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Trade Policy Review Body

TRADE POLICY REVIEW

Report by the Secretariat

UNITED STATES

Revision

This report, prepared for the eleventh Trade Policy Review of United States, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the United States on its trade policies and practices.

Any technical questions arising from this report may be addressed to Messrs. John Finn (tel: 022/739 5081) and Pierre Latrille (tel: 022/739 5266), Mrs. Denby Probst (tel: 022/739 5847), and Messrs. Jesse Kreier (tel: 022/739 5140), Juan Marchetti (tel: 022/739 5871), and Raymundo Valdés (tel: 022/739 5346).

Document WT/TPR/G/275 contains the policy statement submitted by the United States.

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SUMMARY

1. The United States' economy has been marked by slow but steady recovery and some re-balancing since its last Review. Merchandise and services trade figures have re-bounded significantly since the 2009 financial crisis and have now reached new peak levels, surpassing previous 2008 peak levels. Services trade in particular has shown a growing trade surplus, and services account for approximately 70% of U.S. output. The United States has set in motion policies for domestic and international rebalancing; i.e. moving away from consumption and real estate and encouraging export and investment growth.

2. Since its last Review, United States has moved ahead with the legislative approval of three free-trade agreements and the extension of two lapsed preference programmes (the Generalized System of Preferences and the Andean Trade Preferences Act (ATPA)). The free-trade agreements with Korea and Colombia entered into force in March and May 2012, respectively; while the FTA with Panama has not been implemented at the time of writing. According to the 2012 Trade Policy Agenda, the United States is working toward the conclusion of the Trans-Pacific Partnership regional trade agreement and towards extending permanent normal trade relations with Russia. Preferential trade accounts for an important and growing percentage of U.S. trade; in 2011, 20.1% of U.S. imports were under preferential regimes, reciprocal preferences accounted for 16.4% and unilateral preferences for 3.7%.

3. Foreign direct investment continues to play an important role in the U.S. economy by making important contributions to U.S. employment, R&D, and exports. The United States is the world's largest recipient of foreign direct investment (FDI), which totalled US$228 billion in 2011. As concerns investment policy, after several years of review, the United States completed a new model bilateral investment treaty (BIT) framework containing detailed provisions to foster or facilitate the flow of investment; and in June 2011, new steps were taken to facilitate and attract inward FDI into the United States by creating the first government-initiated centralized investment promotion body through the SelectUSA initiative.

4. The financial services sector accounted for 8.5% of U.S. GDP in 2010, 47% of which was generated by banking activities, 33% by insurance, and 16% by securities trading activities. Over the last decade, the U.S. has run trade surpluses in financial services and trade deficits in insurance. The United States has the largest securities and insurance markets in the world. The main regulatory reform since the last Review is the Dodd-Frank Wall Street Reform and Consumer Protection Act, which entered into force in July 2010. The Act's main objectives include promoting financial stability, ending "too big to fail", ending bailouts, protecting taxpayers, and protecting consumers from abusive financial services practices.

5. Intellectual property (IP) has a central place in the domestic economy and the international trade profile of the United States. The United States is one of the most well established and mature IP jurisdictions, however, the legal, economic, and trade policy context of IP continued to evolve significantly in the review period, notably through major legislative developments, significant judicial decisions, regulatory legislation, strengthened domestic enforcement, an enhanced policy focus on the role of IP, and consolidation of a trend towards development of markets in IP.

6. U.S. import policy has remained relatively static in recent years, with few major legislative or regulatory initiatives. On the export side, the United States has launched the National Export Initiative, aimed at improving trade advocacy and pursuing policies to promote growth; and the Export Control Reform Initiative, to reconcile policies for export controls. In addition, the

Export-Import Bank has significantly increased its export financing to support the National Export Initiative.

