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## SUMMARY

1. The U.S. economy, the single largest in the world, continued to expand during the review period. Although GDP growth has been somewhat uneven on a quarterly basis since the last Trade Policy Review, real GDP continued to expand at annual rates of 2.4% and 2.6% in 2014 and 2015, respectively, before slowing down to an annual rate of around 1% in the first half of 2016. Growth in private consumption has been robust, and the unemployment rate has continued to decline from 10% in 2009 to less than 5% at present. A strengthening labour market and growth in personal income, together with falling energy prices, and low inflation, below the Federal Reserve's long-term objective of 2%, have boosted consumers' purchasing power. Gross capital formation was an engine of growth in 2014 and most of 2015, encouraged by low interest rates. However, investment contracted during the fourth quarter of 2015 and the first two quarters of 2016, partly due to inventory adjustment, declines in equipment and structures investment (both oil and non-oil), and the negative impact of lower crude oil prices on investment in the energy sector. Despite the robust economic performance, challenges remain, including dealing with a deteriorating infrastructure and rising income inequalities.
2. During the period under review, the fiscal stance turned rather neutral, as the authorities had limited recourse to fiscal policy instruments. Fiscal uncertainties were addressed through the Bipartisan Budget Act of 2015, which suspended the debt ceiling until March 2017 and avoided the risk of government shutdowns by locking in appropriations for 2016 and 2017. The current fiscal stance aims at reducing the fiscal deficit. In this respect, the President's Fiscal Year 2017 (FY17) Budget includes proposed measures to drive down future deficits, while implementing policies to accelerate growth and expand opportunities. The President's proposed policies would keep deficits below 3% of GDP while stabilizing debt and putting it on a declining path for the next decade.
3. Monetary policy was relatively accommodative during most of the review period, but the Federal Reserve initiated its "policy normalization process" (steps to raise the federal funds rate and to reduce the Federal Reserve's securities holdings) in 2015. The Federal Open Market Committee (FOMC), the Federal Reserve's policy body, raised the target range for the federal funds rate by a quarter of a percentage point in December 2015. However, the FOMC expects that economic conditions will warrant only gradual future increases in the federal funds rate.
4. The United States is the world's top importer, and the second leading exporter, of goods and services. U.S. merchandise exports are highly diversified, and are dominated by machinery, vehicles, chemicals, and refined petroleum products. Imports are as diversified as exports; their composition is led by manufactured products, which make up some 70% of the total. Machinery, transport equipment, and fuels constitute the main imported products. In 2015, the United States posted a merchandise trade deficit of US\$763 billion, slightly larger than in 2014, but 8.7% above the 2013 deficit. Both merchandise imports and exports contracted in 2015 reflecting to a large extent lower oil import prices, rising domestic production of crude oil and natural gas in the case of imports, and weak global demand and a stronger dollar in the case of exports. As in previous years, the merchandise trade deficit was partly offset by a surplus in trade in services and primary income. The United States traditionally posts a trade surplus in cross-border commercial services, with strong surpluses in areas such as financial services, transport, and charges for the use of intellectual property. The services surplus reached US\$262 billion in 2015. Canada, the European Union, China, Mexico, and Japan remain the United States' main trading partners for both goods and services. The United States remains the world's top destination for foreign direct investment, with total inflows of US\$348.4 billion in 2015. The current account continued to be in deficit during the review period; it reached US\$463 billion, or 2.6% of GDP, in 2015.
5. U.S. trade policy seeks to "promote growth, support well-paying jobs, and strengthen the middle class", as stated in the President's 2016 Trade Policy Agenda. To this end, the United States is actively engaged in negotiations within the WTO framework, as well as in regional or plurilateral settings. The United States has been a strong supporter of the Agreement on Trade Facilitation, which it has ratified, and the expanded Information Technology Agreement (ITA), which was implemented on 1 July 2016. Negotiations on the Trans-Pacific Partnership (TPP) Agreement were concluded in October 2015 and the Agreement

signed in February 2016, but ratification is still pending. The United States is actively engaged in negotiations to liberalize trade further, notably in the form of the Environmental Goods Agreement (EGA) and the Trade in Services Agreement (TISA).

