "in principle" announced in July 2017 on an EU-Japan FTA leads to a ratified FTA between those two economies, it could accelerate U.S. interest in resuming T-TIP negotiations to ensure U.S. firms' competitiveness in the EU market.[16]

If T-TIP negotiations resume, potential issues for Congress include the level of priority both sides place on T-TIP, given the U.S. renegotiation of the North American Free Trade Agreement (NAFTA) and the EU's trade negotiations with other countries. If T-TIP negotiations stall indefinitely or terminate, Congress may wish to examine other ways to enhance U.S.-EU trade relations. Congress might also want to address strategic issues regarding U.S. ability to shape international trade norms due to the EU's push to include its approaches on issues such as regulatory cooperation, geographical indications (GIs), data flows, and ISDS in its FTAs with other countries. These issues, which were contentious in prior T-TIP negotiations, could directly conflict with U.S. trade and regulatory objectives.

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[13] CRS In Focus IF10667, *Section 232 of the Trade Expansion Act of 1962*, by (name redacted) and (name redacted)

[14] See, for example, U.S. Congress, House Committee on Ways and Means, *Hearing on U.S. Trade Policy*, Q&A with U.S. Trade Representative Robert Lighthizer, 115th Cong., 1st sess., June 22, 2017, Congressional Quarterly Congressional Transcripts; and Vicki Needham, "Ross open to reviving U.S., EU trade deal," *The Hill*, May 30, 2017.

[15] EU members, by their EU membership terms, may not individually negotiate FTAs, as trade policy is an exclusive EU competence. See CRS Report RS21372, *The European Union: Questions and Answers*, by (name redacted)

[16] CRS Insight IN10738, *The Proposed EU-Japan FTA and Implications for U.S. Trade Policy*, by (name redacted) and (name redacted) .

Brexit and a Potential U.S.-UK Free Trade Agreement (FTA)[17]

> **U.S.-UK Trade Relations: Fast Answers**
>
> ***What are current terms of trade?*** Presently, U.S.-UK terms of trade are based on U.S. and EU World Trade Organization (WTO) most-favored-nation (MFN) commitments.
>
> ***What are ongoing trade negotiations?*** The United States and the UK, as a member of the EU, have been engaged in various negotiations, including on the now-paused U.S.-EU Transatlantic Trade and Investment Partnership (T-TIP) free trade agreement (FTA) negotiations.
>
> ***What could Brexit change?*** Much uncertainty exists, but Brexit presumably would return to the UK competence over its trade policy. Brexit could affect the UK's status with respect to any future trade negotiations, such as T-TIP. It also could lead to possible U.S.-UK bilateral FTA negotiations. In the absence of a preferential trade agreement between the United States and UK, trade would remain on an MFN basis.
>
> ***What happens in the meantime?*** The UK remains an EU member, and the EU retains exclusive competence over UK trade policy, as it does for all other EU other members. Thus, the UK remains a part of any ongoing EU trade negotiations.

On June 23, 2016, the United Kingdom (UK) voted in favor of exiting the EU ("Brexit"), presenting oversight and legislative issues about transatlantic trade relations. Trade is equivalent to about 60% of the UK economy, in large part due to reduced trade barriers through the EU's Single Market. At $2.7 trillion, the UK was the EU's second largest economy behind Germany and accounted for about 16% of EU GDP in 2016.[18] Brexit confronts U.S. firms operating in the UK and benefiting from UK's access to the Single Market with economic and financial uncertainties.

Brexit's impact on U.S.-UK trade relations depends on a number of variables. These include the UK's negotiated terms of withdrawal from the EU and the UK's future trade relationship with the EU. On March 29, 2017, UK Prime Minister Theresa May triggered the two-year Article 50 process for withdrawal from the EU.[19] June 2017 marked the start of the withdrawal negotiations.[20] The UK indicates that it will not seek membership in the EU Single Market and instead will seek an "ambitious and comprehensive" FTA with the EU and a new customs agreement.[21] Another variable is any redefinition of UK and EU terms of trade in the WTO. The UK is a member of the WTO both on an individual basis and as a part of the EU. However, the UK's commitments to the United States and other WTO members are through the EU's WTO schedules of commitments on tariffs and other areas, and may have to be renegotiated.

The UK is a key U.S. trade and investment partner. The Brexit referendum prompted calls from some Members of Congress and the Trump Administration to launch U.S.-UK FTA negotiations, though some Members have moderated their support with calls to ensure that such negotiations

[17] Written by (name redacted), Specialist in International Trade and Finance (x7 -....), and (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report R44559, *Economic Implications of a United Kingdom Exit from the European Union*, by (name redacted), (name redacted), and (name redacted) ; and CRS Report R44817, *U.S.-UK Free Trade Agreement: Prospects and Issues for Congress*, by (name redacted) .

[18] Data from the World Bank, GDP in current U.S. dollars.

[19] UK Department of Exiting the EU, "Prime Minister's Letter to Donald Tusk Triggering Article 50," correspondence, March 29, 2017.

[20] European Commission, "State of Play of Article 50 Negotiations with the United Kingdom," press release, July 12, 2017.

[21] UK Government, *The United Kingdom's Exit From and New Partnership with the European Union*, February 2017, p. 35. A UK "customs agreement" with the EU presumably would be different from the UK's current participation in the EU customs union, under which the UK and other EU member states agree to apply a common tariff to countries outside of the customs union and which prevents the UK from negotiating its own trade deals with other countries.

do not constrain promoting broader transatlantic trade relations.[22] On January 27, 2017, President Trump and Prime Minister May discussed how the two sides could "lay the groundwork" for a future U.S.-UK FTA.[23] In July 2017, the two sides launched a U.S.-UK Trade and Investment Working Group to explore a possible post-Brexit FTA. Early discussions include a focus on ensuring commercial continuity for U.S. and UK businesses during the withdrawal process.[24] Some experts view a potential U.S.-UK FTA as more politically feasible than other U.S. FTAs, given similarities in U.S. and UK trade policy approaches and the two countries' "special relationship"; others caution that, even among like-minded trading partners, domestic political interests can complicate trade negotiations.[25]

Brexit raises questions about other aspects of U.S. trade policy as well. Regarding T-TIP, some argue that the UK's possible absence could complicate the T-TIP negotiations, if resumed, given the UK's traditionally liberalizing role in the EU. Others say that a potential U.S.-UK FTA could add pressure to advance any further T-TIP negotiations. The UK's future status also could affect other U.S. trade policy interests, such as the Trade in Services Agreement (TiSA) negotiations (see below).

[22] In the 115th Congress, see H.Res. 60 (Dent), and U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Terrorism, Nonproliferation, and Trade and Subcommittee on Europe, Eurasia, and Emerging Threats, *Next Steps in the "Special Relationship"-Impact of a U.S.-UK Free Trade Agreement*, 115th Cong., 1st sess., February 1, 2017. For President Trump's stance prior to entering office, see Shawn Donnan, "Trump's UK Trade Pledge: Hurdles to a Quick Deal," *Financial Times*, January 15, 2017. For statements since President Trump entered office, see CSPAN, "President Trump and British Prime Minister Theresa Hold News Conference," January 27, 2017; CSPAN, "President Trump Rally in Melbourne, Florida," February 18, 2017; and Svenja O'Donnell, Thomas Penny, and Andrew Mayeda, "Trump Says U.S. Working on 'Big and Exciting' UK Trade Deal," Bloomberg, July 25, 2017.

[23] The White House, "President Trump and Prime Minister May's Opening Remarks," press release, January 27, 2017.

[24] USTR, "Joint Release by USTR Ambassador Lighthizer and UK International Trade Secretary Dr. Liam Fox," press release, July 2017.

[25] U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Terrorism, Nonproliferation, and Trade, Next Steps in the "Special Relationship": Impact of a U.S.-UK Free Trade Agreement, Testimony by Nile Gardiner, The Heritage Foundation, 115th Cong., 1st sess., February 1, 2017; Caroline Freund and Christine McDaniel, "How Long Does It Take to Conclude a Trade Agreement With the US?", blog, Peterson Institute for International Economics, July 21, 2016; Doug Palmer, "Trump Could Face Long Path to US-UK Trade Deal," POLITICO, December 30, 2016.

Trade in International Services Agreement (TiSA)[26]

TiSA is a potential agreement that would liberalize trade in services among its signatories. The term "services" refers to an expanding range of economic activities, such as construction, retail and wholesale sales, e-commerce, financial services, professional services (such as accounting and legal services), logistics, transportation, tourism, and telecommunications. The impetus for TiSA comes from the lack of progress in the WTO Doha Round on services trade liberalization. Given the impasse in the WTO, a subset of WTO members, led by the United States and Australia, launched informal discussions in early 2012 to explore negotiating a separate agreement focused on trade in services. The United States and the 22 other TiSA participants account for more than 70% of global trade in services.

TiSA Facts

- ***Negotiations launched:*** April 2013.
- ***Number of negotiating rounds:*** 21 rounds through November 2016.
- ***Type of agreement:*** Plurilateral agreement currently outside WTO.
- ***Number of parties:*** 23 (Australia, Canada, Chile, Taiwan [Chinese Taipei], Colombia, Costa Rica, the EU [28 members], Hong Kong, Iceland, Israel, Japan, South Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey, and the United States).
- ***Potential scope:*** Market access, rules and disciplines, and specific service sectors; final scope and structure still under negotiation.
- ***Status:*** Negotiations currently dormant under the Trump Administration.

Negotiations began in April 2013, and 21 rounds of negotiations and intercessional meetings took place through 2016. The Trump Administration has not stated an official position on TiSA, and no negotiations have been scheduled for 2017.

Negotiations on services present unique trade policy issues, such as how to construct trade rules that are applicable across a wide range of varied economic activities. The General Agreement on Trade in Services (GATS) under the WTO is the only multilateral set of rules on trade in services. GATS came into effect in 1995, and many policy experts have argued that the GATS must be updated and expanded if it is to liberalize services trade effectively. This prospect is diminished given that GATS reform is part of the stalled Doha Round of WTO negotiations.

The TiSA negotiations are of congressional interest given the significance of the services sector in the U.S. economy and TiSA's potential impact on domestic services industries seeking to expand internationally. Services account for almost 78% of U.S. gross domestic product (GDP) and for over 82% of U.S. private sector employment.[27] They not only function as end-user products by themselves, but they also act as the "lifeblood" of the rest of the economy. For example, transportation services ensure that goods reach customers and financial services provide financing for the manufacture of goods, while e-commerce and cross-border data flows allow customers to download products and companies to manage global supply chains. Services have been an important priority in U.S. trade policy and of global trade in general.

Congress may continue oversight of the TiSA negotiations. Opening services markets globally has been a long-standing U.S. trade negotiating objective. In the 2015 Trade Promotion Authority

[26] Written by Rachel Fefer, Analyst in International Trade and Finance (x7-....). See CRS Report R44354, *Trade in Services Agreement (TiSA) Negotiations: Overview and Issues for Congress*, by (name redacted) CRS In Focus IF10311, *Trade in Services Agreement (TiSA) Negotiations*, by (name redacted) and CRS Report R43291, *U.S. Trade in Services: Trends and Policy Issues*, by (name redacted)

[27] U.S. International Trade Commission, Recent Trends in U.S. Services Trade: 2017 Annual Report, May 2017, p. 24, https://www.usitc.gov/publications/332/pub4682.pdf.

(TPA) legislation, Congress included specific provisions establishing U.S. trade negotiating objectives on services trade to expand competitive market opportunities and obtain fairer and more open conditions of trade.

U.S.-China Commercial Relations[28]

Since China embarked upon economic and trade liberalization in 1979, U.S.-Chinese economic ties have grown extensively and total bilateral trade rose from about $2 billion in 1979 to $579 billion in 2016. China was the United States' second-largest trading partner, largest source of imports ($463 billion), and third largest merchandise export market ($116 billion).[29] The U.S. merchandise trade deficit with China was $347 billion, by far the largest U.S. bilateral trade imbalance.

China has been one of the fastest growing markets for U.S. exports. From 2006 to 2015, U.S. merchandise exports to China doubled. The U.S.-China Business Council estimates that China is a $400 billion market for U.S. firms when U.S. exports of goods and services to China plus sales by U.S-invested firms in China are counted.[30] China's large population, vast infrastructure needs, and rising middle class could make it an even more significant market for U.S. businesses, provided that new economic reforms are implemented and trade and investment barriers are lowered. According to the Rhodium Group, annual Chinese foreign direct investment (FDI) in the United States rose from $4.6 billion in 2010 to $46.2 billion in 2016.[31] China is important to the global supply chain for many U.S. companies, some of which use China as a final point of assembly for their products. Low-cost imports from China help keep U.S. inflation low. China is the world's largest economy and trading country. Its economic conditions and policies have a major impact on the U.S. and global economy, and thus are of interest to Congress.

Significance of China's Economic Rise

Listed below are illustrations of China's growing global economic reach.

Economy. China's gross domestic product (GDP) on a purchasing power parity (PPP) basis overtook the U.S. economy in 2014. China's PPP GDP in 2016 was $21.3 trillion (14.6% higher than the U.S. level).

Trade. China surpassed the United States as the world's largest merchandise trading economy (exports plus imports) in 2012. China's total trade in 2016 was $3.7 trillion.

FDI. In 2016, China was third largest destination, and second largest source, of global FDT flows.

Manufacturer. China overtook the United States in 2010 as the world's largest manufacturer on a gross value added basis, and in 2014, China's level (at $2.9 trillion) was 40% higher than the U.S. level.

Foreign exchange reserves. Despite declining by $936 billion from July 2014, to July 2017, China's reserves are the world's largest at $3.06 trillion.

Foreign holder of U.S. Treasury securities. At $1.16 trillion (as of May 2017), China is the largest foreign holder of U.S. Treasury debt. These large-scale holdings help the U.S. government finance its budget deficits, helping to keep U.S. real interest rates low.

A huge market. General Motors sold more vehicles in China (3.6 million) than any other country (including the United States) each year from 2010-2016. Boeing Corporation predicts that over the next 20 years, China will need 6,020 new airplanes valued at $870 billion.

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[28] Written by (name redacted), Specialist in Asian Trade and Finance (x7 -....). See CRS Report RL33536, *China-U.S. Trade Issues*, by (name redacted) ; CRS Report RL33534, *China's Economic Rise: History, Trends, Challenges, and Implications for the United States*, by (name redacted) ; and CRS In Focus IF10030, *U.S.-China Trade Issues*, by (name redacted) .

[29] U.S. International Trade Commission.

[30] U.S.-China Business Council 2016 China Business Environment Member Survey, https://www.uschina.org/reports/uscbc-2016-member-company-survey.

[31] The Rhodium Group, *China Investment Monitor*, available at http://rhg.com/interactive/china-investment-monitor. Note, Rhodium's FDI data differ significantly from estimates made by the U.S. Bureau of Economic Analysis.

Despite growing U.S.-Chinese commercial ties, the bilateral relationship is complex and at times contentious. From the U.S. perspective, many trade tensions stem from China's incomplete transition to an open-market economy. While China has significantly liberalized its economic and trade regimes over the past three decades—especially since joining the World Trade Organization (WTO) in 2001—it continues to maintain (or has recently imposed) a number of policies that appear to distort trade and FDI flows, which, some Members argue, often undermine U.S. economic interests and cause U.S. job losses in some sectors. The USTR summed up the major challenge to U.S.-China trade relations in its 2015 Report to Congress on China's WTO Compliance as follows: "Many of the problems that arise in the U.S.-China trade and investment relationship can be traced to the Chinese government's interventionist policies and practices and the large role of state-owned enterprises and other national champions in China's economy, which continue to generate significant trade distortions that inevitably give rise to trade frictions."[32] Major economic and trade areas of congressional concern are described below. A 2017 American Chamber in China (AmCham China) business climate survey of its member companies found that while a majority of respondents felt optimistic about their investments in China, 81% said that foreign businesses in China were "less welcomed" in China than before, compared to 44% who felt that way in 2014.[33]

China-U.S. FDI

U.S.-China FDI flows are relatively small given the high level of bilateral trade, although estimates of such flows differ. The Rhodium Group (RG), a private advisory firm, estimates the stock of China's FDI in the United States through 2015 at $62.9 billion and the stock of U.S. FDI in China at $227.9 billion. RG also estimated that annual Chinese FDI flows to the United States rose from $7.5 billion in 2012 to $15.3 billion in 2015, and that 2016 FDI flows were nearly triple 2015 levels, at $45.6 billion. Some members have raised concerns that some Chinese FDI activities may threaten to harm U.S. economic security and the competitiveness of some industries, and have proposed revising the criteria of how the federal government reviews such investment. The United States has pressed China to reduce FDI restrictions and barriers, including through negotiations for a bilateral investment treaty (BIA). In 2013, China agreed that the BIT would include Chinese commitments to open up various sectors to FDI, based on a "negative list" basis—meaning only sectors specifically listed in the final agreement would be barred from FDI. A BIT was not concluded by the end President Obama's term and the Trump Administration has not indicated if it intends to restart BIT negotiations with China.

The United States has initiated more WTO dispute settlement cases (21 cases through July 2017) against China than any other WTO member. Recently-brought cases involve Chinese agricultural subsides, export restrictions on certain raw materials, and preferential tax policies for locally-produced aircraft. China has brought 10 WTO cases against the United States, the most recent of which was filed on December 12, 2016, and involves U.S. treatment of China as a non-market economy (NME) for the purposes of applying anti-dumping measures. China contends that the WTO agreement on its accession to the WTO in 2001 contained a provision mandating that all WTO members give it market economy status by December 11, 2016. Most recently, on August 14, 2017, President Trump issued a Presidential Memorandum directing the USTR to determine whether it should launch a Section 301 investigation into China's protection of U.S. IPR and forced technology transfer polices. A Section 301 case against China could have significant implications for bilateral commercial ties, especially if the case is pursued unilaterally and not through the WTO dispute settlement process.