7. Since 2010, growth has averaged 2.2% annually. Recovery slowed somewhat in 2011 and original projections for 2012 have been revised slightly downwards, in large part due to the impact of the European financial crisis and its impact on third country markets. While there are generally positive signs in the U.S. recovery, it will still take more time to reach pre-crisis levels, and certain aspects of the economy still show weaknesses, such as the housing market and unemployment levels.

8. International trade and investment policies play an important role in the U.S. economy, with investment, consumer spending, and exports contributing to the growth in real GDP in recent years. In 2010, the President set a goal of doubling exports in five years, and two major policies have since emerged. Exports, as a share of GDP, have grown by 13% since the end of the recession and reached a historic high of 13.8% of GDP in 2011.

9. Following a significant downturn during the financial crisis, U.S. merchandise trade (imports and exports) rebounded in 2010 and 2011 and surpassed 2008 record levels. While both imports and exports grew, import growth outpaced export growth, thus the worsening of the merchandise trade deficit. Imports grew 16% to reach US$2,236 billion, and exports also grew 16% to reach US$1,497 billion. Services trade, on the other hand, has shown a strong and growing trade surplus in recent years and has had an important impact on the current account balance. U.S. commercial services exports grew 9.2% in 2011, while imports grew 6.9%, thus the trade in services surplus widened to US$186 billion.

10. The United States has one of the largest agriculture sectors in the world with a total value of production of US$372 billion in 2011. It is also the largest agriculture exporting country, with exports of US$144.8 billion, although agriculture represents less than 1% of GDP. Due to its large share in world production, exports, and imports of agricultural products, developments in the United States, including changes to agricultural policies, have an important impact on world markets. There have been no major changes to agriculture policies in the United States since its last Review, and The Food, Conservation, and Energy Act of 2008 remains the basis for most agricultural programmes until it expires.

11. On customs-related issues, the U.S. continues to move forward on a number of trade facilitating initiatives that were passed into legislation several years ago, but have been delayed or not yet been fully implemented, e.g. scanning of maritime containers and air cargo, thus their full impact or effects are not yet clear. Long-standing laws and regulations on rules of origin and marking requirements remain virtually unchanged, albeit their complexity and application remain unnecessarily cumbersome with the possibility of several different rules being applicable across sectors and final outcome being dependent on a number of factors. The United States also imposes a number of fees or charges on imports that vary depending on the source, value, and type of import; these include the merchandise processing fee, COBRA fees, harbour maintenance tax, agriculture fees, and excise taxes. On customs valuation, the situation has remained virtually unchanged with no new legislation or procedures, and the position is similar for import licensing.

12. U.S. tariff protection on imports remained nearly unchanged during the review period and in general remains relatively low. Significant amounts of trade enter the United States duty free under MFN tariffs with zero rates of duty or through the preference programmes. However, significant tariff peaks remain in certain sectors, such as footwear, leather, textiles and clothing, and in agriculture where there is also a considerable number of non-*ad valorem* tariffs.

13. The United States continues to use trade remedies as part of its trade policy, as the use of anti-dumping (AD) and countervailing cases continued during the period. The initiation of AD investigations increased from 3 to 15 cases in 2011 after only a few initiations in 2010. There have been no particular trends in the overall number of CVD investigations initiated in recent years, but as with AD investigations, the majority of CVD investigations initiated during the past five years involved imports from Asian countries (92%). During the review period, the United States adopted or proposed several modifications to its methodology for the calculation of dumping margins in the case of non-market economies.

14. The United States continues to be active in the areas of standards and phytosanitary measures, especially in the work of the WTO Committees, with respect to making notifications, and with disputes concerning these subjects. Between 1 January 2010 and 30 June 2012, the United States made 520 notifications to the Committee on TBT of which, 337 were addenda or corrigenda, and 537 to the Committee on SPS. With a few exceptions, such as the Food Safety Modernization Act, the procedures for developing technical regulations and conformity assessment procedures for TBT and SPS matters have not changed over the past few years.