6. The new Trade Promotion Authority (TPA) enacted on 29 June 2015, under the 2015 Bipartisan Congressional Trade Priority Act, provides the associated legislative procedure for new trade agreements until 1 July 2018, with a possible extension for new agreements until 1 July 2021. The 2015 TPA defines 13 trade negotiating objectives, addressing, *inter alia*, four new issues: state-owned and state-controlled enterprises (SOEs); localization barriers to trade; currency issues; and, good governance, transparency, the effective operation of local regimes and the rule of law of trading partners.
7. The United States extends unilateral preferences to developing countries, including least developed countries (LDCs), under its programmes of the Generalized System of Preferences (GSP), the African Growth and Opportunity Act (AGOA) and the Caribbean Basin Initiative (CBI). Both GSP and AGOA were reauthorized by Congress on 29 June 2015 under the Trade Preferences Extension Act of 2015. The present authorization for GSP is valid until the end of 2017, while preferences under AGOA remain authorized until 2025. No new free trade agreement has entered into force in the United States since the U.S.–Panama FTA in 2012.
8. The foreign investment regime in the United States remained unchanged during the review period. The regime is generally open and liberal, although some restrictions may apply, primarily for prudential or national security reasons. Certain transactions may be subject to a Committee on Foreign Investment in the United States (CFIUS) review on grounds of national security. The 2011 SelectUSA programme continues to be the Federal Government's primary vehicle to promote inward investment in the United States.
9. The long-standing commitment of the United States to open trade policies continued in the period under review. A number of trade facilitation measures have been implemented. In this respect, efforts have been focused on the implementation of the single-window International Trade Data System (ITDS) by 31 December 2016. In the future, traders will use the Automated Commercial Environment (ACE) to supply all information required by U.S. Customs and Border Protection (CBP) and its 47 Partner Government Agencies for the clearance of imports and exports. Other trade facilitation measures include continued work on simplified entry programmes and trusted trader programmes.
10. Overall, the legal and regulatory framework for tariffs, rules of origin, import licensing, customs valuation, and import fees and charges remained unchanged during the review period. The current tariff, implemented in January 2016, has 10,516 tariff lines at the 8-digit level. Most MFN tariffs are *ad valorem*, but specific and compound duty rates cover approximately 11% of all tariff lines. Non-*ad valorem* tariff rates are concentrated in agriculture, fuels, textiles, and footwear. Most MFN rates are identical to their bound levels and have remained virtually unchanged for 10 years or more. The simple average tariff amounted to 4.8% overall in 2016. Nearly 37% of the tariff lines face no import duty on an MFN basis, and a further 7.8% of tariff lines are subject to duty rates of 2% or less. Tariffs above 25% *ad valorem* are concentrated in agriculture (notably dairy, tobacco, and vegetable products), footwear, and textiles. An estimated 22 tariff lines corresponding to agricultural products carry import duty rates above 100%.
11. Most U.S. imports of goods receive MFN treatment. In 2015, tariff treatment under U.S. reciprocal or unilateral preference programmes was claimed for less than 20% of the import value. Although a certain opening has taken place, U.S. economic embargoes on Cuba and Iran remain in place. Sanctions against the Democratic People's Republic of Korea (DPRK) were tightened in 2016 and effectively embargo all trade with DPRK.
12. The United States continues to be an active user of anti-dumping (AD) duties. During the period 2014 to end-June 2016, the number of AD investigation initiations totalled 85. There were 269 AD orders in place as of 30 June 2016. The trading partners most affected by the measures were China, the European Union, India, Japan, the Republic of Korea, and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). The investigations initiated during the period were mainly concentrated in the steel industry. The

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average duration of an AD measure in place at the end of 2015 was seven years. There were 60 countervailing duty (CVD) investigations initiated between 1 January 2014 and 30 June 2016. A total of 69 CVD orders were in place in late June 2016.