[32] https://ustr.gov/sites/default/files/2015-Report-to-Congress-China-WTO-Compliance.pdf.

[33] AmCham China, *China Business Climate Survey Report*, 2017, p.30.

Section 301

Sections 301 through 310 of the Trade Act of 1974, as amended, are commonly referred to as "Section 301." It is one of the principal statutory means by which the United States enforces U.S. rights under trade agreements and addresses "unfair" foreign barriers to U.S. exports. Section 301 procedures apply to foreign acts, policies, and practices that the USTR determines either (1) violates, or is inconsistent with, a trade agreement; or (2) is unjustifiable and burdens or restricts U.S. commerce. The measure sets procedures and timetables for actions based on the type of trade barrier(s) addressed. Section 301 cases can be initiated as a result of a petition filed by an interested party with the USTR or self-initiated by the USTR. Once the USTR begins a Section 301 investigation, it must seek a negotiated settlement with the foreign country concerned, either through compensation or an elimination of the particular barrier or practice. For cases involving trade agreements, such as those under the Uruguay Round (UR) agreements in the WTO, the USTR is required to utilize the formal dispute proceedings specified by the agreement.

Industrial Policies and State Capitalism

The Chinese government continues to play a major role in economic decision-making. For example, at the macroeconomic level, the Chinese government maintains policies that induce households to save a high level of their income, much of which is deposited in state-controlled Chinese banks. This enables the government to provide low-cost financing to Chinese firms, especially SOEs which dominate several economic sectors in China. Fortune's 2016 Global 500 list of the world's largest companies included 103 Chinese firms, 75 of which were classified as being 50% or more owned by the Chinese government. At the microeconomic level, the Chinese government (at the central and local government level) seeks to promote the development of industries deemed critical to the country's future economic development by using various means, such as subsidies, preferential loans, tax exemptions, and access to low-cost land and energy. Many analysts contend that such distortionary policies contribute to overcapacity in several Chinese industrial sectors, such as steel and aluminum. Additionally, the Chinese government imposes numerous restrictions on foreign firms seeking to do business in China, such as discriminatory regulations and standards, uneven enforcement of commercial laws (such as its anti-monopoly laws), FDI barriers and mandates, export restrictions on raw materials, technology transfer requirements imposed on foreign firms, and public procurement rules that give preferences to domestic Chinese firms.

The Chinese government has outlined a number of policies to promote China's transition from a manufacturing center to a major global source of innovation and reducing the country's dependence on foreign technology by promoting "indigenous innovation" and a 2025 "Made in China" plan. In recent years, the Chinese government has enacted new laws on national security, cybersecurity, and counter-terrorism, and has proposed new regulations for banking and insurance, which, under the pretext of protecting national security, appear to impose new restrictions against foreign providers of information and communications products (ICT) and services. For example, some of the provisions describe the need for China to obtain ICT that is "secure and controllable," describe the need for the government to promote indigenous sources of technology, imposes data localization requirements, and contain broad and vague language on an approval process for ICT goods and services.

Intellectual Property Rights (IPR) Protection and Cyber-Theft

American firms cite the lack of effective and consistent protection and enforcement in China of U.S. IPR as one of the largest challenges they face in doing business in China. Although China has significantly improved its IPR protection regime over the past few years, many U.S. industry officials view piracy rates in China as unacceptably high. While the 2017 Amcham China's 2017

business survey found that 95% percent of respondents felt that IPR enforcement had improved over the past five years, 66% said the IPR enforcement of trade secrets was ineffective and 52% said protection of trademarks and brands was ineffective. A May 2013 study by the Commission on the Theft of American Intellectual Property, a commission co-chaired by Dennis C. Blair, former U.S. Director of National Intelligence, and former U.S. Ambassador to China, Jon Huntsman, estimated that China accounted for up to 80% ($240 billion) of the annual cost to the U.S. economy of global IPR theft ($300 billion).[34] The USTR's 2016 report on foreign trade barriers stated that over the past decade, China's Internet restrictions have "posed a significant burden to foreign suppliers," and that eight out of the top 25 most globally visited sites (such as Yahoo, Facebook, YouTube, eBay, Twitter and Amazon) are blocked in China.[35] Cyberattacks by Chinese entities against U.S. firms have raised concerns over the potential theft of U.S. IPR, especially trade secrets. A February 2013 report by Mandiant, a U.S. information security company, documented extensive economic cyber espionage by a Chinese unit (designated as "APT1") with alleged links to the Chinese People's Liberation Army (PLA) against 141 firms, covering 20 industries, since 2006.[36] On May 19, 2014, the U.S. Department of Justice issued a 31-count indictment against five members of the Chinese People's Liberation Army (PLA) for cyber espionage and other offenses that allegedly targeted five U.S. firms and a labor union for commercial advantage, the first time the federal government initiated such action against state actors.

On April 1, 2015, President Obama issued Executive Order 13964, authorizing certain sanctions against "persons engaging in significant malicious cyber-enabled activates." Shortly before Chinese President Xi's state visit to the United States in September 2015, some press reports indicated that the Obama Administration was considering imposing sanctions against Chinese entities over cyber-theft. After high-level talks between Chinese and U.S. officials on cybersecurity, President Obama and President Xi announced on September 25, 2016 that they reached an agreement. The agreement stated that neither country's government will conduct or knowingly support cyber-enabled theft of intellectual property, including trade secrets or other confidential business information, with the intent of providing competitive advantages to companies or commercial sectors. They also agreed to set up a high-level dialogue mechanism to address cybercrime and to improve two-way communication when cyber-related concerns arise. The U.S.-China High-Level Joint Dialogue on Cybercrime and Related Issues met in December 2015 and June 2016, although it is unclear if the dialogue has produce concrete results.

The Trump Administration's Approach

At their first official meeting as heads of state, President Trump and Chinese President Xi Jinping announced the establishment of a "100-day plan on trade" as well as a new high-level forum called the "U.S.-China Comprehensive Economic Dialogue."[37] According to U.S. Secretary of State Rex Tillerson, "President Trump noted the challenges caused by Chinese government intervention in its economy and raised serious concerns about the impact of China's industrial, agricultural, technology, and cyber policies on U.S. jobs and exports. The President underscored

[34] The Report of the Commission on the Theft of American Intellectual Property, 2013, http://www.ipcommission.org/report/IP_Commission_Report_052213.pdf.

[35] U.S. Trade Representative, 2016 National Trade Estimate Report on Foreign Trade Barriers, https://ustr.gov/sites/default/files/2016-NTE-Report-FINAL.pdf

[36] Mandiant, *APT1: Exposing One of China's Cyber, Espionage Units*, February 19, 2013, p. 2.

[37] The U.S.-China Comprehensive Dialogue has four pillars: the diplomatic and security dialogue; the comprehensive economic dialogue; the law enforcement and cybersecurity dialogue; and the social and cultures issues dialogue.

the need for China to take concrete steps to level the playing field for American workers, stressing repeatedly the need for reciprocal market access."

On May 11, 2017, the two sides announced that China would open its markets to U.S. beef, biotechnology products, credit rating services, electronic payment services, and bond underwriting and settlement. The United States agreed to open its markets to Chinese cooked poultry and welcomed Chinese purchases of U.S. liquefied gas. Chinese officials also indicated their support for continuing negotiations for continuing the BIT negotiations, although the Trump Administration did not indicate its position on this proposal. Following the meeting, President Trump in a series of Tweets appeared to indicate that he would link U.S. trade policy towards China with China's willingness to pressure North Korea to curb its nuclear and missile programs.

On July 19, 2017, the two sides held the first session of the CED in Washington, DC, which sought to build on the 100-day action plan through a new one-year action plan on trade and investment, seeking to achieve "a more balanced economic relationship." The outcome of the meeting is unclear as, unlike past high-level meetings, no joint fact sheet was released. The U.S. side issued a short statement that said that "China acknowledged our shared objective to reduce the trade deficit which both sides will work cooperatively to achieve." This led some U.S. observers to claim that the CED was marred with high tensions and disagreements, and failed to produce any meaningful results.[38] China, on the other hand issued a four-page document on the "positive outcomes" of the CED, including the broad outline of a one-year plan covering broad economic and trade topics.[39] The document also stated that two sides discussed trade in services, steel, aluminum, and high technology.[40]

President Trump has indicated growing frustration with China over North Korea, especially over the relative lack of economic pressure. China's trade data for January-June 2017 indicate that while its imports from North Korea declined by 24% year on year, its exports rose by 18%. This led President Trump to Tweet on July 29, 2017 that he was "very disappointed with China" and complained that China greatly benefited from trade with the United States but was doing nothing on North Korea. On July 31, 2017, Chinese Vice Commerce Minister Qian Keming's reportedly stated that "North Korea's nuclear issue and the issue of trade between China and the United States are two different issues. They are not related. You cannot speak about them together."[41]

Looking Ahead

The Trump Administration appears to be taking a harder line against China on trade issues. On March 31, 2017, President Trump issued an executive order requiring the U.S. Department of Commerce and USTR to submit an Omnibus Report on Significant Trade Deficits that focuses on major bilateral merchandise trade imbalances. That report will likely heavily focus on China. The Administration's Section 232 investigations on steel and aluminum imports might result in the

[38] For example, some analysts contend that the U.S. insistence on making the trade imbalances a major issue, the Administration's stated position that it would not grant China market economy status for U.S. anti-dumping cases, and ongoing U.S. Section 232 National Security reviews of U.S. steel and aluminum imports (which could affect China if the Trump administration decided to impose import restrictions), may have undermined progress on other issues, such as IPR and digital trade. China's CED representative, Vice Premier Wang Yang stated: "Dialogue cannot immediately address all differences, but confrontation will immediately damage the interests of both."

[39] A copy of the document can be found on the Embassy of the People's Republic of China's website at http://www.china-embassy.org/eng/zmgxss/t1479358.htm.

[40] China often contends that the United States could significantly reduce its trade imbalance with China if it loosened controls on high technology items.

[41] Washington Post, "Chinese official says no link between US trade and N. Korea,"

imposition of import restrictions against China. Finally, the Administration has made the enforcement and application U.S. anti-dumping and countervailing measures (where Chinese imports have been the largest target) a major priority.[42] When President Trump announced and signed his Presidential Memorandum on China's IPR policies on August 14, he said that "this is only the beginning."

Economic Effects of Trade

Trade and trade agreements have wide-ranging effects on the economy, including on economic growth, the distribution of income, and employment gains or losses. For most economists, liberalized trade results in both economic costs and benefits, but they argue the long-run net effect on the economy as a whole is positive. It is argued that the economy as a whole operates more efficiently and grows more rapidly as a result of competition through international trade and investment, and consumers benefit by having available a wider variety of goods and services at varying levels of quality and price than would be possible in an economy closed to international trade. Trade also can have long-term positive dynamic effects on an economy and enhances production and employment. However, the costs and benefits associated with expanding trade and trade agreements do not accrue to the economy at the same speed; costs to the economy in the form of job and firm losses are felt in the initial stages of the agreement, while benefits to the economy accrue over time. According to the World Bank, liberalizing trade and foreign investment have reduced the number of people in the world living in extreme poverty (under $1 per day) by half, or 600 million, over the past 25 years, transforming the global economy.[43]

Trade and U.S. Jobs[44]

Trade is one among a number of forces that drive changes in employment, wages, the distribution of income, and ultimately the standard of living in the U.S. economy. Most economists argue that macroeconomic forces within an economy, including technological and demographic changes, are the dominant factors that shape trade and foreign investment relationships and complicate efforts to disentangle the distinct impact that trade has on the economy. Various measures are used to estimate the role and impact of trade in the economy and of trade on employment. One measure developed by the Department of Commerce concludes that exports support, directly and indirectly, 11.7 million jobs in the U.S. economy. According to these estimates, jobs associated with international trade, especially jobs in export-intensive manufacturing industries, earn 18% more on a weighted average basis than comparable jobs in other manufacturing industries.

More open markets globally and other changes have subjected a larger portion of the domestic workforce to international competition. According to the International Monetary Fund (IMF), the effective global labor market quadrupled over the past two decades through the opening of China, India, and the former East European bloc countries.[45] In particular, the entry of China into the global economy is an unprecedented development given the size of the Chinese economy and the speed with which it became a major participant in the global economy. Standard economic theory recognizes that some workers and producers in the economy may experience a disproportionate

[42] Through the end of June 2017, China accounted for 38% of antidumping and countervailing duty orders in place.

[43] *Global Economic Prospects*, The World Bank, 2008, p. 46.

[44] Written by (name redacted), Specialist in International Trade and Finance (x7 -....) . See CRS Report R44546, *The Economic Effects of Trade: Overview and Policy Challenges*, by (name redacted) ; and CRS In Focus IF10161, *International Trade Agreements and Job Estimates*, by (name redacted) .

[45] The Globalization of Labor, *World Economic Outlook*, International Monetary Fund, April 2007, p. 161.

share of the short-term adjustment costs as a result of such economic transformations. Although the attendant adjustment costs for firms and workers are difficult to measure, some estimates suggest they may be significant over the short-run and can entail dislocations for some segments of the labor force, some companies, and some communities. Closed plants can result in depressed commercial and residential property values and lost tax revenues, with effects on local schools, local public infrastructure, and local community viability.[46]

In a dynamic economy like that of the United States, jobs are constantly being created and replaced as some economic activities expand, while others contract. As part of this process, various industries and sectors evolve at different speeds, reflecting differences in technological advancement, productivity, and efficiency. Those sectors that are the most successful in developing or incorporating new technological advancements usually generate greater economic rewards and are capable of attracting larger amounts of capital and labor. In contrast, those sectors or individual firms that lag behind generally attract less capital and labor and confront ever-increasing competitive challenges. In addition, advances in communications, transportation, and technology have facilitated a global transformation of economic production into sophisticated supply chains that span national borders, defy traditional concepts of trade, and effectively increase the number of firms and workers participating in the global economy. The growth of the digital economy, or the digitization of information, also has enhanced the knowledge economy and information-based trade.

Trade and trade liberalization can have a differential effect on workers and firms in the same industry. Some estimates indicate that the short-run costs to workers who attempt to switch occupations or switch industries in search of new employment opportunities may experience substantial effects. One study concluded that workers who switched jobs as a result of trade liberalization generally experienced a reduction in their wages, particularly in occupations where workers performed routine tasks.[47] These negative income effects were especially pronounced in occupations exposed to imports from low-income countries. In contrast, occupations associated with exports experienced a positive relationship between rising incomes and growth in export shares. As a result of the differing impact of trade liberalization on workers and firms, some governments have adopted special safeguards and worker retraining and other social safety net policies to mitigate the potential adverse effects of trade liberalization or address certain trade practices that may cause or threaten to cause injury.

Trade Adjustment Assistance (TAA)[48]

Trade Adjustment Assistance (TAA) is a group of programs that provide federal assistance to parties that have been adversely affected by foreign trade. Reduced barriers to trade can offer domestic benefits in increased consumer choice and new export markets but trade can also have negative effects among domestic industries that face increased competition. TAA aims to mitigate some of these negative domestic effects. TAA programs are authorized by the Trade Act of 1974,

[46] Schneider, Howard, "When a Factory Leaves Town: In the Shadow of Silicon Valley, A City Reels From Job Losses," *The Washington Post,* August 22, 2014.

[47] Artuc, Erhan, and John McLaren, *Trade Policy and Wage Inequality: A Structural Analysis With Occupational and Sectoral Mobility*, Policy Research Working Paper, The World Bank, September, 2012, p. 35.

[48] Written by (name redacted), Analyst in Labor Policy (x7 -....). See CRS Report R44153, *Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015*, by (name redacted) ; CRS Report RS20210, *Trade Adjustment Assistance for Firms*, by (name redacted); and CRS Report R40206, *Trade Adjustment Assistance for Farmers*, by (name redacted) .

as amended, and were last reauthorized by the Trade Adjustment Assistance Reauthorization Act of 2015 (TAARA; Title IV of P.L. 114-27).

The largest TAA program, TAA for Workers (TAAW), provides federal assistance to workers who have been separated from their jobs because of increases in directly competitive imports or because their jobs moved to a foreign country. The largest components of the TAAW program are (1) funding for career services and training to prepare workers for new occupations and (2) income support for workers who are enrolled in an eligible training program and have exhausted their unemployment compensation. The TAAW program is administered at the federal level by the Department of Labor and FY2017 appropriations were $849 million.

TAA programs are also authorized for firms and farmers that have been adversely affected by international competition. TAA for Firms supports trade-impacted businesses by providing technical assistance in developing business recovery plans and by providing matching funds to implement those plans. TAA for Firms is administered by the Department of Commerce and the FY2017 appropriation was $13 million. The TAA for Farmers program was reauthorized by TAARA, but the program has not received an appropriation since FY2011.

Intellectual Property Rights (IPR)[49]

Intellectual property (IP) is a creation of the mind embodied in physical and digital objects. IPR are legal, private, enforceable rights that governments grant to inventors and artists that generally provide time-limited monopolies to right holders to use, commercialize, and market their creations and prevent others from doing the same without their permission.

IP is a source of comparative advantage of the United States, and IPR infringement has adverse consequences for U.S. commercial, health, safety, and security interests. Protection and enforcement of IPR in the digital environment is of increasing concern, including cyber-theft. At the same time, lawful limitations to IPR, such as exceptions in copyright law for media, research, and teaching (known as "fair use"), also may have benefits.

Examples of IPR

Patents protect new innovations and inventions, such as pharmaceutical products, chemical processes, new business technologies, and computer software.

Copyrights protect artistic and literary works, such as books, music, and movies.

Trademarks protect distinctive commercial names, marks, and symbols.

Trade secrets protect confidential business information that is commercially valuable because it is secret, including formulas, manufacturing techniques, and customer lists.

Geographical indications (GIs) protect distinctive products from a certain region, applying primarily to agricultural products.

IPR in Trade Agreements & Negotiations

IPR protection and enforcement has been a long-standing objective in U.S. trade agreement negotiations. The United States generally seeks IP commitments that exceed the minimum standards of the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), known as "TRIPS-plus." The 2015 Trade

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[49] Written by (name redacted), Specialist in International Trade and Finance (x7 -....), and (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report RL34292, *Intellectual Property Rights and International Trade*, by (name redacted) and (name redacted) ; CRS In Focus IF10033, *Intellectual Property Rights (IPR) and International Trade*, by (name redacted) and (name redacted) ; and CRS In Focus IF10442, *TPP: Intellectual Property Rights (IPR)*, by (na me redacted) and (name redacted) .

Promotion Authority (TPA) incorporated past trade negotiating objectives to ensure that U.S. free trade agreements (FTAs) "reflect a standard of protection similar to that found in U.S. law" ("TRIPS-plus") and to apply existing IPR protection to digital media through adhering to the World Intellectual Property Organization (WIPO) "Internet Treaties." The TPA also contained new objectives on addressing cyber-theft and protecting trade secrets and proprietary information.

Treatment of IPR may be a key issue in the upcoming negotiations on NAFTA.[50] The proposed NAFTA renegotiation may include such IPR provisions as

- pharmaceutical patent protections, with measures to protect public health consistent with TRIPS;
- data exclusivity periods for biologics—the United States sought a 12-year period consistent with U.S. law in TPP, while Canada and Mexico provide 8-year and 5-year periods of exclusivity, respectively, for both biologic and chemical compounds.
- copyright protections, penalties for circumventing technological protection measures, safe harbor measures for Internet Service Providers (ISPs), and goals to achieve an appropriate balance between the interests of copyright holders and users (known as "fair use" in the U.S. context);
- enhanced trademark protection and disciplines for geographic indicators (GIs), with the U.S. goal to ensure that widely used geographic terms are available for generic use juxtaposed against expanded GI recognition in the Canada-EU Comprehensive Economic and Trade Agreement (CETA); and
- enhanced enforcement measures, including new criminal penalties for trade secret theft, clarification that criminal penalties apply to infringement in the digital environment, and *ex officio* authority for customs agents to seize counterfeit and pirated goods.

Although many of these provisions were adopted in the TPP negotiations, it is unclear whether they automatically would be written into a revised NAFTA, given the different negotiating dynamics. In considering any revised NAFTA agreement, Congress could examine whether the IPR outcomes in a possible revised NAFTA outcome are consistent with U.S. trade negotiating objectives in TPA. The T-TIP negotiations, if resumed, present possible areas of congressional oversight, particularly on treatment of GIs, IPR protection and enforcement in the digital environment, and cooperation to address trade secret theft. Additionally, U.S. government actions to enforce foreign trading partners' IPR obligations within the WTO and under existing U.S. FTAs could intensify. Possible oversight issues for Congress include approaches to, as well as prioritization of, potential future U.S. trade enforcement actions in the IPR context.

Other IPR Trade Policy Tools

The United States maintains other trade policy tools to advance IPR goals. These tools may be particularly relevant in addressing U.S. issues with respect to emerging economies, such as China, India, and Brazil, which are not a part of existing U.S. trade agreements or negotiations and present significant IPR challenges.

[50] See, for example, the Administration's IPR objectives in Office of the U.S. Trade Representative, "Summary of Objectives for the NAFTA Renegotiation," July 17, 2017.

- **Special 301.** The United States Trade Representative (USTR) publishes annually a "Special 301" report, pursuant to the Trade Act of 1974, as amended. This report identifies countries that do not offer "adequate and effective" IPR protection, for example for patents and copyrights, and designates them on various "watch lists." The Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125) required USTR to identify issues in countries' protection of trade secrets in the "Special 301" report. China has been a top country of concern, and continues to be identified on the Special 301 "Priority Watch List" (among other countries, such as India). An August 14, 2017 presidential memorandum directs USTR to determine whether to initiate an investigation of China's IPR practices under Section 301 of the Trade Act of 1974, as amended. Alternatively, Special 301 could be an avenue to pursue such an investigation if the United States designates China as a Special 301 "Priority Foreign Country," a category reserved for the most egregious IPR offenders. Although both Section 301 and Special 301 could result in trade enforcement action, they are distinct remedies in statute (see China section).
- **Section 337.** The U.S. International Trade Commission (ITC), pursuant to the Tariff Act of 1930, as amended, conducts "Section 337" investigations into allegations that U.S. imports infringe U.S. IP. Based on the investigations, ITC can issue, among other things, orders prohibiting counterfeit and pirated products from entering the United States.

The 115th Congress could examine the effectiveness of Special 301 and Section 337. Given President Trump's expressed intent to focus on trade enforcement, such tools may take on greater prominence.

International Investment

U.S. investment policy has become a focal point of the U.S. trade policy debate, intersecting with questions about economic impact, trade restrictions, national security, and regulatory sovereignty. Congress influences all aspects of these international issues.

The United States is both a major source and recipient of foreign direct investment (FDI). In 2016, the total stock of global FDI was $26.73 trillion, with the United States continuing to have the world's largest cumulative share of FDI on a country basis ($6.39 trillion).[51] Global FDI flows decreased slightly (around 2%) to $1.75 trillion. FDI flows to developing economies were especially hard hit, with a decline of 14% to $646 billion. Flows to developed economies increased further, after significant growth in the previous year. Inflows rose by 5% to $1 trillion, with FDI growth in the United States particularly strong over the past year. In 2016, the United States was the largest recipient of inward FDI ($391 billion), followed by the United Kingdom ($254 billion), China ($134 billion), Hong Kong ($108 billion), and the Netherlands ($92 billion).

The U.S. dual position as a leading source and destination for FDI argues that globalization, the spread of economic activity by firms across national borders, has become a prominent feature of the U.S. economy. This means that the United States has important economic, political, and social interests at stake in the development of international policies regarding direct investment. In recent decades, U.S. presidents have issued statements affirming an open U.S. investment

[51] United Nations Conference on Trade and Development, *World Investment Report 2017*, Geneva, 2017.

policy.[52] President Trump has not issued a similar statement, but Trump Administration statements have declared the Administration's openness to global investment.[53] Some analysts, however, point to legislative efforts to expand the jurisdiction of the Committee on Foreign Investment in the United States (CFIUS)[54] as a potential harbinger of a more restrictive attitude toward foreign investment in the United States. The Administration's approach to investment issues in the NAFTA renegotiation also may be indicative of any possible changes in the direction of U.S. investment policy.

Foreign Investment and National Security[55]

The United States has established domestic policies that treat foreign investors no less favorably than U.S. firms, with some exceptions for national security. Under current U.S. law, the President exercises broad discretionary authority over developing and implementing U.S. direct investment policy, including the authority to suspend or block investments that "threaten to impair the national security." At the same time, Congress also is directly involved in formulating the scope and direction of U.S. foreign investment policy. For instance, following the terrorist attacks on the United States on September 11, 2001, some Members questioned the traditional U.S. open door policy for foreign investment and argued for greater consideration of the long-term impact of foreign direct investment on the structure and industrial capacity of the economy, and on the ability of the economy to meet the needs of U.S. defense and security interests. More recently, concerns have been raised by some Members over China's acquisitions of technology-related firms, and new legislation is being contemplated to reform the CIFUS process.

In July 2007, Congress asserted its own role in making and conducting foreign investment policy when it adopted and the President signed the Foreign Investment and National Security Act of 2007 (P.L. 110-49) that formally established the Committee on Foreign Investment in the United States (CFIUS). This law broadens Congress's oversight role, and explicitly includes homeland security and critical infrastructure as separately identifiable components of national security that the President must consider when evaluating the national security implications of foreign investment transactions. The law also grants the President the authority to suspend or block foreign investments that are judged to threaten U.S. national security, although the law does not define what constitutes national security relative to a foreign investment. It also requires review of investments by foreign investors owned or controlled by foreign governments. Through the fall of 2016, the law has been used twice to block a foreign acquisition of a U.S. firm.[56] At times, the

[52] For example, see President Obama's statement reaffirming the U.S. open investment policy. The White House, "Statement by the President on United States Commitment to Open Investment Policy," press release, June 20, 2011.

[53] U.S. Department of Commerce, "Cabinet Secretaries to Join Secretary of Commerce Wilbur Ross at SelectUSA Investment Summit," press release, June 15, 2017.

[54] Covington and Burling, "Update on CFIUS Developments: Proposed Legislation and Reflections on CFIUS Under the Trump Administration," June 23, 2017, https://www.cov.com/-/media/files/corporate/publications/2017/06/update_on_cfius_developments_proposed_legislation_and_reflections_on_cfius_under_the_trump_administration.pdf.

[55] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report RL34561, *Foreign Investment and National Security: Economic Considerations*, by (name redacted) ; CRS Report RS22863, *Foreign Investment, CFIUS, and Homeland Security: An Overview*, by (name redacted) ; and CRS In Focus IF10177, *The Committee on Foreign Investment in the United States*, by (name redacted) .

[56] In 1990, President Bush, using the authority granted under the Exon-Florio provision, directed the China National Aero-Technology Import and Export Corporation (CATIC) to divest its acquisition of MAMCO Manufacturing, a Seattle-based firm producing metal parts and assemblies for aircraft, because of concerns that CATIC might gain access to technology through MAMCO that it would otherwise have to obtain under an export license. In the second case, an investment by the American firm Ralls Corp., owned by Chinese nationals who also owned Sany Electric Company, a Chinese electric company, in a wind farm project in Oregon, known as the Butter Creek Projects. In March (continued...)

law has drawn Congress into a greater dialogue over the role of foreign investment in the economy and the relationship between foreign investment and the general concept of national economic security.

Internationally, over the past decade national security-related concerns have become more prominent in the investment policies of numerous countries.[57] As a result, countries have adopted new measures to restrict foreign investment or have amended existing laws concerning investment-related national security reviews. International organizations have long recognized the legitimate concerns of nations in restricting foreign investment in certain sectors of their economies, but the recent increase in such restrictions has raised a number of policy issues. Countries have different approaches for reviewing and restricting foreign investment on national security-related grounds. These range from formal investment restrictions to complex review mechanisms with broad definitions and broad scope of application to provide host country authorities with wide discretion in the review process. As a result of these differences, foreign investors can face different entry conditions in different countries in similar economic activities.[58]

U.S. International Investment Agreements (IIAs)[59]

The United States negotiates international investment agreements (IIAs), based on a "model" Bilateral Investment Treaty (BIT), to reduce restrictions on foreign investment, ensure nondiscriminatory treatment of investors and investment, and advance other U.S. interests. U.S. IIAs typically take two forms: (1) BITs, which require a two-thirds vote of approval in the Senate; or (2) BIT-like chapters in free trade agreements (FTAs), which require simple majority approval of implementing legislation by both houses of Congress (**Figure 3**). While U.S. IIAs are a small fraction of the more than 3,300 IIA agreements worldwide,[60] they are often viewed as more comprehensive and of a higher standard than those of other countries. U.S. trade negotiating objectives, renewed in 2015 through Trade Promotion Authority (TPA), retained a principal negotiating objective to reduce or eliminate barriers to foreign investment while ensuring that foreign investors in the United States are not accorded "greater substantive rights" for investment protections than domestic investors.

(...continued)

2012, Ralls acquired wind farm assets from Terna Energy SA, an Athens, Greece-based company, without reporting the transaction to CFIUS. Upon the recommendation of CFIUS, President Obama issued an executive order on September 28, 2012, that argued that there was credible evidence that the Ralls acquisition threatened to impair U.S. national security and ordered Ralls to divest itself of the Oregon wind farm project.

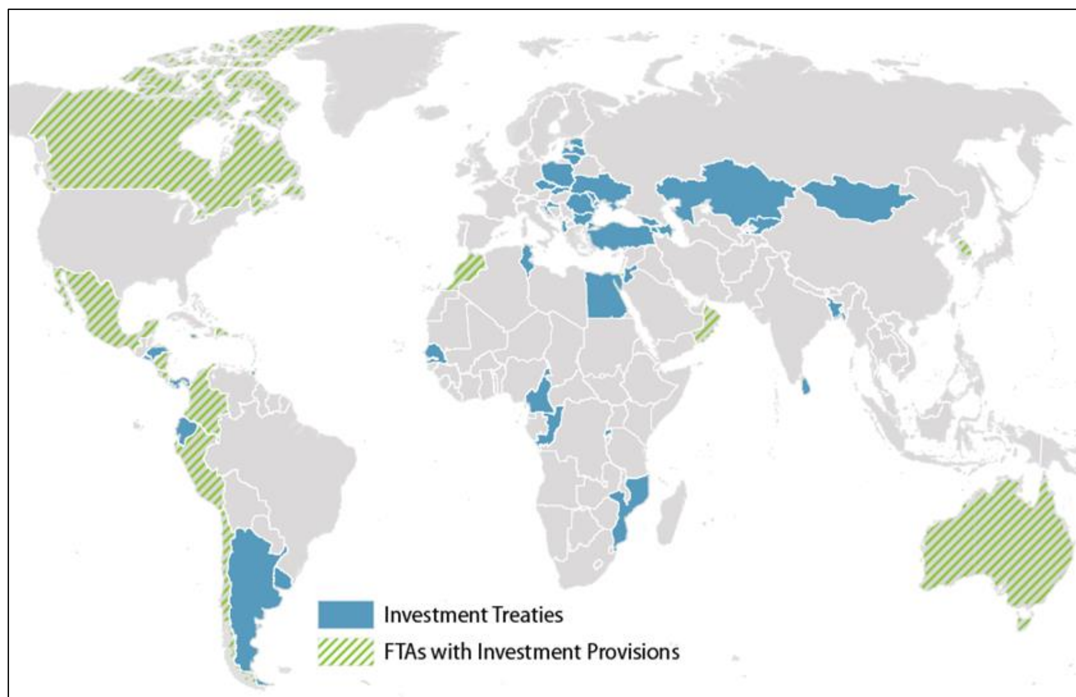
[57] *World Investment Report 2016*, United Nations Conference on Trade and Development, 2016, p. 95.

[58] Ibid., p. 94.

[59] Written by (name redacted) (x7-....), and (name redacted) (x7-....), Specialists in International Trade and Finance. See CRS Report R43052, *U.S. International Investment Agreements: Issues for Congress*, by (name redacted) and (name redacted) ; and CRS Report R44015, *International Investment Agreements (IIAs): Frequently Asked Questions*, coordinated by (name redacted) ; CRS In Focus IF10052, *U.S. International Investment Agreements (IIAs)*, by (name redacted) and (name redacted) ; and CRS In Focus IF10476, *TPP: Investment Provisions*, by (name red acted) and (name redacted) .

[60] CRS calculation based on data from United Nations Conference on Trade and Development (UNCTAD), International Investment Agreements Navigator database.

Figure 3. U.S. International Investment Agreements



Source: CRS, based on information from USTR and the Department of State.

A focal point for Congress on investment issues likely will be the NAFTA renegotiation. Negotiators may look to the Trans-Pacific Partnership (TPP), which represented the most recent set of investment rules negotiated by the United States. It carried over core investor protections (see **text box**), as well as added new provisions, including clarification of protections for investors and governments' right to regulate in the public interest, enhanced investor-state dispute settlement (ISDS) procedures for transparency and public participation, and an exception allowing governments to decline to accept ISDS challenges against tobacco control measures. Although President Trump withdrew the United States from TPP, Congress may nevertheless revisit specific TPP provisions in considering NAFTA and future investment negotiations. For instance, Congress could examine how TPP's investor protections balance against other interests (such as protecting governments' regulatory ability) and the debates those provisions generated.

Core Investor Protections in U.S. IIAs

Market access for investments.

Non-discriminatory treatment of foreign investors and investments compared to domestic investors (national treatment) and to those of another country (most-favored-nation treatment).

Minimum standard of treatment in accordance with customary international law, including fair and equitable treatment and full protection and security.

Prompt, adequate, and effective ***compensation for expropriation***, both direct and indirect, recognizing that, except in rare circumstances, non-discriminatory regulation is not an indirect expropriation.

Timely ***transfer of funds*** into and out of the host country without delay using a market rate of exchange.

Limits on ***performance requirements*** that, for example, condition approval of an investment on using local content.

Investor-State Dispute Settlement (ISDS) for binding international arbitration of private investors' claims against host country governments for violation of investment obligations, along with requirements for transparency of ISDS proceedings.

Exceptions for national security and prudential interests, among others.

Treatment of ISDS could be particularly debated in the NAFTA context. ISDS, which is in the current NAFTA, traditionally has been favored by the U.S. government and businesses but contested by some civil society groups. Questions may arise over whether to retain ISDS, make changes to it modeled after TPP, or pursue an alternate model—such as a new Investment Court System (ICS), as contemplated in the EU-Canada Comprehensive Economic and Trade Agreement (CETA).[61]

Investment issues in other U.S. trade negotiations, such as the Transatlantic Trade and Investment Partnership (T-TIP) if continued, could present other areas of congressional oversight. Additionally, the United States has engaged in BIT discussions with emerging and developing economies that are not a part of current U.S. FTA negotiations, notably China and India, but those discussions appear to be stalled under the Trump Administration. While such potential BITs present opportunities for enhanced commercial relations, debate exists over whether they can achieve high standard investment commitments.