13. Standardization activities in the United States are decentralized and demand driven. Circular A-119 directs federal agencies in the elaboration of technical regulations to rely on voluntary consensus standards, rather than developing government-unique standards, unless this approach is inconsistent with law or otherwise impractical. The U.S. Office of Management and Budget (OMB) issued a revised Circular A-119 in January 2016, which takes into account regulatory developments since 1998, including the increasing accessibility and online availability of documentation, and the need to ensure the timely updating of standards.
14. Implementation of the 2011 Food Safety Modernization Act (FSMA), which aims at shifting the regulatory approach from response to prevention of food safety hazards, was a core activity of the authorities during the period under review. The legislation provides new powers to hold food companies responsible for the prevention of contamination. Key implementing regulations entered into force between September 2015 and July 2016. Most regulations include phased-in compliance dates for small and very small businesses. The Food and Drug Administration (FDA) continues to issue guidance documents to assist industry in complying with the new food safety regulations.
15. Reform of the U.S. export control system continues. The aim of the Export Control Reform (ECR) Initiative is to achieve a reallocation of resources to improve controls on the more sensitive items. Fully implemented, the new export control system should be based on a unified control list, a single licensing agency, an integrated information technology platform for licensing and enforcement, and a single enforcement coordination centre. The United States lifted an effective ban on exports of crude oil in December 2015. Following authorizations by the Department of Energy, the first major shipment of liquefied natural gas from the United States took place in February 2016.
16. In December 2015, a few months after the authority of the Export-Import Bank of the United States (EXIM Bank) temporarily lapsed, the U.S. Congress passed legislation to reauthorize it until 30 September 2019. However, due to an operational drawback, EXIM Bank is for the time being not in a position to grant medium- and long-term authorizations above US\$10 million. The reauthorization of EXIM Bank was accompanied by a mandate for the United States to initiate multilateral negotiations to end export credit financing by 2025. The operations of the Overseas Private Investment Corporation (OPIC), the U.S. Government's development finance institution, have been growing over the years. The U.S. Congress has been considering legislation under various vehicles to extend the authority of OPIC to operate on a longer-term legal basis.
17. The United States has no overarching legal framework governing support at federal and sub-federal levels. Traditionally, federal support has been in the form of grants, tax concessions, loan guarantees, and direct payments. The Small Business Administration continues to actively support small businesses and entrepreneurs, administering several programmes offering export financing to small businesses exporting or planning to export. Legislation passed in December 2015 simplified the taxation of small businesses and made certain tax cuts permanent for them.
18. The United States' anti-trust enforcement agencies have continued to be active during the period under review. The Department of Justice's Antitrust Division obtained a record US\$3.6 billion in criminal fines and penalties in FY2015, notably due to settlements with financial institutions and auto part manufacturers in the United States and elsewhere. It has also continued to prosecute collusion and fraud in the financial services industry, resulting in criminal fines of more than US\$2.5 billion for price fixing in the foreign exchange markets for U.S. dollars and euros, and manipulation of key reference interest rates (LIBOR). The Federal Trade Commission's (FTC) merger and non-merger enforcement activities in FY2015 resulted in estimated savings to U.S. consumers of US\$3.4 billion. In the merger area, in FY2015, the FTC challenged 22 proposed transactions in industries critical to consumers, such as healthcare, pharmaceuticals, hospitals, and retail. Both agencies also provide advice and assistance to governmental bodies and other institutions in their decisions affecting consumers or competition through the filing of advocacy letters.

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19. The United States is a party to the WTO Agreement on Government Procurement (GPA) and played an active role in the negotiations leading to the Revised Agreement on Government Procurement. Government procurement at the federal level is decentralized, and is carried out through the various executive agencies' procurement systems. Under the Buy American Act of 1933 (BAA), the purchase of supplies and construction materials by government agencies is limited to those defined as "domestic end-products", in accordance with a two-part test that must establish that the article is manufactured in the United States, and that the cost of domestic components exceeds 50% of the cost of all the components. The BAA does not apply to services. The Trade Agreements Act of 1979 waives the application of the BAA to the end-products of designated countries, which include the parties to the GPA, bilateral agreements that cover government procurement, Caribbean Basin Economic Recovery Act (CBERA) beneficiaries, and least developed countries. Exceptions to the BAA can also be granted if it is determined that the domestic preference is inconsistent with the public interest, in case of U.S. non-availability of a supply or material, or for reasonableness of cost. U.S. government procurement policy continues to seek to increase the participation of small businesses, including veteran-owned, women-owned, and disadvantaged small businesses. To this end, it carries out a policy of fixing set-asides when market research concludes that small businesses are available and able to perform the work or provide the products being procured by the Government.
20. The United States is an important producer and exporter of goods and services that embody knowledge and other intellectual property developments. In 2014, intellectual property (IP) was present in some 52% of U.S. goods exports and IP-intensive industries in the United States accounted for 38.2% of U.S. GDP. The United States traditionally posts a surplus in IP-related trade, as measured by the category charges for the use of IP. In 2015, net receipts were US\$85.2 billion. IP protection is a key issue for the United States and enforcement is sought through a variety of mechanisms, such as bilateral IP agreements and investment treaties, and free trade agreements. The United States also pursues IP protection through such vehicles as the annual Special 301 review and report. In the 2016 Report, 34 U.S. trading partners were listed: 11 on the Priority Watch List and 23 on the Watch List. The Notorious Markets List, published separately, identifies selected markets facilitating substantial copyright piracy and trademark counterfeiting. Investigations are also carried out through Section 337 of the Tariff Act of 1930, which declares unlawful the importation into the United States of articles that infringe a valid U.S. patent, registered trademark, registered copyright, registered mask work, or vessel hull design. Between 1 January 2013 and 23 June 2016, 144 new Section 337 investigations were instituted covering products from 31 trading partners.
21. With respect to sectoral policies, U.S. agricultural policy is increasingly focused on insurance and risk management to provide a safety net for farmers in need. The U.S. agricultural sector is among the largest in the world, and the United States is a major world exporter of many agricultural commodities. Although their share of GDP is small, agricultural activities are very important to the local economy in parts of the United States. Average tariff protection to agriculture remains higher than protection accorded to non-agricultural goods. In 2016, the average tariff on agricultural products (WTO definition) was 9.1%, compared with 4% for non-agricultural products. The 2014 Farm Act introduced a number of substantial changes to the system of support to agricultural producers: it eliminated the direct payments to crop production and introduced several modifications to other support programmes. Some features of the 2014 Farm Act are: the Price Loss Coverage (PLC) programme, which provides payments on a share of historical base acres and yields when prices fall below reference price levels for covered crops; the Agricultural Risk Coverage (ARC) programme, which provides payments on a share of historical base acres and yields when revenue at the county or farm level for covered commodities falls below county-based or individual benchmark guarantees; the Supplemental Coverage Option (SCO), a supplementary area-based insurance policy; the Stacked Income Protection Plan (STAX), an insurance plan for producers of upland cotton that can be purchased on its own or in conjunction with other crop insurance; and the Margin Protection Program for Dairy Producers (MPP-Dairy). Early data suggest that total payments under the PLC and ARC programmes are not markedly different from past expenditures under discontinued programmes.
22. The financial services industry has largely recovered from the financial crisis. The majority of financial institutions have repaid the money that they received from the Government's Troubled Asset Relief Program (TARP) during the crisis. By the first quarter of 2016, only 16