Congress also may wish to weigh in on possible multilateral discussions on a permanent multilateral investment court, a proposal advanced by the EU and Canada.[62]

Promoting Investment in the United States[63]

U.S. investment policy includes a focus on attracting investment to the United States. The Department of Commerce's SelectUSA program, established in 2011 by Executive Order 13577, aims to coordinate federal efforts to attract and retain business investment in the United States, complementing state investment promotion activities. SelectUSA serves as an information resource on investment, helps resolve investment issues involving federal programs and activities, and advocates at a national level to attract inward investment. It has operated with a budget of up to $10 million in recent years.

A key issue presented by SelectUSA for Congress is whether to codify the program (see text box). Supporters argue that a permanent or long-term authorization could stabilize SelectUSA's role in attracting investment and, in turn, boost U.S. exports and jobs and reiterate U.S. interest in competing for investment. Critics contend that the program duplicates existing state- and local-level investment promotion programs, and that policies to improve the U.S. investment environment (e.g., on education, the labor force, and the tax system) would be more effective in attracting and retaining FDI. The Trump Administration's decision to hold a 2017 SelectUSA Investment Summit, hosted by Secretary of Commerce Wilbur

Selected Bills in the 114th Congress

- S. 3097, which was reported favorably out of committee with an amendment, would have codified the SelectUSA program.
- H.R. 1007 would have authorized appropriations for SelectUSA at $20 million annually over the period FY2016-FY2020.

[61] The ICS, as envisioned in CETA, would be a permanent court with judges appointed by the EU and Canada and an appellate mechanism. In contrast, ISDS tribunals form on an ad hoc basis, with investors and states both able to select tribunal members, and tribunal decisions final with no appeals. See European Commission, "CETA – A Trade Deal That Sets a New Standard for Global Trade," fact sheet, February 15, 2017.

[62] European Commission, "A Future Multilateral Investment Court," fact sheet, December 13, 2016; and Giulia Paravicini and Simon Marks, "Top Trading Countries Seek New International Arbitration System," PoliticoPro, July 10, 2017.

[63] Written by (name redacted) (x7-....), Specialist in International Trade and Finance. See CRS In Focus IF10674, *SelectUSA Program: U.S. Inbound Investment Promotion*, by (name redacted) .

Ross, appears to signal support for investment attraction efforts generally.[64] Moreover, SelectUSA activities appear to be consistent with President Trump's efforts to retain U.S. firms' manufacturing plants in the United States and dissuade others from moving operations abroad. Yet, it is possible that SelectUSA could figure into the Administration's ongoing review of executive branch agencies and programs for potential government-wide reorganization.[65]

Trade Enforcement[66]

Trade enforcement represents a broad range of functions. These include ensuring commitments under U.S., WTO, and other trade agreements are upheld, including through dispute settlement, detecting and preventing fraud at the border, ensuring product safety and regulatory compliance, and ensuring U.S. trade laws on exports and imports are followed.

The USTR is the lead agency in enforcing U.S. rights under the WTO and other trade agreements. The front-line trade enforcement agency at the border is U.S. Customs and Border Protection (CBP) of the Department of Homeland Security. In collaboration with its sister agency, U.S. Immigration and Customs Enforcement (ICE), CBP works to detect high-risk activity, deter non-compliance, and disrupt fraudulent trade behavior.[67]

CBP is also responsible for facilitating trade and clearing imports at U.S. ports of entry (POEs), but in order to complete this task it must coordinate with 47 partner government agencies (PGAs) that have licensing and regulatory authority over various kinds of imported merchandise including food, firearms, and pharmaceuticals. Using the Automated Targeting System (ATS) CBP assigns each incoming container a risk-based score by comparing cargo and transportation information against intelligence from CBP's National Targeting Center (NTC) and other law-enforcement agencies. If a shipment is suspect, officers from participating agencies, as well as CBP, may open and physically inspect containers for goods.[68]

U.S. trade laws include trade remedies used by the United States and other countries to mitigate the adverse impact of various trade practices on domestic industries and workers, such as antidumping (AD) laws and countervailing duty (CVD) laws. Trade remedy laws and actions are often controversial because many trade experts view them as protectionist. Others assert that they are an essential means of mitigating the adverse impact of unfair trade on domestic companies, workers, and the communities in which they are located. Federal agencies involved in trade remedy investigations and enforcement include the U.S. International Trade Commission (ITC), the International Trade Administration (ITA) of the Department of Commerce (Commerce), and the Interagency Trade Enforcement Center (ITEC). Other U.S. trade laws that the USTR and other agencies implement and enforce include "Special 301" and Section 337, which address IPR unfair trade practices (see IPR section).

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[64] Department of Commerce, "Secretary of Commerce Wilbur Ross to Host the 2017 SelectUSA Investment Summit," press release, April 12, 2017.

[65] Executive Order 13781 of March 13, 2017, "Comprehensive Plan for Reorganizing the Executive Branch," 82 *Federal Register* 13959, March 16, 2017.

[66] Written by (name redacted), Specialist in International Trade and Finance (x7-....).

[67] U.S. Customs and Border Protection, "CBP Trade Enforcement—Operational Approach," https://www.cbp.gov/document/fact-sheets/cbp-trade-enforcement-operational-approach.

[68] U.S. Customs and Border Protection, "International Trade Data System (ITDS) Capabilities."

Dispute Settlement[69]

The United States has several means of enforcing trade agreements through the dispute settlement process of the WTO and various U.S. FTAs. Dispute settlement is a well-used feature of the WTO agreements with over 500 cases filed since 1995. U.S. FTAs also have dispute settlement mechanisms, but they are used less often. USTR is authorized to launch cases on behalf of the United States, after input from other agencies and stakeholders in the private sector or non-governmental organizations (NGOs).

Usually, countries first seek to settle their differences through consultation, without resorting to formal dispute settlement, and both the WTO and U.S. FTAs provide mechanisms to do so. Once a dispute is launched in the WTO, however, the Dispute Settlement Understanding (DSU) provides procedures and timetables to keep the handling of the dispute on track. The timetable to conclude a case before a dispute settlement panel is launched is six months, with an additional two months for the decision to be adopted by the Dispute Settlement Body. A dispute settlement tribunal consists of 3-5 panelists agreed upon by the countries in dispute, or by the Director-General of the WTO. Cases can be appealed to the Appellate Body, which can affirm or overturn all or part of the panel decision. If a party is found to violate an agreement, it has time to bring its law into conformity with the decision, which is subject to consideration by a compliance panel. In total, a WTO decision can take two to three years to implement. If the party refuses to bring itself into compliance, or if the compliance panel deems the steps taken to be insufficient, the aggrieved party can retaliate by withdrawing trade concessions (i.e., reimposing tariffs) to a level equivalent to the economic damage of the infringing measure.

U.S. regional and bilateral FTAs contain similar dispute settlement mechanisms to the WTO DSU. However, they generally have not been used to settle disputes. Under U.S. FTAs, countries can choose the venue for the dispute, provided that the two agreements have common provisions. Some choose the WTO system because it has an appeals procedure, while U.S. FTAs do not. Many trade disputes also concern unfair trade practices such as dumping and subsidies, and U.S. FTAs have not altered these WTO obligations. Thus, FTA dispute settlement are likely utilized for subjects not addressed in the WTO agreements. In addition, some provisions of U.S. FTAs are explicitly excluded from dispute settlement.

One U.S. FTA dispute settlement case recently decided concerned Guatemala's alleged violations of labor chapter obligations of the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA). On June 26, 2017, the panel determined that Guatemala's failure to enforce its labor laws did not affect trade, and, thus, was not actionable under the FTA.

Some Members of Congress have identified some perceived shortcomings of dispute settlement in trade agreements to which the United States is a party. These include

- **Quantity of cases:** Some Members of Congress have questioned whether the USTR could bring more cases for violations of the WTO agreements. Some NGOs have complained about the low number of labor and environmental proceedings brought against U.S. FTA partners.
- **Interpretation of agreements:** Some Members of Congress have accused WTO panelists of interpreting WTO agreements in an expansive manner, and not

[69] Written by (name redacted), Specialist in International Trade and Finance (x7 -....). See CRS In Focus IF10645, *Dispute Settlement in U.S. Trade Agreements*, by (name redacted) ; CRS Report RS20088, *Dispute Settlement in the World Trade Organization (WTO): An Overview*, by (name redacted) and (name redacted) ; and CRS In Focus IF10436, *Dispute Settlement in the World Trade Organization: Key Legal Concepts*, by (name redacted) .

giving deference to the practices of member states in areas not specifically prohibited by the agreements.

- **Length of proceedings:** While procedures and timelines are set in the agreement, extensions are frequently granted, especially in complex cases. Appellate cases are also frequently pursued, even when findings are unlikely to change.

Trade Remedies[70]

The United States and its trading partners use laws known as trade remedies to mitigate the injury (or threat thereof) of various trade practices to domestic industries and workers. The three most frequently applied are

- **Antidumping (AD)** remedies provide relief from injurious imports sold at less than fair market value;
- **Countervailing duty (CVD)** remedies provide relief from injurious imports subsidized by a foreign government or public entity; and
- **Safeguard (Section 201)** remedies provide temporary relief from import surges of fairly traded goods.

These laws are administered primarily through the International Trade Administration (ITA) of the Department of Commerce (ITA), which addresses the existence and amount of dumping or subsidies) and the United States International Trade Commission (ITC), which determines injury to the domestic industries petitioning for redress). In AD and CVD cases, the remedy is an AD or CVD "order" that places an additional duty assessed to offset the calculated amount of dumping or subsidy. In safeguard cases that are determined by the President, a temporary import quota or a tariff may be imposed. In addition, the World Trade Organization (WTO) agreements contain specific obligations on these measures to which its member countries, including the United States, adhere.

Congress has enacted and amended U.S. trade remedy laws over time. For example, the 114th Congress enacted several amendments to AD and CVD laws that clarified and expanded certain methods used by the ITC to investigate potential injury to U.S. petitioning industries and by ITA to calculate the existence/amount of dumping or subsidies.[71] Individual AD and CVD cases require no direct congressional action. Nonetheless, they are often the subject of congressional interest, especially if constituents are involved as domestic manufacturers or as importers of merchandise subject to trade remedy investigations.

Some U.S. producers of products covered by AD/CVD orders allege that U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE), the sister agencies that enforce these orders, have not adequately investigated allegations of AD/CVD duty evasion. These issues have been the subject of several congressional hearings. Section 421 of the Trade Facilitation and Trade Act of 2015 (P.L. 114-125), required CBP to investigate AD/CVD evasion allegations using a specific process and within certain deadlines. Among other provisions, the legislation required negotiations with other countries' customs authorities on preventing AD/CVD duty evasion, and established obtaining a commitment for cooperation on evasion as a

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[70] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report RL32371, *Trade Remedies: A Primer*, by (name redacted); and CRS In Focus IF10018, *Trade Remedies: Antidumping and Countervailing Duties*, by (name redacted).

[71] Title V of "American Trade Enforcement Effectiveness Act" (P.L. 114-27).

U.S. trade negotiating objective under Trade Promotion Authority. On August 22, 2016, CBP implemented interim final regulations in compliance with sec. 421.[72]

U.S. Customs and Border Protection (CBP) Reauthorization[73]

U.S. Customs and Border Protection (CBP), a bureau within the Department of Homeland Security (DHS), is the primary agency charged with ensuring the smooth flow of imports through U.S. ports of entry (POEs). In 2016, more than $2 trillion in goods were imported into the United States. In addition to facilitating the smooth flow of imported cargo through U.S. ports of entry, CBP's policies with regard to U.S. imports are designed to enforce trade and customs laws designed to protect U.S. consumers and business and to collect customs revenue and enforce import security laws designed to prevent weapons of mass destruction, illegal drugs, and other contraband from entering the United States. Congress has a direct role in organizing, authorizing, and defining CBP's international trade functions, as well as appropriating funding for and conducting oversight of its programs.

The Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125) reauthorized CBP's trade functions (see **text box**). It also provided additional funding for CBP's modernization efforts, such as the continuing development of the Automated Commercial Environment (ACE), an online platform designed to facilitate the import process, and the International Trade Data System (ITDS), a U.S. Department of the Treasury-led effort to develop an online "single window" for all U.S. agencies involved in import processing to clear goods for entry into the U.S. market, among other provisions. CBP has reported that they are working to complete and deploy core trade processing capabilities in ACE.[74]

Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125)

- Reauthorizes CBP's trade functions, provides additional funding for CBP's modernization efforts.
- Includes other measures, for example, focused on U.S. trade negotiating objectives related to trade remedies and "currency manipulation," as well as measures on intellectual property rights (IPR) (see relevant sections in this report).

National Security and Section 232[75]

Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862, as amended) is sometimes called the "national security clause," because it provides the President with the ability to impose restrictions on imports that the Secretary of Commerce determines threaten to impair the national security. If requested, or upon self-initiation, the Bureau of Industry and Security (BIS) at the Department of Commerce consults with the Secretary of Defense and other agencies, and then conducts the investigation based on federal regulations codified in 15 CFR § 705 (Effect of Imported Articles on the National Security). Section 232 specifies factors that Commerce must consider regarding the impact of the subject imports.

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[72] Customs and Border Protection, "Investigation of Claims of Evasion of Antidumping and Countervailing Duties, Interim final rule," 81 *Federal Register* 56477.

[73] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report R43014, *U.S. Customs and Border Protection: Trade Facilitation, Enforcement, and Security*, by (name redacted) and (name redacted)

[74] CBP website, https://www.cbp.gov/trade/automated.

[75] For more information, please see CRS In Focus IF10667, *Section 232 of the Trade Expansion Act of 1962*, by (name r edacted) and (name redacted)

If the Commerce Department determines in the affirmative, the President, upon receipt of the report, has 90 days to (1) determine whether he/she concurs with its findings; and (2) if the President concurs, determine the nature and duration of the action to be taken to adjust the subject imports. The President may decide to impose tariffs, quotas, or other measures to offset the adverse effect, without any limits on the duration on tariff or quota amounts. Section 232 sets out timelines and procedures the President must follow once a decision is made.

The Commerce and Defense Departments have broad discretion in Section 232 cases to define the scope of the investigation, and the WTO allows members to take measures in order to protect "essential security interests," though U.S. actions under Section 232 could be challenged under WTO dispute settlement procedures or potentially be subject to retaliation or imitation by trading partners.

The Department of Commerce is currently conducting two Section 232 investigations to determine the national security implications of U.S. imports of steel and aluminum. Congress could hold hearings on steel and aluminum industries, or on other import-sensitive industries, or may consider related issues such as global overcapacity and production, consistency of any U.S. actions with WTO commitments, or the potential impact of any presidential actions, including on U.S. trading partners, allies, and other domestic producers and consumers.

Digital Trade[76]

As digital trade flows make up an important and growing segment of the economy, addressing digital trade barriers has emerged as a key negotiating objective in U.S. trade agreements. The United States generally seeks to preserve a free and open Internet. Congressional issues include possible oversight of ongoing implementation of the EU-U.S. Privacy Shield agreement, and treatment of digital trade issues in the re-negotiation of the North American Free Trade Agreement (NAFTA), a potential Transatlantic Trade and Investment Partnership (T-TIP), and a potential plurilateral Trade in Services Agreement (TiSA).

What is Digital Trade?

The U.S. International Trade Commission (ITC) broadly defines digital trade as "U.S. domestic commerce and international trade in which the Internet and Internet-based technologies play a particularly significant role in ordering, producing, or delivering products and services."[77] Thus, digital trade includes end-products like movies and video games, as well as the means to enhance the productivity and overall competitiveness of an economy. The Internet has become a facilitator of existing international trade in goods and services, as well as a platform itself for new digitally-originated services.

New Barriers

The increase in digital trade raises new policy challenges, including how best to address new and emerging digital trade barriers, including the following:

- restrictions on cross-border data flows and localization barriers;
- intellectual property rights (IPR) infringement in the online environment;

[76] Written by Rachel Fefer, Analyst in International Trade and Finance (x7-....   ). See CRS Report R44565, *Digital Trade and U.S. Trade Policy*, coordinated by (name redacted). CRS Report R44257, *U.S.-EU Data Privacy: From Safe Harbor to Privacy Shield*, by (n ame redacted) and (name redacted)

[77] U.S. International Trade Commission, *Digital Trade in the U.S. and Global Economies, Part 2*, Publication No: 4485, Investigation No: 332-540, p.29, August 2014, https://www.usitc.gov/publications/332/pub4485.pdf.

- forced source-code disclosure;
- online filtering, blocking, and neutrality policies;
- local standards and burdensome testing, certification requirements;
- cybersecurity and government-to-government cooperation; and
- consumer protection and data privacy.

The United States is beginning to address these and other barriers to digital trade through existing and proposed trade agreements as well as in other international settings. Key provisions to address these barriers were included in the Trans-Pacific Partnership (TPP), from which the United States has withdrawn under President Trump. Digital trade norms are being discussed in forums such as the WTO, various trade agreement negotiations, the Group of 20 (G-20), the Organization for Economic Cooperation and Development (OECD), and the Asia-Pacific Economic Cooperation (APEC), providing the United States with multiple opportunities to engage in and shape global developments.

EU-U.S. Privacy Shield

Cross-border data flows between the United States and Europe are the highest in the world. On October 6, 2015, the Court of Justice of the European Union (CJEU) invalidated the Safe Harbor Agreement between the United States and the 28-member European Union (EU), under which personal data could legally be transferred between EU member countries and the United States. The decision was driven by European concerns that the U.S. approach to data privacy did not guarantee a sufficient level of protection for European citizens' personal data. Approximately 4,500 U.S. companies (including U.S. subsidiaries of European firms) participated in the Safe Harbor Agreement.

In early 2016, U.S. and EU officials announced an agreement on a replacement to Safe Harbor: the EU-U.S. Privacy Shield, which was approved by the European Commission (the EU's executive) and entered into force July 12, 2016.[78] The final agreement included additional obligations on the U.S. government, including a new ombudsman in the U.S. State Department and supplementary safeguards and limitations on surveillance. It also included additional obligations for U.S. companies, such as robust data processing. The Privacy Shield also involves proactive monitoring and enforcement by U.S. agencies, and is subject to an annual joint review by the United States and the EU.

While U.S. and EU companies are relying on the Privacy Shield to ensure their transatlantic digital data flows are allowed, some parties have begun to challenge the Privacy Shield in court. These include complaints by NGOs, such as Digital Rights Ireland and the French organization La Quadrature du Net filed at the CJEU,[79] and challenges to individual companies' use of certain contracts.[80] The EU has begun to collect information on implementation in advance of the first annual joint review of the Privacy Shield scheduled for September 2017.[81]

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[78] European Commission Press Release, "European Commission launches EU-U.S. Privacy Shield: stronger protection for transatlantic data flows," July 12, 2016, http://europa.eu/rapid/press-release_IP-16-2461_en.htm.

[79] Inside Trade, "Legal challenges against Privacy Shield begin to mount in Europe," November 3, 2016.

[80] Padraic Halpin, "Ireland challenges Facebook in threat to cross-border data pact," February 7, 2017.

[81] European Commission Press Release, "Preparation of the Privacy Shield annual Joint Review," June 13, 2017, http://ec.europa.eu/newsroom/document.cfm?doc_id=45272.

The European Parliament reached political agreement in late 2015 on a new General Data Protection Regulation (GDPR) that will be directly applicable in all EU member states, thus establishing a single set of rules for data protection throughout the EU.[82] EU member states have until May 25, 2018, to fully implement the GDPR provisions.[83] The potential impact of the GDPR on the EU-U.S. Privacy Shield is unclear.

Exchange Rates[84]

The impact of other countries' exchange rate policies on the United States is a longstanding source of congressional interest and concern. An exchange rate is the price of a country's currency relative to other currencies, or the rate at which one currency can be converted into another currency. Exchange rates are among the most important prices in the global economy. They affect the price of every country's imports and exports, as well as the value of every overseas investment. Changes in exchange rates can have dramatic impacts on trade and investment flows between countries.

Governments take different approaches to the value of their currencies. Some countries and entities, including the United States, Japan, and the Eurozone, let the market determine the value of their currency ("floating" currencies). Others may use various policy measures to target the value of their currency to a specific value ("hard peg") or a range of values ("soft peg"). The optimal policy for any given country will depend on its characteristics, including its size and interconnectedness to the global economy.

Debates over Currency Manipulation

Over the past decade, some Members of Congress and policy experts have raised concerns that foreign countries use exchange rate policies to gain an unfair trade advantage against the United States, or "manipulate" their currencies. Specifically, the concern is that other countries may purposefully undervalue their currencies to boost exports, making it harder for other countries to compete in global markets. They argue that U.S. companies and jobs have been adversely affected by the exchange rate policies adopted by China, Japan, and a number of other countries "manipulating" their currencies.

Some economists are skeptical about currency manipulation and whether it is a significant problem. They raise questions about whether government policies have long-term effects on exchange rates, whether it is possible to differentiate between "manipulation" and legitimate central bank activities, and the net effect of alleged currency manipulation on the U.S. economy.

[82] European Commission, "Agreement on Commission's EU data protection reform will boost Digital Single Market," Press Release, December 15, 2015.

[83] Stephen Gardner, "Effective Date Set for EU General Data Protection Rule," Bloomberg BNA, May 4, 2016.

[84] Written by Rebecca Nelson, Specialist in International Trade and Finance (x7-....). See CRS In Focus IF10049, *Debates over "Currency Manipulation"* and CRS Report R43242, *Current Debates over Exchange Rates: Overview and Issues for Congress*.

Exchange Rate Policies: China and Japan

China: Over the past decade, some Members have alleged that China uses policies to keep the value of its currency artificially low, making it harder for U.S. goods to compete in global markets. More recently, however, slowing growth in China has put downward pressure on its currency. Since mid-2015, its central bank has intervened in foreign exchange markets in the opposite direction (to prevent further depreciation of its currency). The IMF estimates that the value of China's currency is broadly in line with economic fundamentals.

Japan: Some Members have also voiced concerns about Japan's policies. Japan's currency, the yen, depreciated against the U.S. dollar by about 50% between mid-2012 and end-2015, following a new set of expansionary monetary policies, similar to the Federal Reserve's quantitative easing programs. Over the course of 2016, the yen strengthened against the dollar, although the yen remains below its peak values.

Key Provisions on Currency Manipulation

Some policymakers express frustration with existing provisions in multilateral agreements and U.S. law to combat currency manipulation. Multilaterally, members of the International Monetary Fund (IMF) have committed to refraining from manipulating their exchange rates to gain an unfair trade advantage, but the IMF has never publicly labeled a country as a currency manipulator. The Treasury Department is tasked under U.S. law with reporting on and responding to currency manipulation, but Treasury has not found currency manipulation in more than two decades.[85]

During the 2016 presidential campaign, Donald Trump criticized China and Japan as currency manipulators,[86] but his positions have softened since taking office. After pledging during the campaign to direct the U.S. Treasury Department to label Chinas as a currency manipulator during his first 100 days of office, no such determination has come forth to date. Additionally, President Trump supported Japan's monetary policies during his February 2017 summit with Japanese Prime Minister Shinzo Abe.[87] In terms of renegotiating NAFTA, the USTR has identified addressing currency manipulation as a negotiating objective. Mexico and Canada both have floating exchange rates and have not been part of debates about currency manipulation. However, including provisions on currency in NAFTA could set a precedent for future trade agreements.

Labor and Environment

Some Members of Congress and others have sought to improve labor and environmental conditions in other countries through the inclusion of provisions addressing those issues in U.S. FTAs. They have been concerned that lax or lower standards in other countries may make U.S. products less competitive, losing jobs and production to overseas firms, or, alternatively, lowering wages and standards in the United States, contributing to a perceived "race to the bottom." Others have tried to limit the scope and enforceability of such provisions, or believe that the competence to address these issues lies elsewhere, such as with international organizations.

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[85] The 1988 Trade Act (P.L. 110-418) and the Trade Facilitation and Trade Enforcement Act of 2015 (P.L. 114-125) address currency manipulation.

[86] Trump-Pence Campaign, "Donald J. Trump Delivers Groundbreaking Contract for the American Voter in Gettysburg," October 22, 2016, https://www.donaldjtrump.com/press-releases/donald-j.-trump-delivers-groundbreaking-contract-for-the-american-vote1; Jonathan Soble and Keith Bradsher, "Donald Trump Laces Into Japan with a Trade Tirade from the '80s," *New York Times*, March 7, 2016.

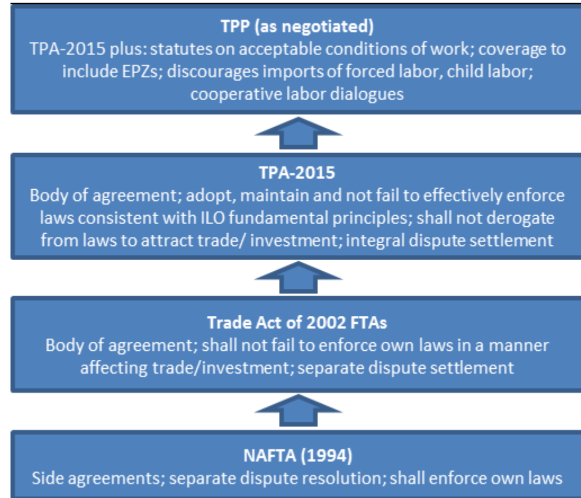
[87] Stanley White and Leika Kihara, "Japan's Abe: Trump Shares View that Monetary Policy Not Forex Manipulation," *Reuters*, February 14, 2017.

Labor Provisions in FTAs[88]

The issue of worker rights has become prominent in the negotiation of U.S. FTAs. Some stakeholders believe that worker rights provisions are necessary to protect U.S. labor from perceived unfair competition and to raise standards in other countries. Others believe that worker rights are more appropriately addressed at the International Labor Organization (ILO) or through cooperative efforts and capacity building on worker rights and economic growth. Since 1988, Congress has included worker rights as a principal negotiating objective in Trade Promotion Authority (TPA) legislation. The United States has been in the forefront of using trade agreements to promote core internationally recognized worker rights consistent with the ILO *Declaration on Fundamental Principles and Rights at Work (1998)*. These include freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of compulsory or forced labor, effective abolition of child labor, and elimination of discrimination in respect of employment and occupation. The ILO is the primary multilateral organization responsible for promoting labor standards through international conventions and principles. A specialized agency of the United Nations, it has a tripartite structure composed of representatives from government, business and labor organizations. The ILO promotes labor rights through assessment of country standards and technical assistance, but it has no real enforcement authority. The World Trade Organization does not address worker rights.

In the upcoming NAFTA renegotiation, Members of Congress may seek to have labor (and environmental) provisions incorporated into the main body of the agreement and to strengthen these provisions by making them more enforceable. Labor provisions in U.S. FTAs have evolved since NAFTA, which included labor provisions in a side agreement, entered into force in 1994. It was the first U.S. FTA that addressed worker rights by committing the parties to enforce their own labor laws and to resolve disputes (**Figure 4**). The most recent U.S. FTAs (with Peru, Colombia, Panama, and South Korea) incorporate stronger language by which parties must adopt, maintain, and enforce ILO core labor principles. The proposed TPP included similar provisions, in addition to three labor consistency plans with specific labor commitments in regard to worker rights for Brunei, Malaysia, and Vietnam. Some Members of Congress sought such a plan for Mexico in the context of TPP, and may do so again in the NAFTA negotiations.

Figure 4. Evolution of Labor Commitments



Source: Congressional Research Service.

Proponents of including labor provisions in FTAs contend that they help poorer countries build their capacity to support labor protections, improve international labor standards, and enhance economic growth. Labor groups are concerned that labor provisions in FTAs are generally weak

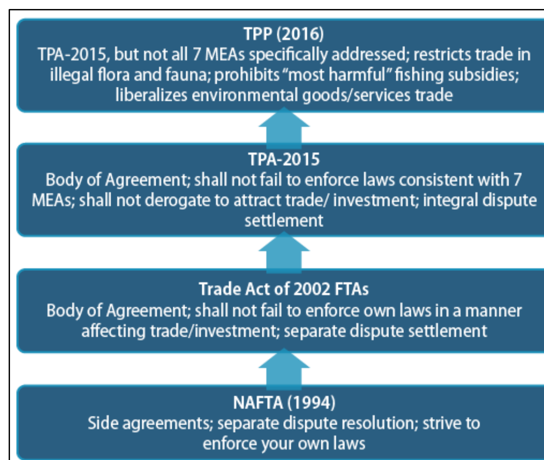
[88] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS In Focus IF10046, *Worker Rights Provisions in Free Trade Agreements (FTAs)*, by (name redacted) and (name redacted) and CRS In Focus IF10452, *TPP: Labor Provisions*, by (name redacted) and (name redacted) .

and that trade agreements encourage businesses to move U.S. jobs to other countries. Some Members of Congress are particularly concerned about whether lesser developed countries have the ability to meet FTA labor obligations or make significant reforms to their labor laws and practices.

Environment Provisions in FTAs[89]

The United States has negotiated environmental provisions in its FTAs, which have evolved over time. The nexus between trade and environmental protection are a concern to U.S. policymakers and stakeholders. Some observers argue that economic expansion brought on by trade liberalization adversely impacts the environment, and that some countries may adopt less stringent environmental policies to attract trade and investment. Other policymakers and stakeholders believe that trade liberalization and environmental protection are mutually supportive. They argue that while economic growth may adversely impact the environment during the initial stages of industrialization, it can also provide resources to mitigate such effects as countries develop. They also argue that trade liberalization can support U.S. environmental goals through the elimination of tariffs on environmental goods, and the reduction of trade-distorting subsidies

Figure 5. Evolution of Environment Commitments



Source: Congressional Research Service.

As with labor provisions, the environment chapter in U.S. FTAs has evolved over time. It first appeared as a side agreement to NAFTA, committing the parties to enforce their own laws and cooperatively resolve disputes in a special venue. The Trade Act of 2002 was the first grant of trade promotion authority (TPA) containing environmental negotiating objectives, calling for countries not to fail to enforce their own environmental laws in a manner affecting trade between the United States and the partner country. Environmental obligations were expanded in U.S. FTAs with Colombia, Panama, Peru, and South Korea, and were largely reflected in the 2015 grant of TPA. Under those FTAs and the 2015 TPA legislation, parties are obligated to adopt and maintain their own laws consistent with 7 multilateral environmental agreements (MEAs) to which each was a party. Parties also were obligated not to derogate from their laws in order to attract trade and investment. In addition, these provisions were subject to the same dispute settlement provisions as other parts of the agreement with the withdrawal of trade concessions as the ultimate penalty for non-compliance. The WTO does not have provisions related to environmental protection.

In the upcoming NAFTA negotiations, Members of Congress may seek to have its environmental (and labor) provisions incorporated into the main body of the agreement. Congress may also wish to examine the extent to which any renegotiated environmental provisions are consistent with

[89] Written by Ian Fergusson, Specialist in International Trade and Finance (x7-....). See CRS In Focus IF10166, *Environmental Provisions in Free Trade Agreements (FTAs)*, by (name redacted) and (name redacted) .

TPA. For example, Congress examine whether any resulting agreement incorporates the 7 multilateral MEAs listed in TPA, which was not the case in TPP. It may also scrutinize whether new disciplines contained the TPP for the first time, such as on fishing subsidies, are included in NAFTA and whether the provisions are mandatory or hortatory.

Export Controls and Sanctions

Congress has authorized the President to control the export of various items for national security, foreign policy, and economic reasons. Separate programs and statutes for controlling different types of exports exist for nuclear materials and technology, defense articles and services, and dual-use goods and technology. Under each program, licenses of various types are required before export. The Departments of Commerce, State, Energy, and Defense administer these programs. At the same time, Congress also legislates country-specific sanctions that restrict aid, trade, and other transactions to address U.S. policy concerns about proliferation of weapons, regional stability, and human rights. In the 115th Congress, these controls and sanctions may raise difficult issues over how to balance U.S. foreign policy and national security objectives against U.S. commercial and economic interests.

Export Controls[90]

In 2009, the Obama Administration launched a comprehensive review of the U.S. export control system. In the current system, responsibility for licensing exports is divided among the Departments of Commerce, State, and the Treasury, based on the nature of the product (munitions or dual-use goods) and basis for control. The Department of Defense has an important advisory role in examining license applications. Enforcement is shared among these agencies, as well as the Departments of Justice and Homeland Security. Key elements of the Administration's reform agenda included a four-pronged approach that would

- create a single export control licensing agency for both dual-use and munitions exports;
- adopt a unified control list;
- create a single integrated information technology system (which would include a single database of sanctioned and denied parties); and
- establish a single enforcement coordination agency.

The Obama Administration's blueprint envisioned that these changes would be implemented in three phases with the final tier requiring legislative action. Under this initiative, the Administration undertook efforts to harmonize the Commerce Control List (CCL), which focuses on dual-use items (i.e., both commercial and defense uses), with the U.S. Munitions List (USML). This has been done through an ongoing category-by-category review of USML items and a migration of what the Administration deems as less sensitive items to the CCL. Congressional notification is required if items are moved from the munitions list to the dual-use list; the first of these notifications occurred in March 2013. Since the first rulemakings were announced in November 2013, rules to transfer certain items in 18 of 21 USML categories have been issued and taken effect. President Obama also made the determination required by the National Defense Authorization Act (NDAA) of 2013 (P.L. 112-239) that the transition of certain

[90] Written by (name redacted), Specialist in International Trade and Finance (x7 -....). See CRS Report R41916, *The U.S. Export Control System and the Export Control Reform Initiative*, by (name redacted) and (name redacted)

satellites and related items from the USML to the CCL was in the national interest. An Export Enforcement Coordination Center (E2C2), which was created by executive order on November 9, 2010, was established within the Department of Homeland Security to synchronize enforcement efforts with the E2C2 headquarters opening in March 2012. The integrated information technology system based on the Defense Department's USXports platform became fully operational among the Departments of Commerce, Defense, Energy, and State on October 5, 2015. The Obama Administration did not pursue the idea of a single licensing agency to administer export control licensing, which would have required legislation.

The 115th Congress and the Trump Administration may take stock of the work done by the Obama Administration through oversight, including the viability and placement of any proposed licensing agency. Congress also may attempt to reauthorize or rewrite the now-expired Export Administration Act (EAA), the statutory basis of dual-use export controls.

Economic Sanctions[91]

Economic sanctions may be defined as coercive economic measures taken against a target to bring about a change in policies. They can include such measures as trade embargoes; restrictions on particular exports or imports; denial of foreign assistance, loans, and investments; control of foreign assets under U.S. jurisdiction; and prohibition of economic transactions that involve U.S. citizens or businesses. Secondary sanctions, in addition, impede trade, transactions, and access to U.S.-located assets of foreign persons and entities that engage with a primary target. The United States maintains an array of economic sanctions against foreign governments, entities, and individuals. Specifically, the United States

- maintains robust sanctions regimes against foreign governments it has identified as supporters of acts of international terrorism (Iran, Sudan, Syria), nuclear arms proliferators (Iran, North Korea, Syria), egregious violators of international human rights standards (Belarus, Burundi, Iran, North Korea, Russia, Syria, Venezuela), and those threatening regional stability (Iran, North Korea, Russia, South Sudan, Sudan, Syria);
- imposes economic restrictions on individuals and entities found to be active in international terrorism, narcotics trafficking, weapons proliferation, illicit cyber activities, conflict diamond trade, and transnational crime; and
- targets individuals and entities with economic and diplomatic restrictions to meet the requirements of the United Nations Security Council (Central African Republic, Democratic Republic of Congo, Eritrea, Guinea-Bissau, Iran, Iraq, Lebanon, Libya, North Korea, Somalia, South Sudan, Sudan, Yemen, and individuals affiliated with the Islamic State (Da'esh), al-Qaida, or the Taliban).