banks remained under TARP, out of the 707 that received funds. During the review period, financial services reform continued under the provisions of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and its related regulatory rules. The Act aims at promoting financial stability and addressing "too big to fail" considerations. It established a new and comprehensive regulatory framework and extended regulation over new markets, entities, and activities. In total, the Dodd-Frank Act mandated 390 rulemaking requirements by 20 regulatory agencies, a process that is still ongoing. As of July 2016, 274 of these 390 rulemakings had resulted in finalized rules, 36 rules had been proposed, and the remaining 80 of these statutorily mandated rules had yet to be proposed by financial services regulators.

23. The United States had a trade surplus in telecommunications, computer, and information services estimated at around US\$9 billion in 2015. Since 2014, the penetration rates of mobile telecom services, including telephony and broadband, have exceeded 100%. In February 2015, the Federal Communication Commission (FCC) adopted a new Open Internet Order, which reclassified both fixed and mobile broadband internet access services as telecommunications services. As a result, broadband internet access service providers are now subject to some of the same rules that apply to common carriers, including a prohibition on unjust or unreasonable practices or unreasonable discrimination. The Open Internet Order prohibits blocking, throttling, and paid prioritization of internet traffic.
24. The general framework for the transport sector in the United States remained largely unchanged during the period under review. The air transport industry consolidation continued, with the result that there are now four large carriers operating in the U.S. domestic passenger market; regional airlines are still actively negotiating merger deals. The United States maintains "open skies agreements" (OSAs) with nearly 120 countries; these OSAs cover issues of, *inter alia*, market access, pricing, and commercial opportunities, including code-sharing, self-handling, user charges, fair competition, and intermodal rights. Most U.S. public-use airports with commercial services are publicly owned, either by States or local governments, or by local authorities, although there are no legal or regulatory barriers to prevent airports from being privately owned. The United States offers grants for the planning and development of public-use airports through the Airport Improvement Program (AIP). The share of costs covered by grants from the AIP can be up to 93.75% of eligible costs for small primary and general aviation airports. Some Buy American provisions apply to airport infrastructure projects when they are financed under the AIP; however, discretionary waivers may be granted under certain conditions.
25. In maritime transport, restrictions on cabotage of goods and passengers remain in place. Cargo and passenger services between two points in the United States, either directly or via a foreign port, are reserved for ships that are registered and built in the United States and owned by a U.S. corporation, and on which 100% of the officers and 75% of the crew are U.S. citizens. As of 2 August 2016, 93 oceangoing, self-propelled, cargo-carrying vessels of 1,000 gross tons and above were eligible for cabotage services. Foreign-owned U.S. companies may engage in cabotage if they comply with domestic employment conditions; they may also own and operate ships flying the U.S. flag in international service. Existing legislation also continues to provide cargo preferences for U.S.-flagged vessels, such as the requirement that at least 50% of the gross tonnage of all government-generated cargo being transported by U.S.-flag vessels. However, preferences for transporting agricultural cargos under certain USDA and USAID foreign assistance programmes were revoked in 2012.