[91] Written by (name redacted), Specialist in Foreign Policy Legislation (x7-....). See CRS In Focus IF10694, *Countering America's Adversaries Through Sanctions Act*, by (name redacted), (name redacted), and (name redacted); CRS Report R43835, *State Sponsors of Acts of International Terrorism—Legislative Parameters: In Brief*, by (name r edacted) ; CRS Report RS20871, *Iran Sanctions*, by (name redacted) ; CRS Report RL33948, *State and Local Economic Sanctions: Constitutional Issues*, by (name redacted) and (name redacted) ; CRS Report R43311, *Iran: U.S. Economic Sanctions and the Authority to Lift Restrictions*, by (name redacted) ; CRS Report R41438, *North Korea: Legislative Basis for U.S. Economic Sanctions*, by (name redacted) ; CRS Report RL30613, *North Korea: Back on the Terrorism List?*, by (name redacted) ; CRS In Focus IF10552, *U.S. Sanctions on Russia Related to the Ukraine Conflict*, coordinated by (name redacted); and CRS Report R43895, *U.S. Sanctions and Russia's Economy*, by (name redac ted) .

The 115th Congress, early on, staked out a substantial position in several foreign policy decisions facing the 45th President—whether to seek to deter Iran's missile proliferation activities, human rights abuses, and support of international terrorism, any of which could risk abrogation of the U.S. agreement to the multilateral Iran nuclear deal; further normalize bilateral relations with Cuba, or return to the economic embargo lifted by President Obama, further isolate Russia in an effort to restore the Crimea region to Ukraine, deter Russia's support of the government of Syria, and impede cyber intrusions in democratic processes in the United States and Europe; halt North Korea's progress in developing a nuclear weapon and the means to deliver them; and use secondary sanctions against foreign governments that support Iran, Russia, or North Korea in ways that are contrary to U.S. interests. Sanctions as a foreign policy tool figure heavily in each of these challenges.

In addition, in the waning days of the 114th Congress, the President signed into law the Global Magnitsky Human Rights Accountability Act (Title XII, Subtitle F, P.L. 114-328), which authorizes the President to designate for sanctions any foreign person who "is responsible for extrajudicial killings, torture, or other gross violations of internationally recognized human rights", or is a government official or associate of a government official who commits acts of significant corruption, expropriates assets, misuses government contracts or natural resource extraction, engages in bribery or other corrupt practices. The President has, to date, made no designations under the Global Magnitsky Act.

Sanctions Legislation in the 115th Congress

Enacted into Law

- Countering America's Adversaries Through Sanctions Act (H.R. 3364, signed into law as P.L. 115-44, on August 2, 2017 (see also S. 722)).

Adopted in the House

- Korean Interdiction and Modernization of Sanctions Act (H.R. 1644, agreed to in the House, May 4, 2017, by a vote of 419-1).
- Caesar Syria Civilian Protection Act of 2017 (H.R. 1677, agreed to in the House, May 17, 2017, by Voice Vote).

Iran

The United States and other world powers reached agreement with the government of Iran that opened Iran for inspection by the International Atomic Energy Agency (IAEA) and committed the Iranian government to foregoing any near-term pursuit of nuclear weapons development or acquisition. In return, the United States, the European Union (EU), and the United Nations provided sanctions relief and eventually removed multilateral nuclear-related restrictions on trade and finance. Interest persists in some congressional quarters, however, to slow the implementation of the agreement and to strengthen sanctions targeting missile proliferators, human rights violators, international terrorism, and Iran's access to the U.S. financial system.

Cuba

The United States and the government of Cuba, over the past two years, have largely normalized bilateral relations. Some economic sanctions remain, however, and would require either that the President certify that Cuba has held free and fair democratic elections, or Congress to repeal several provisions in permanent law, to complete the normalization process.

North Korea

North Korea conducted its fifth nuclear detonation test and more than two dozen missile tests in 2016. In 2017, it has conducted two missile tests that many analysts consider to have demonstrated possible intercontinental strike capability. Presently, the United States prohibits most trade with North Korea because of its nuclear weapons pursuits, its aggression toward Japan and South Korea, and its extra-legal activities in money laundering, counterfeiting of goods and currency, bulk cash smuggling, and narcotics trafficking.

Russia

The United States, the EU, and other nations blocked assets and travel of designated Russian leaders in an effort to reverse Russia's annexation of Ukraine's Crimean region and military incursions that began in early 2014. President Obama issued a series of executive orders over 2014 to isolate Russian President Putin, and to prohibit investment and trade with some entities in Russia's financial services, energy, metals and mining, engineering, and defense sectors. President Obama also prohibited any U.S. person from participating in new investment in Crimea, imports from and exports to the Crimea region, and any financing, facilitation, or guarantee of any related transaction by a U.S. person. Russia retaliated by banning imports of certain agricultural products from selected countries imposing sanctions. There has been little change in the stalemate over the past year. Russia, however, holds a critical seat in the U.N. Security Council, is increasingly involved in conditions in Syria, and holds an important position in negotiating with the North Korean government.

How the President goes about implementing the Countering America's Adversaries Through Sanctions Act, signed into law on August 2, 2017, particularly as it pertains to Russia's activities in Ukraine, cyber intrusion, public corruption, and support of the Assad regime in Syria could define Congress' foreign policy and national security debates for the remainder of the 115th term.

Miscellaneous Tariff Bills (MTBs)[92]

Many Members of Congress introduce bills to support importer requests for the temporary suspension of tariffs on chemicals, raw materials, or other non-domestically made components generally used as inputs in the manufacturing process. A rationale for these requests is that they help domestic producers of manufactured goods reduce costs, making their products more competitive. Due to the large number of bills typically introduced, they are often packaged together in a broader miscellaneous tariff bill (MTB). The most recent MTB, P.L. 111-227, was enacted on August 11, 2010, and expired on December 31, 2012. MTB consideration has been controversial in previous Congresses due to congressional moratoriums on "earmarks," which have included measures to provide "limited tariff benefits," defined in House and Senate rules as tariff reductions benefiting 10 or fewer entities.

On May 20, 2016, President Obama signed P.L. 114-159, the American Manufacturing Competitiveness Act of 2016, which reformed the process for considering MTBs. The legislation passed in the House by a wide margin (415-2) and in the Senate by unanimous consent. The law provides a new process for initiating two MTBs, one in 2016 and one in 2019. In the procedure outlined in the law, the International Trade Commission (ITC), rather than Congress, is responsible for receiving petitions for reduced or suspended duties (duty suspensions), collecting

[92] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS In Focus IF10478, *Miscellaneous Tariff Bills*, by (name redacted).

public feedback, gathering input from related Federal agencies, and reporting findings directly to the House Ways and Means and Senate Finance Committees. Congress retains authority to enact any further tariff suspensions based on ITC input.

The 2016 MTB process began on October 15, 2016 with a *Federal Register* notice from the ITC asking for members of the public to submit petitions within a 60-day period (closed mid-December 2016). The ITC will then publish all of the petitions, along with all disclosure forms, and issue a notice requesting public comments within 45 days. The ITC will also gather information from other agencies, and provide preliminary and final reports to the relevant congressional committees. The final ITC report is expected by mid-August 2017.

Although the law contains a sense of Congress that an MTB be considered no later than 90 days after the final ITC report, there is no requirement in the law for a MTB to receive floor action. If an MTB is to be considered, the committees must publish a list of all "limited tariff benefits" (i.e., provisions modifying the HTS in a way that benefits 10 or fewer entities), under a process specified in the legislation. In addition, although the ITC receives, analyzes, and reports to Congress on all MTB petitions, neither the ITC nor any other agency is permitted to exclude any duty suspension from potential consideration by Congress, or to add a duty suspension not submitted through the MTB petition process. Any acceptance or exclusion of MTB petitions reported by the ITC, along with subsequent MTB drafting, remains the prerogative of the House Ways and Means and Senate Finance Committees.

Trade and Development

The United States uses trade as a tool to spur economic growth in developing countries. The two main components of this policy are trade preference programs and funding for trade capacity building. Trade preference programs grant limited duty-free access to the U.S. market to eligible developing countries, providing a market-oriented incentive to invest in productive capacity and access international markets. Trade capacity building involves U.S. assistance (funding, training, or otherwise) to facilitate developing countries' engagement in international trade, and encompasses activities ranging from support of efficient customs systems to implementation of trade agreements.

Trade Preferences[93]

Since 1974, Congress has created six trade preference programs designed to assist developing countries:

- Generalized System of Preferences (GSP—expires December 31, 2017), which applies to all eligible developing countries;
- Andean Trade Preference Act (APTA—expired July 31, 2013);
- Caribbean Basin Economic Recovery Act (CBERA—permanent);
- Caribbean Basin Trade Partnership Act (CBTPA—expires September 30, 2020);
- African Growth and Opportunity Act (AGOA—expires September 30, 2025);

[93] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report R41429, *Trade Preferences: Economic Issues and Policy Options*, coordinated by (name redacted), and CRS Report RL33663, *Generalized System of Preferences: Overview and Issues for Congress*, by (name redacted).

- Haitian Opportunity through Partnership Encouragement Act (HOPE—expires September 30, 2025); and
- trade preferences for Nepal (expires on December 31, 2025).

Except for CBERA, which is permanent, these programs give temporary, non-reciprocal, duty-free access to the U.S. market for a select group of exports from eligible countries. In its first session, the 114th Congress passed the Trade Preferences Extension Act of 2015 (P.L. 114-27) with broad bipartisan support, to reauthorize and make certain revisions to AGOA, GSP, and HOPE (see **text box**). In its second session, the 114th Congress passed customs legislation (H.R. 644, signed by the President on February 24, 2016), including new duty-free treatment on select U.S. imports from Nepal. The 115th Congress will likely continue its oversight of these programs, and may consider, among other issues, reauthorization of GSP, which expires at the end of 2017. As the 115th Congress debates other potential trade agreements it may also evaluate those agreement's potential impact on preference program beneficiaries.

The Trump Administration's major focus on the trade deficit suggests it may look skeptically at non-reciprocal preference programs which have a direct and immediate effect on U.S. imports but a longer and indirect effect on U.S. exports. Given the Administration's discretion over product and country eligibility, Congress may wish to consult closely with the Administration over its enforcement of statutory eligibility criteria to ensure adherence to congressional objectives.

Trade Preferences Extension Act of 2015 (P.L. 114-27)

Signed June 29, 2015, this law extends and modifies key trade preference programs. Outcomes include the following.

Generalized System of Preferences (GSP)

- Retroactively reauthorized program through December 31, 2017 (previously lapsed since August 2013).
- Expanded potential benefits to certain cotton articles and travel goods.

African Growth and Opportunity Act (AGOA)

- Extended program authorization through September 30, 2025.
- Extended textile/apparel provisions (e.g., 3rd country fabric).
- Modified rules of origin requirements.
- Increased flexibility in disciplining eligibility infractions.
- Mandated certain procedures and period for eligibility reviews.
- Reinstated lapsed reporting requirement.
- Encouraged creation of AGOA strategies by beneficiaries.

Haitian Opportunity through Partnership Encouragement Act (HOPE)

- Extended program authorization through September 30, 2025.

Generalized System of Preferences (GSP)

The GSP program provides non-reciprocal, duty-free tariff treatment to approximately 3,500 products imported from designated beneficiary developing countries (BDCs) and about 1,500 additional products from eligible least-developed beneficiary developing countries. Country and product eligibility are based on criteria specified by Congress. In order to remain eligible for GSP, countries must meet certain criteria established by Congress, including taking steps to protect intellectual property rights (IPR) and internationally recognized worker rights. The GSP program also includes certain limits on product eligibility intended to shield U.S. manufacturers and workers from potential adverse impact due to the duty-free treatment. These include specific exclusion of certain "import sensitive" products (e.g., textiles and apparel), and limits on the quantity or value of any one product imported from any one country under the program (least-

developed countries excepted). The U.S. program was first authorized in Title V of the Trade Act of 1974, and is subject to periodic renewal by Congress. The GSP program was most recently extended until December 31, 2017 (Title II of P.L. 114-27), which means that Congress could consider GSP renewal in the coming months. P.L. 114-27 also designated new product categories as eligible for GSP status, including some cotton products (for least-developed beneficiaries only) and certain luggage and travel goods. On June 30, 2017, President Trump provided duty-free access for certain luggage and travel goods to all GSP countries.[94]

African Growth and Opportunity Act (AGOA)[95]

AGOA is a non-reciprocal U.S. trade preference program that provides duty-free treatment to qualifying imports from eligible sub-Saharan African (SSA) countries. AGOA benefits build on and are more extensive than those provided through GSP. In particular, AGOA includes duty-free treatment for certain textile and apparel products, and allows eligible least-developed AGOA countries to export apparel products to the United States duty-free regardless of the origin of the fabrics used in their production ("third-country fabric provision"). Congress first authorized AGOA in 2000 (P.L. 106-200) to encourage export-led growth and economic development in SSA and improve U.S. economic relations with the region.

The 114th Congress extended AGOA's authorization, including the program's textile and apparel provisions, as well as the third-country fabric provision, for ten years to September 30, 2025. The length of this reauthorization is unprecedented in the preference program's 16-year history. This longer-term reauthorization may help address concerns over investor uncertainty about the program and give AGOA beneficiaries a competitive advantage in producing exports for the U.S. market. However, the utilization of AGOA preferences remains concentrated in few countries and few product categories, and a number of domestic constraints may continue to hinder AGOA countries' export capabilities. Congress could seek to address these challenges in legislation. In the 114th Congress, the AGOA Enhancement Act of 2015 (H.R. 2845) passed the House, but was not considered by the Senate. To date in the 115th Congress, a similar bill, S. 832, has been introduced in the Senate.

The 115th Congress may also consider whether and how to advance U.S. trade and investment relations with the region beyond unilateral preferences. AGOA's extension directed the Administration to seek partners in the region for potential future FTAs, and both Kenya and Mauritius have expressed limited interest in pursuing such agreements. AGOA countries' capacity to negotiate and undertake U.S. FTA commitments remains an ongoing concern, as highlighted in the Obama Administration's 2016 "Beyond AGOA" report. In late 2016 Congress passed legislation requiring relevant U.S. agencies, including USTR and the U.S. Agency for International Development (USAID), to coordinate efforts toward negotiating reciprocal agreements with interested parties in the region and authorized use of funds to that end.

Trade Preferences for Nepal

A new preference program for Nepal was enacted in Section 915 of the Trade Facilitation and Trade Act of 2015 (P.L. 114-125). The Nepal Trade Preference Program, implemented on December 15, 2016, provides duty-free access of certain luggage articles, pocket goods, carpets

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[94] Executive Office of the President, "Proclamation 9625 of June 29, 2017," 82 *Federal Register* 30711, June 30, 2017.

[95] Written by Brock Williams, Analyst in International Trade and Finance (x7-....). See CRS Report R43173, *African Growth and Opportunity Act (AGOA): Background and Reauthorization*, by (name redac ted) , and CRS In Focus IF10149, *African Growth and Opportunity Act (AGOA)*, by (name redacted) .

and floor coverings, shawls and scarves, hats, and gloves imported directly from Nepal, provided that the President determines that Nepal meets eligibility requirements similar to those in the African Growth and Opportunity Act (AGOA) and Generalized System of Preferences (GSP) programs. The ITC was also required to determine that the designated products were not import sensitive in the context of U.S imports from Nepal.[96] Nepal is subject to the same rules of origin, mandatory graduation, and other requirements as in the AGOA and GSP programs. The President is also required to establish a Nepal-specific trade facilitation and capacity building program. The program is set to expire on December 31, 2025.[97]

Trade Capacity Building

Trade capacity building (TCB) refers to a wide range of activities that support a country's ability to engage in international trade. These efforts may include various forms of assistance targeting, among other issues: negotiation and implementation of bilateral and multilateral trade agreements; customs procedures and processes; legal and regulatory structures for trade-related issues such as intellectual property rights (IPR); labor and environmental protections; technical assistance to help countries meet export standards and phyto-sanitary rules and improve their commercial environments; and development assistance for infrastructure projects that support trade, such as ports. The United States uses TCB activities as a trade policy tool to encourage market-based economic development in developing countries and increase U.S. opportunities for trade and investment abroad. The United States also uses TCB to complement and enhance other trade policies such as preference programs and trade agreements.

Currently no single agency is responsible for coordinating U.S. government TCB. USAID typically receives the most funding to implement such activities given its foreign assistance objectives, but infrastructure-related funding through the Millennium Challenge Corporation (MCC) also comprises a large share of TCB funds. A number of other U.S. government agencies also have responsibilities and funding for TCB, including the Departments of Agriculture, Commerce, Labor, State, the Treasury, and the Interior, and the Trade and Development Agency. This, in part, reflects the capabilities and focus of the agencies involved. USTR has no funding obligated for TCB projects, but is responsible for developing and coordinating U.S. international trade and investment policies and plays a lead role in the interagency system by, for instance, chairing the Trade Policy Staff Committee and leading U.S. trade negotiations. Other agencies, such as Customs and Border Protection (CBP) and the Patent and Trademark Office, often provide technical expertise to support USAID efforts.

Coordination of TCB activities among U.S. government agencies has been an ongoing concern for Congress, particularly given the diversity of goals that TCB may simultaneously address. Some analysts have encouraged reforms to enhance the effectiveness and efficiency of U.S. efforts, including creation of a formal interagency process for TCB.[98] In the 114th Congress, legislation was introduced that would address some of these ongoing concerns, and formalize the coordination of U.S. TCB efforts (S. 2201). The 115th Congress may continue its oversight of

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[96] The ITC delivered its report to the President on October 2016. ITC, *Nepal: Advice Concerning Whether Certain Textile and Apparel Articles are Import Sensitive*, Investigation No. 332-558, Publication Number 4640, October 2016, https://www.usitc.gov/research_and_analysis/332_commission_publication.htm.

[97] The legislation provided that the President could declare Nepal as a beneficiary developing country for purposes of the new preference program after consultations with the ITC and USTR. On March 28th, 2016, the USTR requested public comments for a review of Nepal's country eligibility (81 *Federal Register* 17235).

[98] For example, see Scott Miller and Daniel F. Runde, *Opportunities in Strengthening Trade Assistance: A Report of the CSIS Congressional Task Force on Trade Capacity Building*, CSIS, February 2015.

TCB activities and consider TCB priorities as they relate to potential U.S. trade agreements, and the U.S. interagency coordination process.

U.S. Trade Finance and Promotion Agencies[99]

The federal government seeks to expand U.S. exports and investment through finance and insurance programs and other forms of assistance for U.S. businesses (see **text box**) in order to support U.S. jobs and economic growth. Trade finance and promotion activities also may support U.S. foreign policy goals. Many of these activities are demand-driven, meaning the actual level of support depends on alignment with U.S. commercial interests. These activities present issues for Congress in terms of their economic justifications, use of federal resources, and intersection with U.S. policy goals and priorities. They also raise questions collectively about the federal trade organizational structure.

Selected Trade Agencies

Office of the U.S. Trade Representative (USTR): Located in the Executive Office of the President, leads the development and coordination of U.S. trade and investment policy, serves as the President's chief negotiator for international trade agreements, resolves trade disputes, conducts U.S. affairs related to the World Trade Organization (WTO), and manages the U.S. interagency trade advisory committee system.

Department of Agriculture: Conducts international agricultural trade promotion and financing.

Department of Commerce: Supports U.S. exports and inward investment through trade missions, advocacy, market research, and other activities.

Export-Import Bank (Ex-Im Bank): Provides direct loans, guarantees, and insurance to help finance U.S. exports.

Overseas Private Investment Corporation (OPIC): Provides political risk insurance and finance to facilitate U.S. private investment in developing countries.

Small Business Administration (SBA): Administers several programs to support small businesses, including export financing and promotion services.

Trade and Development Agency (TDA): Funds pre-export activities (e.g., feasibility studies, reverse trade missions).

Export-Import Bank of the United States (Ex-Im Bank)

Ex-Im Bank, the official U.S. export credit agency (ECA), provides direct loans, loan guarantees, and export credit insurance, backed by the full faith and credit of the U.S. government, to help finance U.S. exports of goods and services to contribute to U.S. employment. On a demand-driven basis, it aims to provide such support when alternative financing is not available or to counter government-backed export credit financing extended by other countries. It charges interest, premiums, and other fees for its services, which it uses to fund its activities.

Ex-Im Bank operates under a renewable general statutory charter (Export-Import Bank Act of 1945, as amended, 12 U.S.C. §635 *et seq.*), which Congress extended through the end of FY2019 (P.L. 114-94, enacted in December 2015). Congress also approves an annual appropriation setting

[99] Written by (name redacted), Specialist in International Trade and Finance (x7 -....). See CRS Report R43581, *Export-Import Bank: Overview and Reauthorization Issues*, by (name redacted) ; CRS In Focus IF10017, *Export-Import Bank of the United States (Ex-Im Bank)*, by (name redacted) ; CRS Report 98-567, *The Overseas Private Investment Corporation: Background and Legislative Issues*, by (name redacted) ; CRS In Focus IF10659, *Overseas Private Investment Corporation (OPIC)*, by (name redacted) ; CRS In Focus IF10673, *U.S. Trade and Development Agency (TDA)*, by (name redacted) ; CRS Report R43970, *Commerce, Justice, Science, and Related Agencies Appropriations (CJS): Trade-Related Agencies*, by (name redacted) ; and CRS Report R42555, *Trade Reorganization: Overview and Issues for Congress*, by (name redacted) .

an upper limit on Ex-Im Bank's operating expenses. In addition, presidential appointments to Ex-Im Bank's Board of Directors require Senate approval. Legislative debate over the rationale for maintaining the agency has intensified in recent years. Supporters contend that Ex-Im Bank supports U.S. exports and jobs, contributes financially to the U.S. Treasury, and manages its risks. Critics argue that Ex-Im Bank crowds out private sector activity, picks winners and losers, acts as "corporate welfare," and poses a risk to taxpayers.

Despite its reauthorization, Ex-Im Bank is operating on a limited basis. The current absence of quorum of its Board of Directors generally constrains it from approving medium- and long-term export financing above $10 million (see text box).[100] Ex-Im Bank reported a backlog of over $30 billion in larger transactions in its pipeline.[101] In FY2014, the last year in which it was fully operational, Ex-Im Bank authorized $20.5 billion in export financing and insurance; in comparison, it authorized $5.0 billion in FY2016. A provision in the House State-Foreign Operations FY2018 appropriations bill would ease the quorum requirement.[102] A similar proposal was not ultimately included in the final FY2017 appropriations act.

Status of Board Nominations

On April 14, 2017, President Trump announced his intent to nominate former Member of Congress Scott Garrett to be President of Ex-Im Bank (who would also serve as Chairman of the Board) and Spencer T. Bachus III to be a Board member. On June 19, 2017, the nominations were received in the Senate. Both nominations are currently pending. Some Members of Congress and business groups that support Ex-Im Bank oppose Mr. Garrett's potential nomination to be Ex-Im Bank President, given his past record opposing Ex-Im Bank and other concerns, while those that are skeptical of the agency tend to favor the selection.

Source: Zachary Warmbrodt and Andrew Restuccia, "White House Under Pressure to Drop Export-Import Bank Nominee," *Politico*, July 17, 2017.

The international context for ECA activity also continues to present competitiveness issues regarding Ex-Im Bank for Congress. Ex-Im Bank abides by Organization for Economic Cooperation and Development (OECD) guidelines for ECA activity (e.g., minimum interest rates, maximum repayment terms). Foreign ECAs, of both OECD and non-OECD members, increasingly are providing financing that is outside of the scope of the OECD Arrangement. ECA financing by China, a non-OECD member, is of particular concern. Possible issues for Congress include the effectiveness of current international ECA rules and the status of negotiations within and outside the OECD to enhance existing ECA rules or develop new arrangements.

[100] Ex-Im Bank, "Ex-Im Bank Board of Directors Frequently Asked Questions," June 2017, https://www.exim.gov/sites/default/files/congressional-resources/MKG-OCIA-4_EXIM_BOD_FAQs_29JUNE2017.pdf.

[101] Ex-Im Bank, *Report to the U.S. Congress on Global Export Credit Competition*, for the period January 1, 2016 through December 31, 2016, June 2017, p. 2.

[102] H.R. 3362, 115th Congress.

Overseas Private Investment Corporation (OPIC)

OPIC is the official U.S. development finance institution (DFI). Operating under the Foreign Assistance Act of 1961 (FAA), as amended (22 U.S.C. §2191 *et seq*.), it seeks to promote economic growth in developing economies by providing project and investment funds financing for overseas investments and insuring against the political risks of investing abroad, such as currency inconvertibility, expropriation, and political violence, for qualifying U.S. private investors. OPIC's activities are backed by the full faith and credit of the U.S. government. It is demand-driven, seeks to manage its risks, and maintains reserves against potential losses. OPIC charges fees for its services, which it uses to funds it activities, and is subject to the annual appropriations process.

Selected Developments in 114th Congress

Several bills entitled the "Electrify Africa Act of 2015" were introduced in the 114th Congress. The bills aimed to increase U.S. government support, including through OPIC, to assist sub-Saharan African countries in expanding electricity access to support economic growth and other goals. Two bills, H.R. 2847 and S. 1933 would have extended OPIC's authority through FY2018. In contrast, S. 2152 did not include any extension of OPIC's authority; this bill became law in February 2016 (P.L. 114-121).

Since reauthorizing OPIC in December 2003 for nearly four years through FY2007 (P.L. 108-158), Congress generally has extended OPIC's authority through appropriations legislation. The FY2017 omnibus appropriations act (P.L. 115-31) extends OPIC's authority through September 30, 2017.

OPIC may face more scrutiny in the 115th Congress, due in part to President Trump's FY2018 budget request to eliminate OPIC funding as part of the Administration's focus on fiscal responsibility, redefining the U.S. government's role, and strengthening the military and national security. The President's budget requests $60.8 million to manage OPIC's existing portfolio and start "orderly wind-down activities."

OPIC presents policy debates for Congress. Supporters argue that OPIC fills gaps in private sector investment support arising from market failures (e.g., financial crises, risk levels); helps U.S. businesses compete against competitors backed by foreign DFIs; contributes to deficit reduction; and advances U.S. foreign policy interests by contributing to economic development in developing countries. Critics argue that OPIC diverts capital away from efficient uses and crowds out viable, private alternatives; take issue with OPIC assuming risks unwanted by the private sector; and question OPIC's development benefits, criticizing, for instance, its support for particular projects or overall portfolio composition. The transformative changes in the international development finance landscape, such as the growing role of emerging markets and establishment of new multilateral institutions, raise additional questions about OPIC's competitiveness and the potential need for international rules on investment financing.

International Trade Administration (ITA) of U.S. Department of Commerce

Part of the Department of Commerce, the International Trade Administration (ITA) is charged with "creat[ing] prosperity by strengthening the international competitiveness of U.S industry, promoting trade and investment, and ensuring fair trade and compliance with trade laws and agreements."[103] ITA's current organizational structure reflects a consolidation that ITA underwent in October 2013 to better organize its operations functionally. ITA's Global Markets unit provides

[103] ITA website, http://www.trade.gov/about.asp.

export assistance to U.S. companies seeking foreign business opportunities, including export counseling, market research, business matching services, and advocacy, as well as support for U.S. investment attraction through the SelectUSA program (see "International Investment" section). The Global Markets unit houses ITA's network of trade promotion and policy professionals (formerly and still commonly known as the U.S. and Foreign Commercial Service) in over 70 countries and over 100 U.S. locations to promote U.S. exports, support U.S. commercial interests overseas, and attract investment to the United States. Possible issues that ITA presents for Congress include the alignment of ITA's organizational structure with its mission and operations, the appropriate level of funding for ITA, and its role in U.S. export promotion efforts.

U.S. Trade and Development Agency (TDA)

TDA, an independent agency, operates under a dual mission of advancing overseas economic development and U.S. commercial interests in developing and middle-income countries. TDA seeks to link U.S. businesses to export opportunities overseas, including through infrastructure development, that lead to economic growth in developing and middle-income countries by funding a range of pre-export activities. It is governed by the Foreign Assistance Act of 1961 (FAA), as amended (22 U.S.C. §2421).

As with OPIC, President Trump's FY2018 budget proposes eliminating TDA as part of the Administration's focus on fiscal responsibility, redefining the U.S. government's role, and strengthening the military and national security. The budget requests $12.1 million to conduct an "orderly closeout" of TDA starting in FY2018. In the 115th Congress, TDA may be subject to heightened scrutiny, with issues for Congress including the rationale for maintaining TDA and the agency's effectiveness and efficiency in working towards its mission. TDA supporters maintain that the agency's dual focus on export promotion and international development sets it apart from other federal government agencies, as well as its role in assisting businesses at early stages of international transactions. Critics calling for TDA's termination assert instead that its functions overlap with those of other U.S. export promotion and foreign aid agencies.

Trade Reorganization

The organizational structure of federal trade agencies is of longstanding policy interest. Some policymakers have proposed consolidating trade-related functions to eliminate duplication, provide a more streamlined rationale for U.S. export promotion, and reduce costs of U.S. trade policy programs. Reorganization skeptics contend that such proposals could lead to a large, costly federal bureaucracy and undermine the effectiveness of agencies such as the USTR. They also assert that the diffusion of trade functions across federal agencies helps to advance various U.S. trade policy interests, such as supporting exports by small- and medium-sized businesses. Some observers advocate instead for better coordination across agencies, while others argue that existing coordinating bodies, such as the Trade Promotion Coordinating Committee (TPCC), are insufficient.

Under an executive order issued by President Trump, the Administration is conducting an appraisal of federal agencies and programs to develop a proposal to reorganize the executive branch and improve its efficiency, effectiveness, and accountability.[104] While not trade-specific, the executive order could have implications for U.S. trade agencies. During the presidential

[104] Executive Order 13781 of March 13, 2017, "Comprehensive Plan for Reorganizing the Executive Branch," 82 *Federal Register* 13959, March 16, 2017.

campaign, President Trump specifically proposed to consolidate trade-related agencies and departments into one office called the "American Desk" under the Department of Commerce.[105] Upon entering office, the President has not appeared to publicly return to his trade-specific consolidation proposal. At the same time, the President's FY2018 budget request calls for the elimination of OPIC and TDA. In the 115th Congress, Members would play a significant role in any potential trade reorganization debate through their legislative and oversight functions.

International Financial Institutions (IFIs) and Markets

Since World War II, governments have created and used formal international institutions and more informal forums to discuss and coordinate economic policies. As economic integration has increased over the past 30 years, international economic policy coordination has become even more active and significant. Governments use a mix of formal international institutions and international economic forums to coordinate economic policies. Formal institutions, such as the International Monetary Fund (IMF), the World Bank, and the regional development banks (MDBs), among others, are typically formed by an official international agreement and have a permanent office with staff performing ongoing tasks. Governments have also relied on more informal forums for economic discussions, such as the G-7 and the G-20, that do not have formal rules or a permanent staff.

Congress exercises oversight of U.S. participation in international economic forums and the international financial institutions. Congress authorizes and appropriates U.S. contributions to these institutions. Congress may also want to exercise oversight of U.S. policy towards new institutions led by emerging markets of which the United States is not a member, including the Asia Infrastructure Investment Bank (AIIB), and how the international financial architecture has evolved since the global financial crisis.

More broadly, given long-standing economic and foreign policy interests in a stable, thriving global economy, the 115th Congress is likely to continue monitoring major economic developments overseas and their potential impact on U.S. economic and foreign policy interests. One such issue may be the evolving economic conditions in the Eurozone, which spiraled into crisis following the global financial crisis of 2008-2009. Although economic conditions have stabilized, fundamental challenges remain. Venezuela is experiencing an acute economic crisis, and there is speculation whether the government will default on its debt, some of which is held by U.S. investors.

International Economic Cooperation (G-7 and G-20)[106]

Prior to the global financial crisis of 2008-2009, international economic discussions at the top leadership level took place among a small group of developed industrialized economies. The Group of 8 (G-8) includes Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States. In response to the global financial crisis, leaders decided that a broader group of developed and emerging-market economies, the Group of 20 (G-20), would become the premier forum for international economic cooperation and coordination. The G-20 includes the G-8 countries plus Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia,

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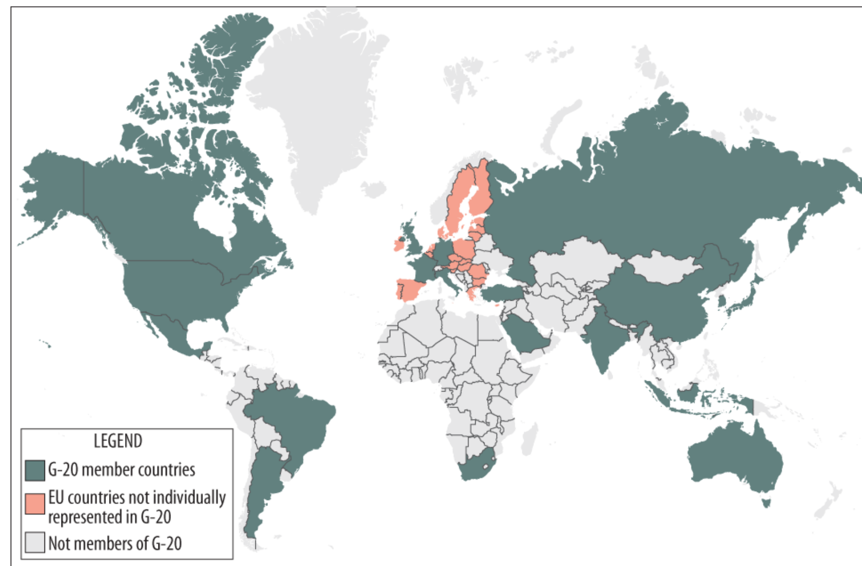
[105] Trump-Pence Campaign, "In Ohio Trump Announces American Desk to Protect Economic Interests of America's Workers on Trade," press release, October 20, 2016.

[106] Written by (name redacted), Specialist in International Trade and Finance (x7 -....). See CRS Report R40977, *The G-20 and International Economic Cooperation: Background and Implications for Congress*, by (name redac t ed) .

South Africa, South Korea, Turkey, and the EU (**Figure 6**). G-20 countries account for about 85% of global economic output, 75% of world exports, and two-thirds of the world's population.[107] The leaders of the G-20 countries hold annual summits, as well as more frequent gatherings of finance ministers, central bankers, and other officials. Leaders and officials of the smaller group of developed countries also continue to meet. Since 2014, however, they have convened as the G-7, excluding Russia following its annexation of the Crimean region of Ukraine.

Figure 6. G-20 Members



Source: Created by CRS.

The G-7 and G-20 have rotating presidencies, which shape the forum's agenda for the year. Italy hosted the G-7 summit in Toarmina in May 2017, and Germany hosted the G-20 summit in Hamburg in July 2017. These were the first G-7 and G-20 summits attended by President Trump, who campaigned on an "America First" platform and has signaled a reorientation of U.S. foreign policy. While the United States has traditionally played a leadership role in these forums, many commentators viewed the United States as isolated at the G-20 summit, leading some skeptics to refer to this summit as the "G19+1." Differences between the United States and other G-20 countries were most pronounced over climate change and trade.

The summits are contributing to ongoing debate about the U.S. leadership in the world under the Trump Administration.[108] Some commentators are concerned that the United States' isolation reflects a growing trend of abdication of U.S. leadership and abandonment of U.S. allies. Others are more optimistic, arguing that differences between the United States and other countries were overblown and that President Trump is pursuing foreign policies consistent with his campaign pledges.

The summits also raise questions about the usefulness of the G-7 and G-20 as forums for fostering international cooperation and coordination. Some analysts argue that while the G-7 and the G-20 are instrumental in responding to financial crises, their effectiveness diminishes as the

[107] World Bank, *World Development Indicators*.

[108] For more on debates over U.S. leadership, see CRS Report R44891, *U.S. Role in the World: Background and Issues for Congress*, by (name redacted) and (name redacted) .

urgency of crises wane and their portfolio of issues expand. Others argue that they are critical forums and useful steering committees in the global economy, even if agreement on policies is not always reached. Congress exercises oversight over the Administration's participation in the G-7 and G-20, including the policy commitments that the Administration is making and the policies it is encouraging other countries to pursue. Additionally, legislative action may be required to implement commitments made by the Administration in the G-7 and G-20 process.

International Monetary Fund (IMF)[109]

IMF Facts

- ***Founded:*** 1945.
- ***Members:*** 189 countries.
- ***Major functions:*** Crisis lending, surveillance, technical assistance.
- ***Financial resources:*** about $657 billion in quota; $675 billion of additional pledged or committed resources.
- ***U.S. financial commitment:*** about $115 billion to IMF quota and $44 billion to supplemental funds.
- ***U.S. voting power:*** 16.53%.

The International Monetary Fund (IMF) is an international organization focused on promoting international macroeconomic stability. Created in 1945, it has grown in membership over the past six decades to 189 countries. Although the IMF's functions have changed as the global economy has evolved, today it is focused on surveillance, lending, and technical assistance. Through surveillance, the IMF monitors economic and financial policies of its members, highlights possible risks to domestic and external stability, and advises on needed policy adjustments. The IMF also extends loans to countries experiencing balance-of-payments crises (meaning that they have or may have trouble paying for imports or making debt payments). These loans require governments to implement policy reforms before funds can be disbursed ("conditionality"). Finally, the IMF provides technical assistance and training to strengthen countries' capacity to design and implement effective policies. Recent congressional attention has centered on the use of IMF resources since the 2008 global economic crisis, proposed IMF governance changes, and the IMF's role in the Greek debt crisis.

In December 2010, the Board of Governors of the IMF agreed to a set of institutional reforms that would increase the institution's core source of funding (called IMF quota) and expand the representation of major emerging markets, such as Brazil, China, India, and Mexico The FY2016 Consolidated Appropriations Act (P.L. 114-47) authorized U.S. participation in the IMF reform package, which became effective in early 2016. The United States retains veto power over major IMF policy decisions and keeps a representative on the IMF Executive Board. The reform did not increase net U.S. financial commitments.

In addition to its quota resources, which total about $657 billion, the IMF can draw on an additional $675 billion, comprised of bilateral borrowing arrangements ($400 billion) and two supplemental funds, the New Arrangements to Borrow (NAB, $252 billion) and the General Arrangements to Borrow (GAB, $23 billion). The future availability of these supplemental funds is uncertain. The NAB was renewed in November 2016 for a five-year period. U.S. contributions to the NAB are set to sunset in 2021. Further renewal requires congressional authorization. It is also uncertain whether countries providing bilateral credit lines to the IMF will be willing to

[109] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report R42019, *International Monetary Fund: Background and Issues for Congress*, by (name redacted) ; CRS Report R42844, *IMF Reforms: Issues for Congress*, by (name redacted) and (name redacted) ; and CRS In Focus IF10134, *IMF Quota and Governance Reforms*, by (name redacted) and (name redacted) .

extend them further when they expire in 2019 (extendable for a further year through end-2020). During the negotiations in fall 2016 for the current round of bilateral loans, participants, including Germany, suggested that they would be unlikely to renew them further. These issues will likely shape debate on the next quota review in 2019, where the IMF assess the adequacy of its resources.

Members may be interested in following the implementation of several policies and reporting requirements included in the authorizing language. For example, provisions were included relating to the budgetary treatment of U.S. participation in the IMF, exceptional access programs (large-scale lending programs), and reporting on a variety of issues relating to IMF policies and U.S. participation at the IMF. The authorizing legislation also sunsets the remaining U.S. contributions to the New Arrangements to Borrow, about $40 billion, in December 2022. This would be a reduction of nearly 25% of total U.S. contributions to the IMF and the first time in the IMF's 70-year history that the United States has reduced its financial commitment to the institution.

Members are also currently considering IMF rules on providing large loans. While provisions for exceptional access have existed since the early 1980s, the relative amount of lending skyrocketed with the recent European programs. The 2010 loan to Greece, for example, was 3,212% of Greece's quota. In an effort to address this issue, Congress insisted on restrictions on exceptional access when it approved the recent quota and governance reforms. Legislation proposed in the 115th Congress, *The IMF Reform and Integrity Ac*t (H.R. 1573), would further limit the ability of the U.S. to vote for large IMF programs, especially, where the Fund is co-financing with larger creditors.

Multilateral Development Banks (MDBs)[110]

The MDBs are international institutions that provide financing funded from private capital markets to developing countries in order to promote economic and social development. The United States is a member, and major donor, to five major multilateral development banks (MDBs): the World Bank, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank. These institutions were established after World War II to provide financing for economic development at a time when private sector financing, especially for war-torn, post-conflict, or developing countries, was not available. While the MDBs have thrived and grown over the past decades, the international economy has changed dramatically. Many developing and low-income countries are able to borrow on the international capital markets to finance their development projects. At the same time, developing countries are creating their own MDBs.

Congress authorizes and appropriates U.S. funding for the MDBs, which may shift under the Trump Administration. President Trump campaigned on an "America First" platform and has signaled a reorientation of U.S. foreign policy. In March 2017, the Trump Administration proposed cutting $650 million over three years compared to the commitments made under the Obama Administration.[111]

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[110] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report R41170, *Multilateral Development Banks: Overview and Issues for Congress*, by (name redacted) ; and CRS Report R41537, *Multilateral Development Banks: How the United States Makes and Implements Policy*, by (name redacted) and (name redacted) .

[111] Office of Management and Budget, *America First: A Budget Blueprint to Make America Great Again*, March 16, 2017.

Congress also conducts oversight of U.S. participation in the MDBs. Current U.S. MDB reform objectives are to improve transparency, accountability, and governance; better align management performance and incentives with improved development outcomes; and more clearly delineate the division of labor between the World Bank and the regional development banks. Looking forward, Congress may wish to consider options for making more efficient use of MDB resources, reforming MDB governance structures to increase the representation of developing countries, and examining how core MDBs engage with new institutions. For example, the House Financial Services Committee reported out of Committee, H.R. 3326, *World Bank Accountability Act of 2017*, on July 25, 2017. If passed into law, the bill would condition future U.S. funding to the World Bank on a variety of reforms to fight corruption, strengthen management accountability and undermine violent extremism.

The Asian Infrastructure Investment Bank (AIIB)[112]

On October 24, 2014, China and 20 other countries signed an agreement to establish a new development bank, the Asian Infrastructure Investment Bank (AIIB). Formally established in late 2015, the AIIB has 56 members, including four G-7 economies (France, Germany, Italy and the United Kingdom). The United States is not a member of the AIIB.

As its name suggests, the new entity is expected to focus on financing infrastructure projects throughout Asia. China sees the AIIB and other financing mechanisms, including a $40 billion Silk Road Fund, the $100 billion New Development Bank (formerly known as the BRICS Development Bank), and the Shanghai Cooperation Organization Development Bank, as a means to finance what it calls a "Silk Road Economic Belt" and a "21st Century Maritime Silk Road." The "Silk Road Economic Belt" would be a network of highways, railways and other critical infrastructure linking China to Central and South Asia, the Middle East and Europe. The Silk Road Maritime Route entails building or expanding ports throughout Asia, the Middle East, Africa and Europe. As of August 2017, the AIIB has approved 17 projects worth $2.8 billion. AIIB officials are targeting $4 billion to $5 billion in yearly lending.[113]

The AIIB announcement followed closely an agreement in July 2014 on a separate development institution, the New Development Bank (NDB), by the leaders of the BRICS countries (Brazil, Russia, India, China, and South Africa). Some observers are concerned that these new development banks may duplicate existing multilateral and regional institutions, and might provide financing with minimal, if any, policy conditionality and without adhering to established environmental and social safeguards, which many developing countries believe are too burdensome. By contrast, the United States and other major donors consider policy conditionality, safeguards, and other governance best practices, including measures such as rules on procurement, as being central to the effectiveness of development assistance, and have used their leadership in the MDBs to advance these priorities.

The establishment of the AIIB raises several political and economic issues for Congress as it examines the AIIB's activities and considers potential U.S. involvement with the Bank. While the United States is not a member of the AIIB, and thus will not be authorizing and appropriating financial contributions, there are several avenues through which Congress can shape U.S. policy

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[112] Written by (name redacted), Specialist in International Trade and Finance (x7-....). See CRS Report R44754, *Asian Infrastructure Investment Bank (AIIB)*, by (name redacted) ; CRS In Focus IF10154, *Asian Infrastructure Investment Bank*, by (name redacted) ; and CRS In Focus IF10273, *China's "One Belt, One Road"*, by (name red acted) and (name redacted) .

[113] "China's AIIB: A Surprisingly Normal Bank," *Economist Intelligence Unit,* October 28, 2016.

toward the institution. These include oversight of the AIIB's operations and shaping the evolving relationship between the AIIB and the MDBs where the United States is a member.

Eurozone Crisis[114]

The economic crisis that started in Greece in 2009 and spread to other Eurozone countries has been a source of concern for some Members of Congress. The United States and Europe have the world's largest bilateral economic relationship and a robust European economy is important to U.S. interests. Although the crisis has stabilized in many Eurozone countries and the threat of contagion from the crisis has diminished, several challenges remain. Greece's economy has been devastated: Greece's debt is higher than before the crisis, its economy has contracted by 25%, and one in five Greeks is unemployed.[115] Greece is struggling with debt sustainability, jumpstarting economic growth, structural reforms, and responding to an influx of refugees. In July, 2017, the IMF approved in principle a new program for Greece – its third since 2010. The IMF will disburse funds to Greece only after Europeans provide debt relief to Greece and the Greek government continues to implement needed reforms.

More broadly, trade imbalances within the Eurozone persist, some Eurozone banks continue to grapple with non-performing loans from the crisis, and growth for the Eurozone as a whole, forecast at 1.9%, is gaining momentum but lags behind global averages (forecast at 3.5%).[116] The crisis also exposed problems with the institutional architecture of the Eurozone, whose member states share a common currency and monetary policy but retain national control over fiscal and banking policies.

Economic Crisis in Venezuela[117]

Underpinning the political and social unrest in Venezuela is an acute and increasingly unstable economic crisis that has taken a severe humanitarian toll. Venezuela's economy is built on oil, accounting for more than 90% of the country's exports. When oil prices crashed by nearly 50% in 2014, the Maduro government was ill-equipped to soften the blow to the Venezuelan economy. Declining revenue from oil exports led to twin deficits: a large current account (trade) deficit of 7.8% of gross domestic product (GDP) and a large budget deficit, 14.6% of GDP in 2016.[118] The economy contracted by 18% in 2016. The IMF forecasts that unemployment will reach 25% in 2017, and that inflation will exceed 1,100% by the end of the year.

To meet its international payments, the government has tightened restrictions on access to foreign currency, imposed price controls, and cut imports. Shortages of consumer goods, including food and medicine, are rampant. Although the Venezuela government has prioritized meeting its debt payments, its international reserves are unlikely to cover its financing needs in 2017. Many economists believe that the government will be forced to default and/or restructure its debt. It is unclear whether Venezuela may at some point choose or be forced to seek outside financial assistance. A rescue package from the IMF would be politically fraught given the government's anti-capitalist and anti-IMF rhetoric.

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[114] Written by (name redacted), Specialist in International Trade and Finance (x7 -....). See CRS Report R44155, *The Greek Debt Crisis: Overview and Implications for the United States*, coordinated by (name redacted) .

[115] International Monetary Fund, *World Economic Outlook*, April 2017.

[116] International Monetary Fund, *World Economic Outlook Update*, July 2017.

[117] Written by (name redacted), Specialist in International Trade and Finance (x7 -....). See CRS Report R44841, *Venezuela: Background and U.S. Policy*, by (name redacted) .

[118] Macroeconomic data for Venezuela is from IMF, World Economic Outlook, April 2017.

The crisis has led to a collapse in U.S.-Venezuela trade and direct investment, with larger implications for Venezuela than the United States. Many U.S. investors hold Venezuelan government bonds, and some U.S. investors have stepped up purchases of Venezuelan bonds at discounted rates in recent months. If Venezuela defaults and/or restructures its debt, U.S. investors holding Venezuelan government bonds could become involved in lengthy and complex negotiations and legal proceedings.

Looking Forward

Members of Congress exert significant influence over the course of U.S. trade policy and its implementation through their legislative, appropriations, and oversight roles. Given current debates about trade and U.S. trade policy, fundamental questions about the future direction of trade and international economic issues are likely to continue to be areas of interest for the 115th Congress. In engaging on these issues, Congress may

- conduct oversight of the renegotiation of the North American Free Trade Agreement (NAFTA);
- consider new bilateral trade agreements with the UK or Japan, or conduct oversight of T-TIP or TiSA trade negotiations;
- examine the status of trade negotiations launched under the previous Administration, including the potential Transatlantic Trade and Investment Partnership (T-TIP) with the European Union (EU), a potential plurilateral Trade in Services Agreement (TiSA), and ongoing discussions at the WTO, as well as the future implications of the TPP without U.S. participation;
- conduct oversight and take possible legislative action concerning a range of other trade issues, including U.S. trade relations with China and other major economies as well as U.S. export and import policies and programs; and
- monitor developments in capital flows and global debt levels, the international financial institutions and U.S. funding levels, the evolution of the AIIB, and other countries' exchange rate policies, among other international finance issues.

U.S. trade and economic policy affects the interest of all Members of Congress and their constituents. Congressional actions on these issues can impact the health of the U.S. economy, the success of U.S. businesses and their workers, the standard of living of Americans, and U.S. geopolitical interests. Some of these issues may be highly contested, as Members of Congress and affected stakeholders have differing views on the benefits, costs, and role of U.S. trade policy. The dynamic nature of the global economy—including the increasingly interconnected nature of the global market, the growing influence of emerging markets, and the growing role of digital trade, among other factors—provide the backdrop for a robust and complex debate in the 115th Congress over a range of trade and finance issues.

Appendix. Select CRS Products

Select CRS products follow on key trade and finance issues for the 115th Congress that are discussed in this report. The products take the form of reports or In Focus products, which are two-page executive briefs.

Trade Background

In Focus

CRS In Focus IF10156, *U.S. Trade Policy: Background and Current Issues*, by (name redacted) , (name redacted), and (name redacted) .

CRS Report RS21118, *U.S. Direct Investment Abroad: Trends and Current Issues*, by (name red acted) .

Reports

CRS Report RL33944, *U.S. Trade Concepts, Performance, and Policy: Frequently Asked Questions*, by (name redacted) et al.

Trade Promotion Authority

In Focus

CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by (name redacted) .

CRS In Focus IF10297, *TPP-Trade Promotion Authority (TPA) Timeline*, by (name redacted) .

Reports

CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by (name redacted) .

CRS Report R43491, *Trade Promotion Authority (TPA): Frequently Asked Questions*, by (name r edacted) and (name redacted) .

CRS Report 97-896, *Why Certain Trade Agreements Are Approved as Congressional-Executive Agreements Rather Than Treaties*, by (name redacted), (name redacted), and (name redacted) .

World Trade Organization

In Focus

CRS In Focus IF10002, *The World Trade Organization*, by (name redacted) and (name redacted).

CRS In Focus IF10294, *Kazakhstan and Tajikistan: WTO Accession and U.S. Trade Relations*, by (name redacted) and (name redacted).

Reports

CRS Report R44777, *WTO Trade Facilitation Agreement*, by (name redacted) and (name reda cted) .

CRS Report R43592, *Agriculture in the WTO Bali Ministerial Agreement*, by (name red acted)

U.S. Bilateral and Regional Trade Agreements

In Focus

CRS In Focus IF10047, *North American Free Trade Agreement (NAFTA)*, by (name redac ted) .

CRS In Focus IF10000, *TPP: Overview and Current Status*, by (name redacted) and (name r edacted) .

CRS In Focus IF10120, *Transatlantic Trade and Investment Partnership (T-TIP)*, by (name red acted) and (name redacted) .

CRS In Focus IF10311, *Trade in Services Agreement (TiSA) Negotiations*, by (name redacted)

CRS In Focus IF10394, *Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by (name redacted) .

Reports

CRS Report R42965, *The North American Free Trade Agreement (NAFTA)*, by (name redac ted) and (name redacted) .

CRS Report R44907, *NAFTA and Motor Vehicle Trade*, by (name redacted), (name redacted), and (name redacted).

CRS Report R44489, *The Trans-Pacific Partnership (TPP): Key Provisions and Issues for Congress*, coordinated by (name redacted) and (name redacted) .

CRS Report R44337, *TPP: American Agriculture and the Trans-Pacific Partnership (TPP) Agreement*, by (name redacted) .

CRS Report R43387, *Transatlantic Trade and Investment Partnership (T-TIP) Negotiations*, by (name redacted), (name redacted), and (name redacted) .

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